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# ECONOMIC UPDATE

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## EXECUTIVE SUMMARY

**ECONOMY: ECONOMIC MOMENTUM SOFTENED INTO YEAR-END**, with manufacturing activity contracting for a 10th straight month as the ISM Manufacturing PMI fell to 47.9 in December, the weakest reading of 2025. Consumer sentiment weakened further as the **Conference Board Consumer Confidence Index declined to 89.1 in December**. Hard data pointed to an uneven economy: **factory output was flat in November** after an October decline, with motor vehicle production easing as post-EV-tax-credit demand normalized, while **core capital goods orders rose 0.5% and shipments increased 0.7% in October**, signaling continued equipment spending supported in part by AI-related investment. Inflation moderated but remained elevated in key areas, with **CPI up 2.7% year-over-year in November** and core **CPI up 2.6%**, while energy inflation accelerated on a 12-month basis. **Retail sales were unexpectedly flat in October**, though **core retail sales jumped 0.8%**, suggesting consumer spending remained supported by higher-income households even as affordability pressures weighed on lower- and middle-income buyers. The labor market showed a slow-growth profile, with **payrolls rising 64,000 in November and the unemployment rate reported at 4.6%** amid shutdown-related data distortions, while wage growth cooled to 3.5% year-over-year. Housing demand improved late in the month as **pending home sales rose 3.3% in November** to the strongest level in nearly three years, aided by lower mortgage rates, improving affordability, and higher inventory.

**STEEL: CONSOLIDATION, TRADE ENFORCEMENT, AND CAPACITY DECISIONS SET THE TONE**, as service-center M&A accelerated with Varsteel expanding further into Canada and Russel Metals closing its \$102M U.S. acquisition from Klöckner. In the U.S., lawmakers introduced the bipartisan STEEL Act to strengthen duty-evasion enforcement, while Commerce finalized corrosion-resistant steel duty orders after a long-running case. On the production side, U.S. Steel approved a \$350M reline at Gary Works and continued reshaping its asset base with the purchase of the former USS-POSCO site in California.

**AUTOMOTIVE: HYBRIDS GAINED GROUND AS AUTONOMY MOVED CLOSER TO SCALE**, with Ford reporting a 6% increase in U.S. vehicle sales driven by strong hybrid demand as EV momentum softened. Autonomous deployment advanced on multiple fronts, including federal lawmakers signaling renewed action on self-driving legislation, Mercedes-Benz preparing city-street driver assistance for U.S. launch, and Kodiak AI partnering with Bosch to move driverless trucking toward commercial scale. Battery strategy also adjusted, highlighted by LG Energy Solution's \$2.86B asset sale to Honda to streamline its Ohio joint venture.

**ENERGY: POLICY UNCERTAINTY AND GRID CONSTRAINTS DOMINATED**, as the U.S. paused leases for five offshore wind projects, prompting legal challenges from Equinor and Orsted and raising questions around long-term steel demand tied to offshore construction. At the same time, surging electricity demand from AI data centers forced utilities to keep aging peaker plants online, intensifying environmental and reliability debates across PJM and other major grids. Geopolitics stayed front and center as Washington outlined plans to control Venezuelan oil sales and revenues indefinitely, underscoring structural U.S. reliance on heavy crude imports.

**MEDICAL: REGULATORY CLARITY AND PIPELINE ACTIVITY STOOD OUT**, with the FDA moving to limit oversight of low-risk wellness wearables while reinforcing boundaries around medical claims. On the deal side, Eli Lilly was reported to be in advanced talks to acquire Ventyx Biosciences for more than \$1B, while Moderna secured up to \$54.3M from CEPI to advance late-stage development of its mRNA bird flu vaccine, signaling renewed focus on pandemic preparedness heading into 2026.

**AEROSPACE: SUPPLY-CHAIN CONTROL AND DEFENSE SPENDING REMAINED KEY DRIVERS**, as Boeing closed its acquisition of Spirit AeroSystems, bringing critical fuselage and wing operations back under direct oversight amid ongoing quality concerns. Defense demand stayed elevated, with the Pentagon awarding Lockheed Martin a \$328.5M Taiwan-related contract as part of a broader arms package. Investor attention also turned toward space, with sources saying SpaceX is preparing a potential 2026 IPO that could rank among the largest ever.

**COMMODITIES: STRUCTURAL SUPPLY CONSTRAINTS AND TRADE FLOWS SHAPED MARKETS**, as copper neared record highs on renewed focus on mine tightness and long-term electrification demand. China's trade surplus surpassed \$1T for the first time, driven by redirected exports toward Europe and other Asian markets, heightening concerns over industrial overcapacity and potential trade responses. In agriculture, Brazil was set to overtake the U.S. as the world's top beef producer.

**OVERSEAS: EXPORT CONTROLS, DEFENSE, AND ENERGY TRANSITION INVESTMENTS CONVERGED**, with the U.S. approving annual 2026 licenses for Samsung Electronics and SK Hynix to ship chipmaking tools to China under a tighter review system. Washington also pressed the EU to exempt U.S. oil and gas from methane-import rules through 2035, a demand Brussels rejected as it defended its climate framework. In Asia, Japan advanced hydrogen infrastructure ambitions with Kawasaki signing a deal to build the world's largest liquefied hydrogen carrier, reinforcing momentum behind long-term energy transition logistics.

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**Varsteel has expanded its Canadian footprint**, acquiring Quebec-based Victoria Steel as part of its ongoing growth strategy. The Lethbridge, Alberta-based service center said the deal strengthens its coast-to-coast presence, broadens its structural steel product offering, and improves delivery times, building on its 2024 acquisition of Pacific Steel in Laval. Victoria Steel will continue operating independently under its existing management team, a structure Varsteel said will support continuity while expanding capabilities across key markets.

**Worthington Steel has entered talks to potentially acquire Germany's Klöckner & Co.**, confirming early-stage negotiations around a possible voluntary public takeover of the metals distributor. The Columbus, Ohio-based processor said no investment decision has been made and stressed that discussions may not result in a transaction, while Klöckner separately noted that terms and outcomes remain uncertain. The talks come amid ongoing consolidation across the service-center sector, where executives continue to point to a fragmented market and continued acquisition opportunities.

**Canada's federal government is exploring financial support for Algoma Steel**, as discussions advance around building new plate and structural beam mills aimed at preserving jobs and diversifying production. Local reports said the proposed investment could help save about 500 steelworker positions and enable Algoma to expand beyond flat-rolled steel into heavy structural products used in defense, housing, and infrastructure, though no formal agreement has been announced and a detailed business plan is expected in January.

**U.S. lawmakers have introduced the bipartisan STEEL Act**, aiming to strengthen trade enforcement by expanding Customs and Border Protection's authority to self-initiate duty-evasion investigations and tightening judicial review requirements. Sponsors said the bill would close loopholes that allow unfairly traded imports to undercut domestic producers, while industry groups including AISI and USOMA backed the proposal, noting that existing laws have already led to more than \$400M in assessed duties but require stronger enforcement tools.

**The U.S. has finalized anti-dumping and countervailing duty orders on corrosion-resistant steel imports**, completing a long-running trade case while allowing some shipments to enter duty-free due to procedural timing gaps tied to provisional measure expirations and government delays. Commerce said the lapse affects a limited window of entries and is unlikely to materially impact the market, even as import data show year-over-year declines from most

targeted countries alongside rising volumes from non-case suppliers.

**U.S. Steel has approved a \$350M reline of Blast Furnace No. 14 at Gary Works**, funding what the company described as critical maintenance to preserve long-term ironmaking capacity at the Indiana facility. The board-backed project supports continued production of iron for high-strength steel applications and is part of a broader capital program that includes roughly \$200M in additional upgrades at the hot strip mill and steel shop, as U.S. Steel advances multi-billion-dollar U.S. investments tied to its Nippon Steel partnership.

**United Steelworkers members have rejected a second proposed contract with Metallus**, voting down the tentative agreement reached earlier this month and sending the parties back to negotiations. Union leadership said it is gathering member feedback ahead of the next bargaining round, while Metallus expressed disappointment with the outcome but said it remains committed to negotiating in good faith before the current contract expires on Jan. 26, 2026.

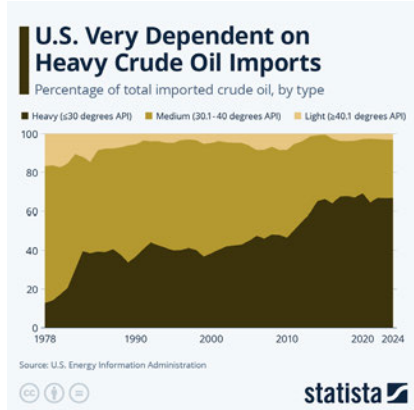
**A U.S. judge has ordered U.S. Steel and Algoma Steel to arbitrate their pellet supply dispute**, directing the companies to resolve the contract disagreement under the arbitration terms of their 2020 agreement. The ruling rejected Algoma's jurisdictional challenge and confirmed that the matter must proceed in Pittsburgh, where the contract specifies arbitration under Pennsylvania law.

**U.S. Steel has purchased the former USS-POSCO property in California for \$275M**, acquiring the Pittsburg site where the idled USS-UPI mill operated before being taken offline in 2024. The transaction was completed through U.S. Steel Property Holdings, though the company has not disclosed plans for the property as it advances broader U.S. investment commitments tied to Nippon Steel.

**Canada-based Russel Metals has closed its \$102M acquisition of seven U.S. service centers**, completing the previously announced deal with Kloeckner Metals and expanding its U.S. footprint. The acquired locations span Iowa, North Carolina, Georgia, Texas, and Florida and generated roughly \$500M in average annual revenue between January 2023 and June 2025. Russel Metals said the transaction lifts the U.S. share of its total revenue to about 50%, up from 39% in 2024, reflecting the company's continued expansion south of the border. Kloeckner Metals is the U.S. subsidiary of Germany-based Klöckner & Co.

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**U.S. dependence on heavy crude oil imports has grown sharply over the past four decades**, helping explain Washington’s strategic focus on countries like Venezuela that produce heavy oil. Most U.S. refineries are configured to process heavy crude (under 30° API), while the bulk of domestic U.S. production is light crude (over 40° API), limiting how much homegrown oil refineries can actually use without costly upgrades. As a result, heavy crude accounted for about 67% of U.S. crude oil imports in 2024, up from roughly 13% in 1978, underscoring a long-term structural reliance on foreign heavy oil supplies, according to U.S. Energy Information Administration data.



**The U.S. said it needs to control Venezuela’s oil sales and revenue indefinitely as part of its strategy to drive political and economic change**, with Energy Secretary Chris Wright saying Washington will first market stored Venezuelan crude and then future production, with proceeds deposited into U.S.-controlled accounts. The comments follow a newly announced deal to export up to \$2B in Venezuelan oil to the United States and come ahead of planned White House talks with major U.S. oil companies aimed at increasing output from the OPEC nation.

**The U.S. has paused leases for five offshore wind projects**, creating renewed uncertainty for demand for heavy steel plate used in offshore wind construction. While a federal judge struck down the administration’s broader wind-blocking executive order as unlawful, the leases remain paused—not canceled—with no clear timeline for resumption, affecting projects along the East Coast. Offshore wind facilities are among the most steel-intensive energy assets, with foundations, towers, and substations requiring hundreds to thousands of metric tons of steel per turbine, leaving plate demand exposed to policy risk.

**The Pentagon has awarded Lockheed Martin a \$328.5M contract**, covering a foreign military sale to Taiwan to address what U.S. officials described as an urgent operational need for the Taiwan Air Force. The deal includes 55 Infrared Search and Track Legion Enhanced Sensor pods and related equipment, with work to be performed in Orlando, Florida, and completion expected by June 2031. The award follows

a broader \$11.1B U.S. arms package announced in mid-December as Washington moves to bolster Taiwan’s defense amid heightened military pressure from China.

**Boeing has closed its \$4.7B acquisition of Spirit AeroSystems**, completing a major realignment of the commercial aerospace supply chain that brings key fuselage and wing operations back under Boeing’s control. The \$8.3B transaction splits Spirit between Boeing and Airbus following required divestitures, giving both planemakers direct oversight of previously problem-plagued supply chains as Boeing works to stabilize 737 production and address quality and delivery issues.

**Elon Musk’s SpaceX is preparing a potential 2026 IPO that could raise more than \$25B**, a move that sources said may value the rocket-maker at over \$1T and rank among the largest global listings ever. The planned offering has been driven largely by rapid growth in SpaceX’s Starlink business and progress on its Starship program, with discussions reportedly underway to launch the IPO as early as mid-2026 amid a broader revival in equity markets.

**Hyundai Motor Group plans to deploy humanoid robots at a U.S. factory starting in 2028**, introducing Boston Dynamics’ Atlas robots at its Georgia manufacturing plant to automate higher-risk and repetitive tasks. The South Korean automaker said the robots will initially handle parts sequencing, with responsibilities expanding toward assembly and heavier, more complex operations by 2030 as safety and quality are validated. Hyundai acknowledged labor concerns but emphasized that workers will remain essential for robot maintenance, training, and oversight, adding that partnerships with Nvidia and Google are aimed at improving safety and efficiency across future deployments.

**Kodiak AI has partnered with Bosch to scale hardware for self-driving trucks**, as the autonomous trucking company moves from pilot programs toward large-scale commercial deployment. Under the agreement, Bosch will supply automotive-grade sensors, steering, and actuation systems and work with Kodiak to develop a production-ready, redundant autonomous platform that integrates hardware, firmware, and software. Kodiak said the collaboration supports its goal of expanding driverless truck operations, building on recent deployments of customer-owned vehicles without human safety drivers.

**Ford reported a 6% increase in U.S. vehicle sales in 2025**, driven by strong demand for hybrid models and its affordable Maverick pickup as buyers shifted away from higher-priced electric vehicles. The automaker sold about 2.2M vehicles for

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the year, with hybrid sales jumping nearly 22% to more than 228,000 units and Maverick sales rising roughly 18%. Ford said consumer focus on affordability helped offset slowing EV demand, which also prompted the company to take a \$19.5B writedown and scrap several electric-vehicle programs late last year.

**The U.S. House is set to consider legislation that could accelerate deployment of self-driving vehicles**, with a House Energy and Commerce subcommittee scheduled to hold a hearing on January 13 to review proposals aimed at easing federal barriers. Lawmakers are weighing measures that would significantly raise the annual cap on autonomous vehicles deployed without human controls, limit state-level regulation of autonomous systems, and push the National Highway Traffic Safety Administration to speed safety exemption reviews. Automakers argue current rules are slowing innovation and competitiveness, while consumer advocates and labor groups continue to raise safety concerns as robotaxi testing expands.

**Amazon Web Services has expanded its partnership with Germany-based Aumovio to accelerate AI-driven development of self-driving vehicles**, with the collaboration focused on supporting the commercial rollout of autonomous trucks operated by Aurora beginning in 2027. Under the agreement, AWS becomes Aumovio's preferred cloud provider, enabling engineers to use generative and agentic AI to process massive driving data sets, identify rare edge cases, and speed validation of Level 4 autonomous systems. The move highlights the industry's shift from research toward scaled commercial deployment, particularly in freight, where Aurora has already launched limited driverless operations in the U.S.

**Mercedes-Benz will introduce autonomous driving assistance for U.S. city streets later this year**, launching its MB.DRIVE ASSIST PRO system that allows supervised self-driving from parking lot to destination, including navigating intersections and traffic signals. The technology, already available in China, will be priced at \$3,950 for three years in the U.S. and positions Mercedes as a direct competitor to Tesla's Full Self-Driving offering, though drivers must remain alert and ready to intervene. The rollout reflects broader industry momentum toward commercializing urban autonomous features while regulatory and safety constraints continue to limit full autonomy.

**Surging electricity demand from AI data centers is forcing utilities to keep aging "peaker" power plants online across the U.S.**, reversing planned retirements and raising pollution concerns, as grid operators like PJM Interconnection

struggle to meet record load growth tied to Big Tech's AI expansion. These peaker plants, designed for short bursts during demand spikes, are often oil- or gas-fired, emit more pollution than baseload facilities, and are disproportionately located in low-income and minority communities, prompting environmental justice concerns even as utilities and federal officials argue the plants are necessary to prevent blackouts amid tightening power supplies.

**LG Energy Solution will sell U.S. factory assets in Ohio to Honda in a \$2.86B deal aimed at improving joint-venture efficiency**, the South Korean battery maker said, noting the transaction excludes land and equipment and does not affect its stake in the JV. LGES and Honda selected Ohio in 2022 for a planned \$4.4B battery plant, and production is still expected to begin next year, with Honda saying the purchase supports long-term battery commitments for both EVs and hybrids, as South Korean battery makers adjust strategies amid slowing EV demand and recent cancellations of major supply deals.

**The U.S. Food and Drug Administration said it will limit regulation of health and fitness wearables**, issuing new guidance that clarifies low-risk wellness tools such as fitness apps and activity trackers will remain exempt from strict oversight as long as they do not make medical claims related to diagnosis or treatment. FDA Commissioner Marty Makary said the agency wants to encourage innovation while guarding against safety risks, noting concerns when devices cross into medical-grade claims like blood pressure measurement. Shares of Abbott, Medtronic, Dexcom and Garmin rose following the announcement, while the FDA reiterated it would continue to intervene when products blur the line between wellness tools and regulated medical devices.

**Eli Lilly is in advanced talks to acquire Ventyx Biosciences for more than \$1B**, the Wall Street Journal reported, citing people familiar with the matter, a move that would bolster Lilly's drug pipeline with treatments for inflammatory bowel diseases such as Crohn's and ulcerative colitis as well as Parkinson's. Shares of Ventyx jumped more than 50% in extended trading following the report, which said a deal could be announced imminently, while Lilly declined to comment on business development activity and Ventyx did not respond to requests for comment.

**Moderna said it has secured up to \$54.3M in funding from the Coalition for Epidemic Preparedness Innovations (CEPI)** to support late-stage development of its experimental bird flu vaccine mRNA-1018, which would be the first mRNA-based avian influenza vaccine to enter a pivotal trial, with studies expected to begin in early 2026 in the U.S. and

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UK; under the agreement, Moderna will reserve 20% of production capacity for low- and middle-income countries at affordable prices, marking a revival of the program months after the Trump administration canceled a separate \$700M U.S. government contract.

**Denmark's Orsted said its Sunrise Wind unit will challenge the U.S. government's suspension of its offshore wind lease**, seeking a court injunction after the Trump administration paused five East Coast projects in December over national security concerns. Orsted said Sunrise Wind was about 45% complete and on track to begin generating power as soon as October 2026 when the suspension was issued, adding that it has already spent and committed billions of dollars following an extensive federal review process, with the complaint filed in U.S. District Court in Washington, D.C.

**Brazil surpassed the United States as the world's top beef producer in 2025**, beating output forecasts by hundreds of thousands of tons as higher slaughter rates and sharp productivity gains helped ease a global supply squeeze and temper meat price inflation. Analysts say faster breeding cycles, younger slaughter ages, rising feedlot use and improved genetics allowed Brazil to expand production even as elevated slaughter would normally signal a downturn, with revised estimates showing output topping U.S. production for the first time as American volumes fell after years of drought.

**Centrus Energy won a U.S. Department of Energy task order worth \$900M to expand domestic uranium enrichment capacity at its Piketon, Ohio, site**, as Washington accelerates efforts to reduce reliance on Russian nuclear fuel supplies. The award is part of a broader \$2.7B DOE package to boost U.S. enrichment over the next decade and will support commercial-scale production of HALEU fuel for advanced reactors, while also backing Centrus' previously announced expansion of low-enriched uranium capacity and its growing base of utility purchase commitments.

**Equinor has filed a civil lawsuit in U.S. District Court challenging a Department of the Interior order suspending its Empire Wind offshore project**, saying it will seek a preliminary injunction to allow construction to continue while litigation proceeds, as the project is more than 60% complete and developed under contract with New York State Energy Research and Development Authority. The legal action follows the Trump administration's move to suspend leases for five East Coast offshore wind projects over national security concerns, a decision that has disrupted multi-billion-dollar developments and prompted similar challenges from Denmark's Orsted, with Equinor warning that prolonged

suspension could cause significant commercial and financing impacts.

**The United States has demanded that the European Union exempt U.S. oil and gas exports from the bloc's methane emissions law until 2035**, according to a U.S. government document seen by Reuters, arguing the regulation is an unfair trade barrier that could disrupt LNG supplies to Europe even as the EU insists it will not weaken or delay the world-first climate policy aimed at curbing methane emissions from imported fuels.

**EUROPE, AFRICA, & THE MIDDLE EAST:**

**Germany has outlined plans to begin production of an upgraded Taurus cruise missile in 2029**, according to a confidential €415M (\$483M) budget proposal expected to win parliamentary approval. The Taurus NEO would feature extended range, improved electronic protection, and upgraded navigation systems, with MBDA leading development alongside subcontractors Saab and Williams International, as Berlin looks to modernize its long-range strike capabilities while continuing to withhold the weapon from Ukraine.

**Germany and France may pursue a shared combat-air platform while retaining separate fighter jets**, as lawmakers push to salvage the stalled €100B (\$116B) Future Combat Air System amid disputes over workshare and technology. A senior German lawmaker said the program is in an "adaptation" phase, proposing a common networked core—such as the Combat Cloud—while allowing national variants to meet differing operational needs, as Berlin, Paris, and Madrid seek to break the deadlock in upcoming talks.

**Airbus has secured a €50M (\$58M) contract to deploy French military AI systems**, agreeing to integrate artificial intelligence developed by France's defense AI agency into weapons and information platforms used by the armed forces. The initial phase will upgrade the Spationav maritime surveillance system using AI to process satellite data, with future applications expected to expand into intelligence, cybersecurity, and military communications as France moves to centralize sensor data across domains.

**The UK and Germany have signed a joint \$70M procurement deal**, agreeing to acquire mobile RCH 155 artillery systems mounted on armored vehicles that can fire on the move and strike targets more than 70 km away. Britain will receive an early capability demonstrator, while Germany

**EUROPE, AFRICA, & THE MIDDLE EAST:**

will take delivery of two systems for testing, as both countries look to accelerate modernization of ground-based firepower through shared procurement.

**Sweden-based Volvo Cars reported a 2% increase in December vehicle sales**, driven by strong gains in fully electric models in Europe and the U.S. even as EV sales fell sharply in China, according to company data. Fully electric sales rose 28% year-over-year in December, with increases of 33% in Europe and 43% in the U.S., while China recorded an 80% decline, contributing to a 7% drop in full-year global volumes to about 710,000 vehicles. Volvo said it remains encouraged by demand for newer EV models despite tariffs, intense competition, and broader market pressures that led to job cuts and investment slowdowns in 2025.

**UK-based FirstGroup has won a contract to operate London's Overground rail network**, securing an agreement valued at about \$4B that will run for eight years starting in May 2026, with an option for a two-year extension. The deal makes the Overground FirstGroup's largest single contract with Transport for London and significantly expands its London rail footprint, where it already operates buses, trams, and the cable car. Analysts said the low-risk structure, with TfL retaining revenue and passenger risk, could support a future earnings upgrade for the operator.

**Italy-based Stellantis saw its vehicle production fall to a 71-year low in 2025**, with output dropping 20% year-over-year to about 380,000 vehicles as weak European demand, EV market softness, and delayed model launches weighed on volumes, according to the FIM Cisl union. Passenger car production alone slid to roughly 214,000 units, the lowest level since 1954, raising fresh concerns about the future of Italy's auto industry despite late-year support from new hybrid and SUV launches. Union officials said additional model introductions in 2026 could help stabilize output, though a full rebound remains uncertain.

**More than 30 automotive and supplier companies have expanded an open-source software collaboration**, aiming to accelerate next-generation vehicle development while cutting costs and complexity across the industry. The initiative, backed by Germany's VDA and announced at CES, brings together carmakers, suppliers, and chipmakers including Volkswagen, BMW, Mercedes-Benz, Stellantis, and Infineon, with participants targeting up to a 40% reduction in development and maintenance effort and faster time to market. Industry leaders said the growing pact reflects a broader global shift toward shared software platforms as automakers lean more heavily on AI and digital systems.

**European carmakers and fleet operators have urged Brussels to avoid mandatory EV purchase targets**, warning that compulsory requirements for corporate fleets would raise costs, slow vehicle turnover, and ultimately undermine electric-vehicle adoption. In a joint letter to the European Commission, companies including BMW, Toyota, and major rental and leasing firms argued that incentives and charging-infrastructure investment have proven more effective than mandates, especially as corporate fleets account for roughly half of new EU car sales. The appeal comes ahead of a broader EU automotive policy package expected to adjust emissions rules and clarify the path toward the bloc's 2035 internal-combustion phaseout.

**Norway has surged further ahead in the global EV race**, with fully electric vehicles accounting for nearly 96% of all new car registrations in 2025. A year-end rush to beat higher EV taxes helped push December's share close to 98%, reinforcing Norway's position as the world leader in phasing out petrol and diesel cars. Tesla remained the top-selling brand for a fifth straight year, while Chinese automakers continued to gain ground, underscoring how a mix of incentives and higher costs for combustion vehicles has reshaped the market.

**Nestlé has expanded its recall of certain infant formula batches beyond Europe to Africa, the Americas, and Asia**, after possible contamination with cereulide toxin prompted health warnings in at least 37 countries including Brazil, China, Australia, Mexico, and South Africa, though no illnesses have been confirmed; the widening recall adds pressure on the food giant as regulators trace affected SMA, BEBA, NAN, and Alfamino products to European manufacturing sites while Nestlé ramps up alternative sourcing to maintain supply.

**France's Sanofi said it will acquire U.S. biotech Dynavax Technologies for about \$2.2B (€1.9B) in a cash deal expected to close in Q1 2026**, adding Dynavax's adult hepatitis B vaccine Heplisav-B and an experimental shingles shot to its portfolio as the drugmaker looks to diversify growth beyond its blockbuster asthma drug Dupixent; Sanofi will pay \$15.50 per share, a roughly 39% premium, and fund the acquisition with available cash, while Dynavax shares surged nearly 39% on the news.

**ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:**

**Australia-based BlueScope Steel has received an \$8.8B takeover proposal**, after confirming an unsolicited, non-binding bid from a consortium led by Steel Dynamics Inc. and Australia's SGH Limited. The offer values BlueScope

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at A\$13.15B (\$8.83B) and would see SGH acquire the full business before selling the North American operations to SDI. BlueScope said its board is evaluating the proposal, noting it has previously rejected multiple SDI-led approaches as undervaluing the company and carrying execution risk. SDI and SGH said the deal would be funded through existing cash and debt and would allow each partner to focus on regions they view as strategically aligned.

**Australia is expected to sign a \$663M defense contract with Boeing**, moving the MQ-28 “Ghost Bat” combat drone into production with an initial order of six aircraft, according to media reports. The A\$1B agreement would mark the first Australian-designed military aircraft to enter production in more than 50 years and aligns with broader efforts to expand autonomous defense capabilities as Canberra faces pressure to increase defense spending amid growing Indo-Pacific security concerns.

**Global pilot groups have raised safety concerns over India’s decision to grant IndiGo a rest-rule exemption**, warning that easing night-duty and weekly rest requirements could increase fatigue risks after the carrier canceled more than 2,000 flights due to staffing shortfalls. The head of IFALPA said the exemption was not based on scientific evidence and could worsen pilot retention, while unions renewed calls for clearer global standards as regulators in other countries also consider similar duty-time exemptions.

**South Korea has signed a framework agreement to supply military equipment to Peru**, covering plans for 195 units including 54 K2 tanks and 141 wheeled armored vehicles in cooperation with a South Korean defense firm and Peru’s state-owned defense company. While no contract value was disclosed, officials said the deal represents South Korea’s largest-ever ground-equipment export to Latin America and would mark the first entry of the K2 tank into the region if implementation proceeds.

**South Korea-based Korea Zinc plans to build a \$7.4B critical minerals refinery in the U.S.**, announcing a Tennessee project backed heavily by Washington that is intended to reduce U.S. reliance on China for zinc, copper, rare earths, and other strategic materials. The facility, expected to open in 2029, will be funded through a mix of U.S. government loans, subsidies, and equity participation, with the Pentagon holding a 40% stake in the joint venture. Korea Zinc said the investment aligns with growing U.S. demand for secure mineral supply chains, while some shareholders criticized the deal as a move to entrench current management.

**The U.S. has announced an \$11.1B arms package for Taiwan**, marking the largest-ever U.S. weapons sale to the island as Washington moves to bolster Taipei’s deterrence amid rising military pressure from China. The package includes HIMARS rocket systems, howitzers, Javelin anti-tank missiles, loitering munition drones, and related equipment, and must still receive congressional approval. U.S. officials said the sale supports Taiwan’s shift toward asymmetric warfare and reinforces regional stability, while Beijing condemned the move as a threat to peace in the Taiwan Strait.

**China’s LandSpace plans to complete recovery of a reusable rocket booster by mid-2026**, as the Beijing-based private launch firm works to close the gap with SpaceX in lowering launch costs and increasing flight cadence. The company became the first Chinese entity to fully test a reusable rocket earlier this month, and executives said a successful second recovery attempt would pave the way for reusing boosters on subsequent launches, with longer-term ambitions likely requiring an IPO to fund high-frequency launch operations.

**Qualcomm has entered talks with Samsung Electronics over contract manufacturing of advanced 2-nanometer chips**, according to comments by Qualcomm CEO Cristiano Amon reported by the Korea Economic Daily. The discussions center on using Samsung’s latest foundry process for chips that have already completed design work and are nearing commercialization, as Qualcomm evaluates multiple manufacturing partners. Samsung has declined to comment on specific customers, but recent large supply agreements—including a \$16.5B deal with Tesla—have helped position its foundry business for renewed growth.

**Demand for China’s lithium batteries is expected to slump in early 2026 as domestic electric vehicle sales fall and exports slow**, according to Cui Dongshu, secretary general of China’s passenger car association, who said new-energy battery demand could drop sharply as purchase tax incentives are phased out. Cui said green passenger vehicle sales may decline at least 30% early next year, while commercial EV demand is also set to weaken after year-end subsidy pull-forwards, hitting battery makers such as CATL and EVE Energy, with exports unlikely to offset the slowdown as shipments to the U.S. fell despite steady demand from Europe.

**LG Energy Solution has cancelled a ₩3.9T (\$2.7B) battery supply contract with Freudenberg Battery Power Systems** after Freudenberg scrapped plans for its battery business, marking the second major contract loss for LGES in less

## ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

than 10 days and bringing total lost expected revenue to about ¥13.5T, more than half of the company's 2024 revenue, as weakening EV demand continues to reshape battery investment plans.

**India reported 11 outbreaks of highly pathogenic H5N1 bird flu on farms in the southern state of Kerala last month**, the World Organisation for Animal Health (WOAH) said, adding that the virus killed about 54,100 birds, mostly ducks, while another 30,289 were culled as a precaution; the outbreaks were detected from December 9 and confirmed on December 22, marking the first poultry cases reported in the country since May.

**Kawasaki Heavy Industries has signed a contract with Japan Suiso Energy to build the world's largest liquefied hydrogen carrier**, a 40,000-cubic-metre vessel to be constructed at its Sakaide Works in western Japan, as part of a government-backed effort to scale commercial hydrogen shipping. The ship builds on Kawasaki's earlier Suiso Frontier pilot and is designed to support ship-to-shore loading trials by the early 2030s, positioning the company to replicate its LNG tanker success as global demand for hydrogen accelerates.

**China's trade surplus surpassed \$1T in 2025 for the first time as of November**, driven by strong exports redirected toward Europe and other Asian markets despite weaker



shipments to the United States under tariffs, with rising demand for Chinese electric vehicles, semiconductors, and shipbuilding output, a weaker yuan, and only modest import growth collectively pushing the surplus higher as neighbors including the EU and ASEAN weigh measures

to curb a flood of Chinese goods while Beijing continues to leverage trade deals, Global South investment, and transshipment routes to sustain export volumes.

**The U.S. has approved annual licenses for Samsung Electronics and SK Hynix to ship chipmaking equipment to their China-based facilities through 2026**, according to sources, offering short-term certainty after Washington moved to tighten semiconductor export controls. The decision shifts the companies from long-standing waiver status to an annual review system, reflecting efforts by the Trump administration to curb China's access to U.S. technology while avoiding major disruptions to global memory chip supply chains, where both South Korean firms remain heavily reliant on China-based production amid strong AI-driven demand.

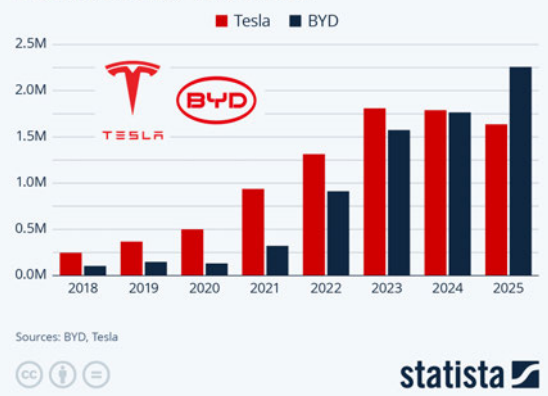
## ECONOMIC UPDATE: APPENDIX TO THE JANUARY 2026 ISSUE

### AUTOMOTIVE: BYD SURPASSES TESLA AS GLOBAL EV SALES LEADERSHIP SHIFTS

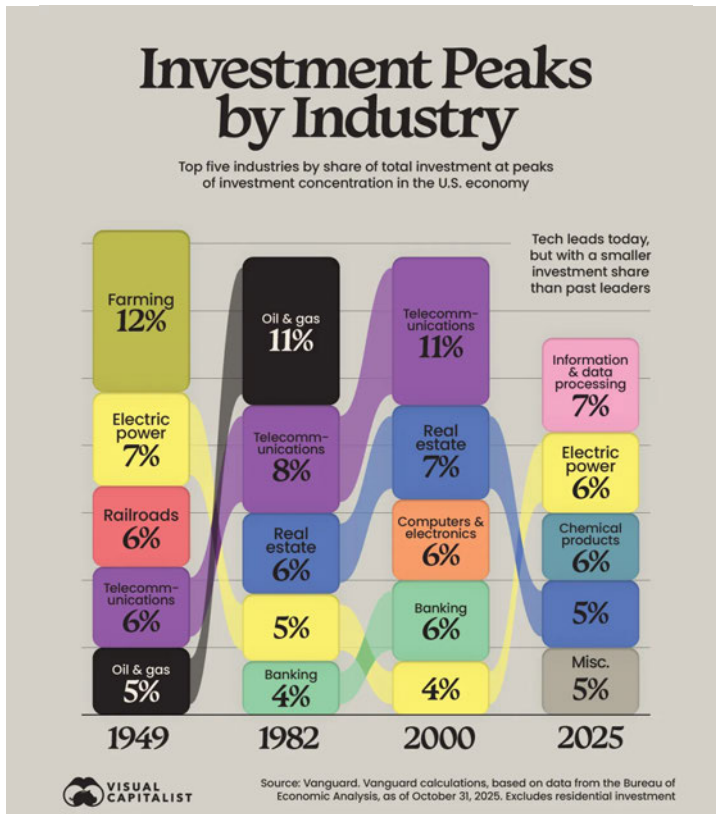
After years of leading global electric vehicle sales, BYD overtook Tesla in battery electric passenger vehicle deliveries in 2025. BYD's global EV sales increased 28% year-over-year to approximately 2.26 million vehicles, while Tesla's deliveries declined nearly 10% year-over-year to about 1.64 million, marking a second consecutive annual decline. The divergence was most pronounced in Europe, where Tesla's sales fell nearly 40% during the first eleven months of 2025; BYD's European sales more than tripled compared to 2024, reflecting accelerating international expansion beyond China.

### BYD Surges Past Tesla to Become World's Largest EV Brand

Annual battery electric passenger vehicle deliveries/sales of Tesla and BYD



## ECONOMY: LEADING U.S. INVESTMENT SECTORS SHIFT AND BECOME LESS CONCENTRATED OVER TIME



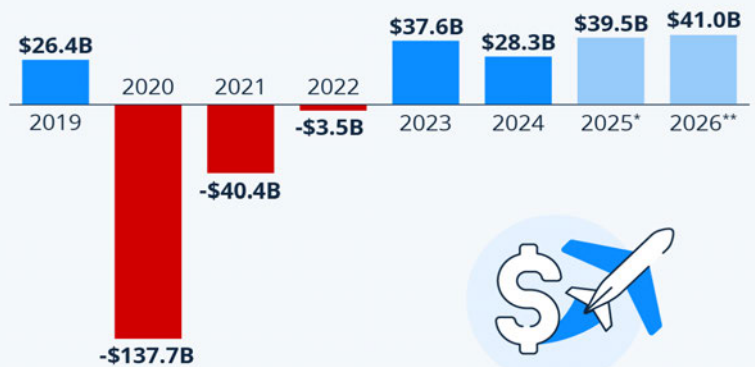
The composition of U.S. investment leadership has shifted significantly across major economic cycles, reflecting changes in technology, infrastructure needs, and capital allocation priorities. In 1949, investment was heavily concentrated in farming, electric power, and railroads, with the top sector capturing a 12% share, while later peaks saw leadership move to oil and gas in 1982 and telecommunications in 2000. By 2025, information and data processing emerged as the largest investment category at 7%, though with a notably smaller share than historical leaders, indicating a more diversified investment landscape with capital spread across a broader range of industries.

## AEROSPACE: GLOBAL AIRLINE PROFITS RECOVER AND APPROACH RECORD LEVELS

The global commercial airline industry returned to sustained profitability following pandemic-era losses, with total net profit reaching \$37.6B in 2023 and moderating to \$28.3B in 2024. Industry profit is estimated to rise to \$39.5B in 2025 and is forecast to reach a record \$41.0B in 2026, supported by continued passenger demand and improving cargo performance. The recovery follows historic losses in 2020 and 2021, when industry net losses reached \$137.7B and \$40.4B, respectively, emphasizing the scale of the sector's post-pandemic financial rebound despite ongoing cost and operational pressures.

### Despite Headwinds: Airlines on Track for a Record Year

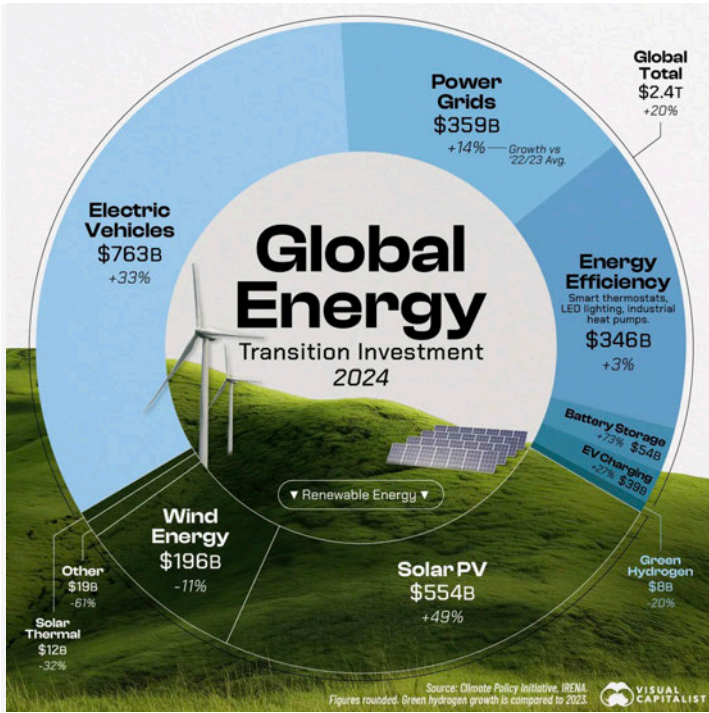
Total net profit/loss of the global commercial airline industry



Incl. passenger and cargo airlines  
 \* Estimate \*\* Forecast as of Dec. 2025  
 Source: International Air Transport Association



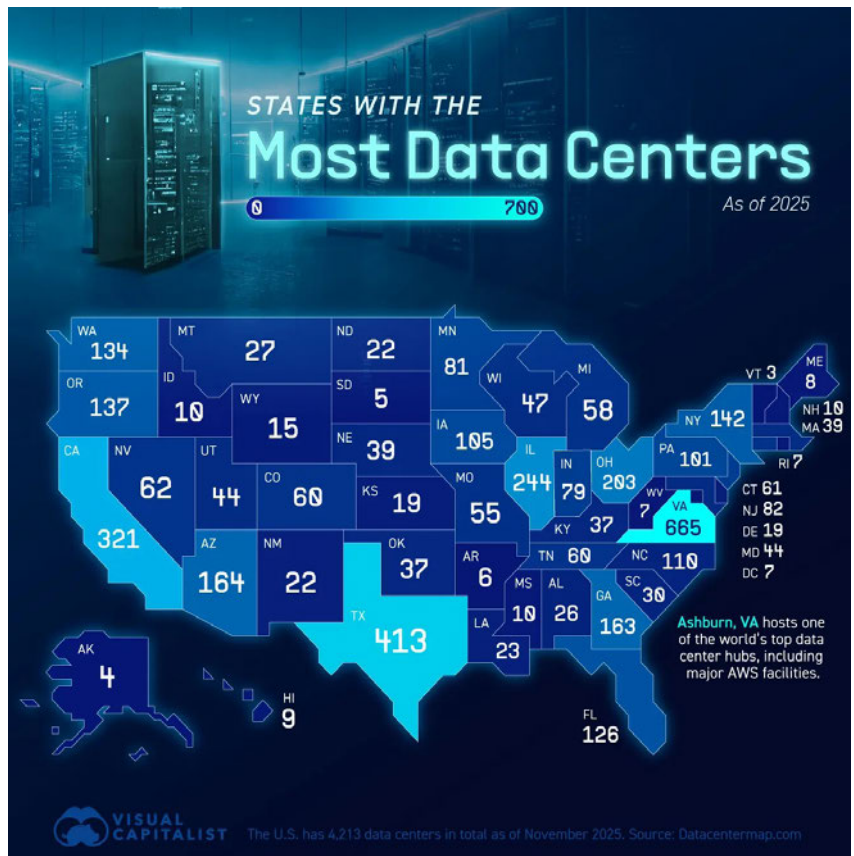
## ENERGY: GLOBAL ENERGY TRANSITION INVESTMENT REACHES \$2.4T IN 2024



Global energy transition investment reached a record \$2.4T in 2024, representing a 20% increase versus the 2022–2023 average, driven by continued expansion in electric vehicles and renewable power. Electric vehicle investment rose 33% year-over-year to \$763B, while solar PV spending increased 49% to \$554B, making these the two largest categories and together accounting for approximately 55% of total investment. Power grid investment climbed 14% to \$359B, energy efficiency spending reached \$346B, and battery storage recorded the fastest growth rate at 73% year-over-year to \$54B, while wind energy investment declined 11% to \$196B amid permitting and financing challenges.

## TECHNOLOGY: U.S. DATA CENTER CAPACITY CONCENTRATED IN A HANDFUL OF STATES

The U.S. data center footprint remains highly concentrated, with a small number of states accounting for a disproportionate share of national digital infrastructure as of 2025. Virginia leads by a wide margin with 665 data centers, followed by Texas with 413 and California with 321, reflecting the importance of power availability, fiber density, and proximity to hyperscale cloud customers. Secondary clusters have formed across the Midwest and Pacific Northwest, including Illinois, Ohio, Oregon, and Washington, highlighting a broader geographic expansion of data infrastructure even as Northern Virginia remains the dominant global hub.



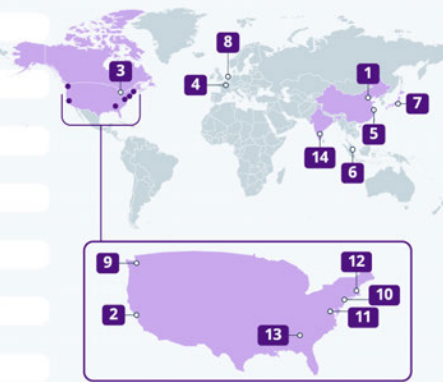
**ARTIFICIAL INTELLIGENCE: AI INVESTMENT CONCENTRATED IN A SMALL NUMBER OF GLOBAL HUBS**

**The World's Leading AI Investment Hubs**

Cities/regions where AI companies received more than 10 percent of local VC funding in 2023 and 2024



1	Beijing	66.2%
2	Silicon Valley	62.4%
3	Toronto-Waterloo	50.3%
4	Paris	43.2%
5	Shanghai	21.5%
6	Singapore	17.1%
7	Tokyo	16.2%
8	Amsterdam Delta	15.6%
9	Seattle	14.8%
10	New York City	14.2%
11	Washington DC	13.4%
12	Boston	11.6%
13	Atlanta	10.5%
14	Bangalore-Karnataka	10.1%



Source: Startup Genome



Global AI venture investment remains highly concentrated in a limited number of cities and regions, with China and the United States leading in funding intensity. Beijing ranked first globally in 2023–2024, with approximately 66% of local venture capital directed toward AI companies, followed by Silicon Valley at 62%, Toronto–Waterloo at 50%, and Paris at 43%. Other major hubs, including Shanghai, Singapore, and Tokyo, also exceeded the 10% threshold, accentuating the growing role of select global technology centers in attracting AI-focused capital even as absolute investment levels vary by region.

**ENERGY: CHINA DOMINATES GLOBAL INVESTMENT THROUGH 2026**

Global battery manufacturing investment is projected to reach \$184.0B during the 2025–2026 period, reflecting accelerating demand from electric vehicles and grid-scale energy storage. China is forecast to account for 71% of total global investment, equivalent to \$130.6B, far exceeding other regions, while Europe and the U.S. are projected to capture 11% (\$20.2B) and 10% (\$18.4B), respectively. Investment levels represent a sharp increase from the 2023–2024 period and highlight the continued concentration of battery manufacturing capacity in China despite policy-driven efforts to expand production in Europe and North America.



## ECONOMY: U.S. REMAINS LARGEST ECONOMY WHILE EMERGING MARKETS LEAD GROWTH



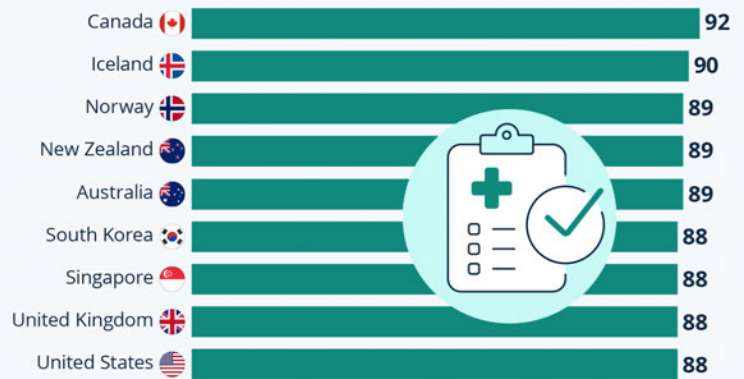
The United States remained the world’s largest economy in 2025 with real GDP totaling \$30.6T, accounting for more than one-quarter of global economic output, while averaging 2.1% annual real GDP growth since 2000. China ranked second at \$19.4T and recorded the fastest long-term growth among major economies, averaging 8.0% annually over the same period, while India grew at a 6.4% pace and surpassed the U.K. to become the world’s fifth largest economy. The data highlights a persistent divergence between economic scale and growth momentum, with advanced economies dominating in size and emerging markets driving long-term expansion.

## MEDICAL: ADVANCED ECONOMIES LEAD GLOBAL HEALTHCARE SERVICE COVERAGE

Countries with advanced healthcare systems continue to dominate global rankings for essential healthcare service coverage, based on the World Health Organization’s Universal Health Coverage (UHC) service coverage index. In 2023, Canada ranked highest with a score of 92 out of 100, followed by Iceland at 90 and Norway, New Zealand, and Australia each at 89, while several other high-income countries—including the U.K., the U.S., South Korea, and Singapore—clustered at scores near 88. The data highlights persistent global disparities in access to essential health services, with coverage gains slowing since 2015 and a significant share of the world’s population still lacking full access to basic healthcare.

### The Countries With the Best Healthcare Coverage

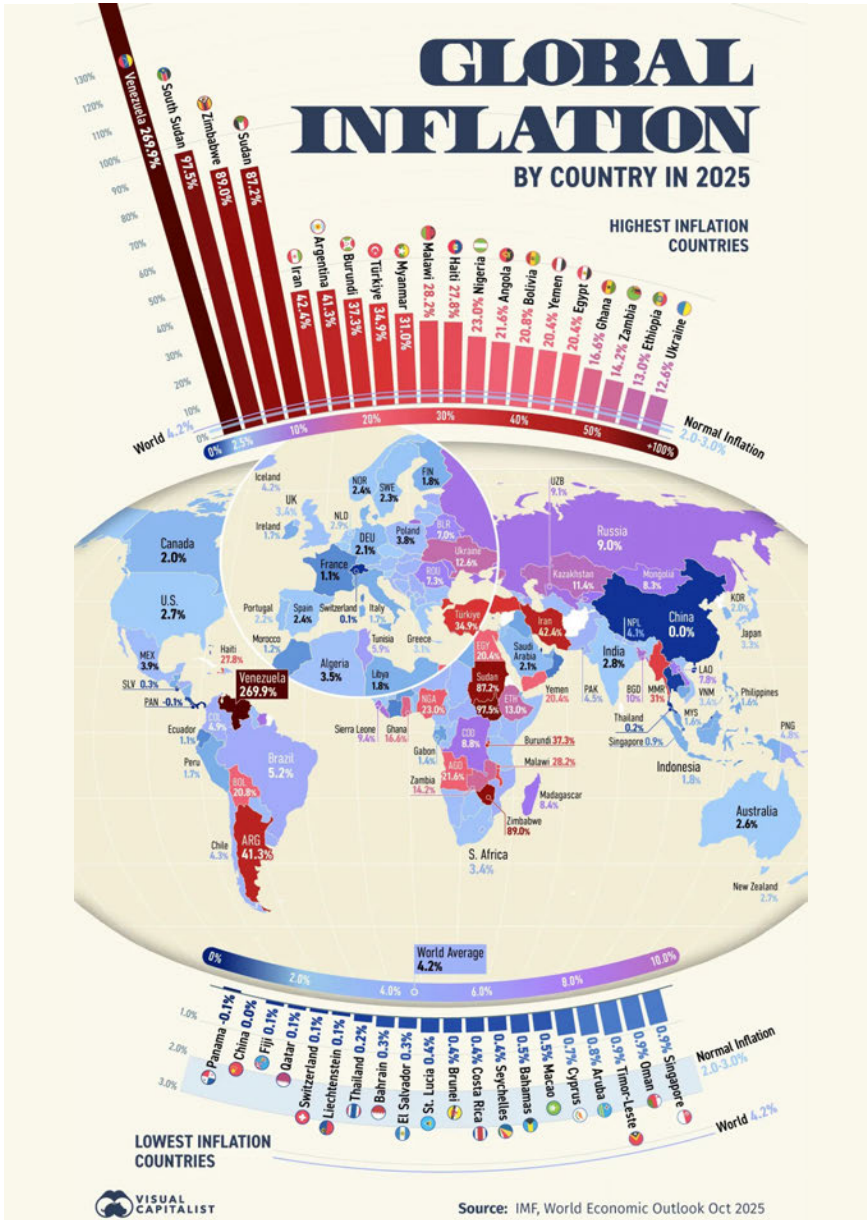
UHC service coverage index in 2023, by country (100 = best possible score)\*



\* UHC = Universal Health Coverage. Based on factors including reproductive, maternal, newborn and child health, infectious diseases, noncommunicable diseases and service capacity and access  
Source: WHO



## INFLATION: GLOBAL PRICE PRESSURES EASE IN 2025 DESPITE TRADE HEADWINDS



Global inflation averaged 4.2% in 2025, moderating from prior years despite the impact of elevated U.S. tariffs and ongoing geopolitical pressures. Inflation in the U.S. declined from 3.0% in 2024 to 2.7% in 2025, while several major economies—including France, Germany, and Italy—recorded rates near or below 2%, reflecting subdued energy and import prices. In contrast, inflation remained extremely elevated in a small number of countries, led by Venezuela at 269.9%, underscoring continued divergence in global price stability as the IMF projects further moderation to 3.7% in 2026.

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