Faculty of World Economy and International Affairs
School of World Economy

GLOBAL BUSINESS MONITOR

INDUSTRIAL AND REGIONAL TRENDS

Issue 1/2025

Contents

HIGHLIGHTS

The performance of the world's largest companies in 2024 can be generally recognized as positive. **The Global Performance Index 2024** was 69%, showing that more than 2/3 of companies increased their revenues compared to the previous calendar year. The gap between the performance of developed and developing countries' companies is not significant and provides the latter with only a slight advantage. Companies from developing world expanded their activities in the oil and gas, semiconductor, telecommunications and food sectors at a faster pace; despite the limitations, they competed with Western companies in the automotive, steel, platform business; they hold strong positions in the consumer electronics, transport and logistics sectors.

Investors' view of the near-term prospects of global business development is generally positive — the value of shares of the world's largest companies in Q1 2025 grew by an average of 1.5% against Q4 2024. The main drivers of growth were successful results of operations in 2024; expectation of continued high demand for products and solutions in IT industries amid the AI boom; deployment of programs to support crisis industries in Europe; accelerated development of the IT sector in China, primarily the semiconductor industry. During the quarter, stock quotes were negatively affected by high uncertainty caused by the aggressive and inconsistent US trade policy, sanctions pressure on China and Russia, as well as the continuing weak environment in the world's largest economies — the US, Europe, and China.

Tough sanctions pressure on Russia, Iran and Venezuela by the US and the EU became a key event in the global **oil and gas market**. Although it has briefly led to India and China refusing/suspension of supplies from these countries, analysts believe that the new restrictions will not have a strong impact on the volumes of sanctioned oil supplied to the global market, but will only lead to a change of routes and an increase in transaction costs.

The global **steel industry** has become one of the cornerstones of the trade war that has unfolded as a result of the aggressive trade policy of the new US administration. Another important event in the industry was the adoption by the European Commission of the Steel and Metals Action Plan, aimed at overcoming the crisis situation facing the European steel industry at the end of 2024.

The food sector acted as one of the tools for the EU, China and Canada to fight protectionism and trade and political threats of D. Trump — the countries raised duties on American agricultural products and food. The industry's players continue to expand activities through acquisitions, partnerships and international expansion.

The increase of import duties by the US President as a tool for attracting investment in the American automotive industry was a shocking event for the global **automotive industry**. The first reaction of a number of manufacturers was to revise their price lists and

suspend deliveries of some models to the United States in order to develop a strategy for working under the new conditions. The European Commission's presentation of the Comprehensive Support Plan for the automotive industry in order to bring the industry out of the crisis situation was also a landmark event. The plan is aimed at developing battery production, expanding the network of charging stations and increasing sales of electric vehicles in Europe.

The global **pharmaceutical industry** has not been spared from the trade war. While the US is considering imposing duties on Chinese and Indian pharmaceutical ingredients, major US and European pharmaceutical giants continue to actively cooperate with Chinese partners, while taking measures to mitigate potential risks.

The **semiconductor industry** continues to be the epicenter of the trade war between the US and China. Just as in the auto industry, D. Trump considers import duties to be the most effective tool for developing national production and achieving U.S. leadership in this industry. The strengthening of export controls is forcing China to strive for technological sovereignty at an even more intense pace. Despite the technological lag, Chinese companies are making some progress in this direction.

Higher import duties and increased pressure on China from the United States are forcing consumer **electronics companies** to change their strategies for organizing global production and supplying products to the U.S. market.

Investigations by US regulators into Chinese manufacturers and the expansion by the United States of its export control list to include about 80 companies suspected of contributing to China's military-industrial complex is a key development in the **IT equipment industry**, that has triggered a response from China. The AI boom, according to experts, will remain the key driver of the industry in the medium term.

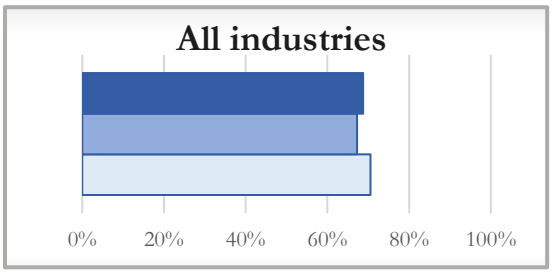
Chinese **platform companies** have also faced increased pressure from the US to limit their competitiveness and expansion in the US market. The development and implementation by platforms of AI solutions into their processes and products has become even more intense.

A sensational event in the **software industry** was the release of an AI model by Chinese startup DeepSeek, which surpassed the world market-leading American AI model ChatGPT in a number of parameters, including development time and cost. This breakthrough increased investor interest in the shares of Chinese technology companies, the value of which began to grow.

The development of satellite communications and the integration of artificial intelligence into products and services are key trends in the global **telecommunications sector**. U.S. regulators have not spared Chinese companies in this industry either — China's largest telecommunications operators operating in the U.S. market are called upon to clarify their ties with the Chinese military and government.

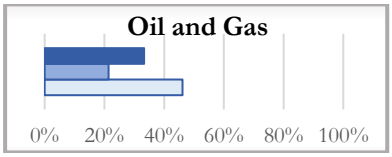
The global **transport and logistics sector** is frozen in anticipation of the consequences of the unfolding trade war initiated by the US and sanctions pressure on China. Uncertainty in the area of tariffs for trans-Pacific container transportation, volumes of cargo transportation by various modes of transport and route directions have become the key factors that will determine the further development of the industry.

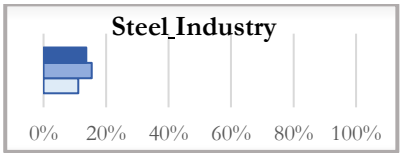
GLOBAL PERFORMANCE INDEX: 2024

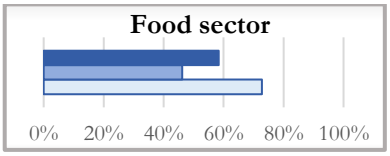


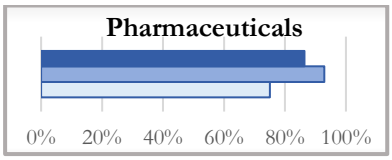
– all companies
– companies from developed countries
– companies from developing countries

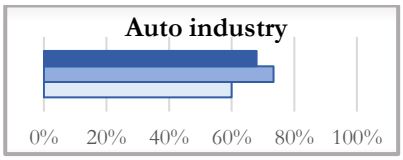
Source: based on financial statements of the companies

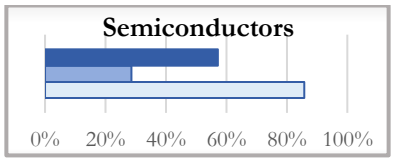


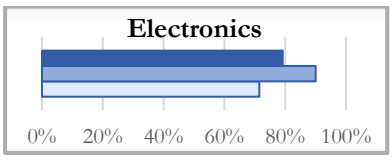


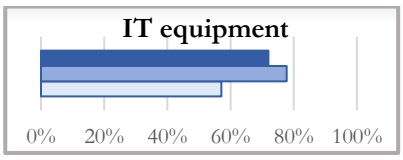


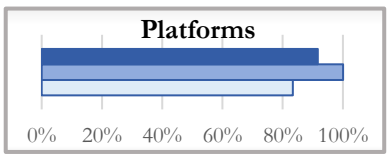


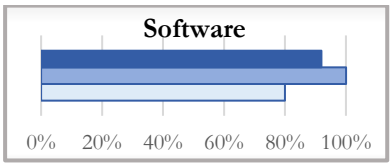


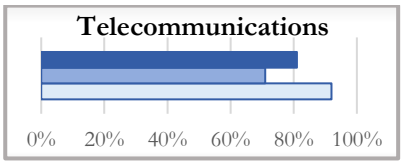


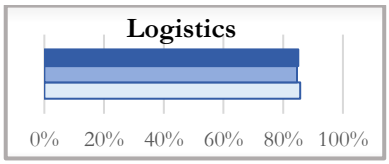












Note. The indices of global performance are based on the financial statements of 294 companies, including 165 companies from developed and 129 companies from developing countries. The Global Performance Index is calculated as the share of companies that increased revenue compared to the same period of the previous year, in the total number of companies. The Indices can take a value from 0% to 100%. An index above 50% indicates positive dynamics, with more than half of the companies managing to increase revenue.

The performance of the world's largest corporations in 2024 can generally be recognized as positive. The Global Performance Index amounted to 69%, showing that more than 2/3 of companies increased their revenues compared to the previous calendar year. However, the gap between the results of companies from developed and developing countries narrowed to a minimum, providing the latter with a slight advantage — if in the first half of 2024 the Index amounted to 64% and 78%, at the end of 2024 it changed to 67% and 71% for companies from developed and developing countries, respectively.

Companies from ***developed countries*** outperformed their emerging market peers on the Global Performance Index in the following sectors of the global economy:

- *Iron and steel industry*. The advantage of Western producers in this sector is very conditional — almost all global steel companies showed a drop in sales in 2024, while those that increased their revenues grew by no more than 1%. The exception is Russia's Severstal (+14%), which increased its revenues as a result of the purchase of a steel service group and rising sales prices. The industry is operating under weak market conditions and increased trade and political pressure on Chinese producers.
    - *Pharmaceutical Industry.* Positive performance was shown by the vast majority of manufacturers — the Global Performance Index is at a high level (86%)/ Its slightly lower value in the group of companies from developing countries is due to a drop in sales of Chinese WuXi, forced to leave the US market under pressure from US regulators.
    - *Automotive industry.* The higher index of Western manufacturers (73% vs. 60% for companies from developing countries) is explained by the positive revenue growth of most of them, which, however, turned out to be very moderate (no higher than 12%). At the same time, the players of the German car industry, which is in crisis, and the Dutch Stellantis reduced their revenues. A number of companies from developing countries, represented mainly by Chinese manufacturers and two Indian ones, showed high growth rates (e.g. China's Geely +34%); however, intense competition in the Chinese domestic market led to a drop in sales of several Chinese auto giants (Dongfeng Motor, Chongqing Changan, BAIC) and, as a consequence, affected the Global Performance Index.
- *Consumer Electronics.* The industry as a whole has been struggling due to continued low demand for products. It increased sales through AI solutions and integration into production chains of networking equipment. Despite the lower Index, it was emerging market companies — Indian, Chinese and Taiwanese — that posted the highest growth rates (revenue at India's Dixon increased by 106%), yet some manufacturers in these countries were not very successful in 2024.
- *IT equipment.* The industry growth driver was high demand for server equipment and semiconductor equipment driven by the AI boom. A small number of companies from developing countries (7 out of 24 in the sample), primarily Chinese, are facing sanctions pressure. At the same time, despite high domestic demand, not all of them are at a sufficient technological level to meet it.
- *Platform business.* Companies in this industry showed the highest Global Performance Index (92%) among all key sectors of the world economy. The lag of developing countries' platforms can be considered conditional — only China's Baidu and Weibo had an insignificant decrease in revenue (–1.1% and –0.3%, respectively) due to a drop in marketing and advertising revenues in a weak domestic market.
- *Software.* The leadership of American software developers today is unquestionable, as reflected in the Developed Countries Companies Index, which amounted to 100%.

Chinese companies, which are in a catching-up position, are only just beginning to build up momentum. A vivid example of this is the sensational emergence of the Chinese AI model DeepSeek.

Emerging market companies have performed better in 2024 in the following industries:

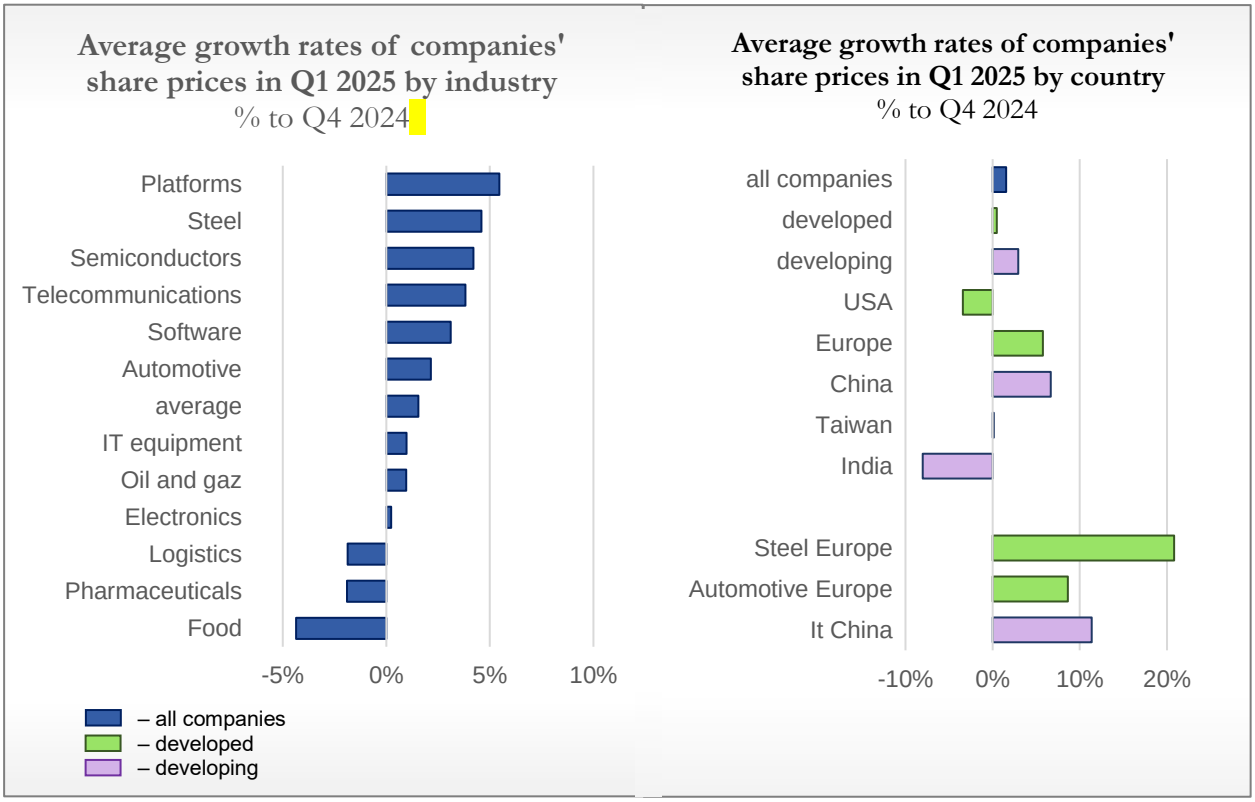
- *Oil and gas.* The performance of the largest players in the industry was generally not very successful, with 2/3 of the companies in the sample showing a drop in revenue. The higher Emerging Markets Companies Performance Index was due to revenue growth of Russian producers, who succeeded despite the sanctions pressure by increasing oil and gas supplies to domestic and foreign markets, primarily China and India. The problems of Western oil giants were caused by a decline in economic activity in Europe and competition from refineries from Asia and Africa.
- *Semiconductor industry.* The unquestionable leadership of companies from developing countries in terms of sales growth in 2024 is due to the technological superiority of Taiwanese manufacturers providing chips to leading Western IT giants, as well as the increase in semiconductor production in China as a result of high domestic demand and the country's strategy to accelerate technological sovereignty in the face of sanctions pressure.
- *Telecommunications.* The high Global Performance Index for developing country operators at 92% is due to the potential for growth in domestic markets. Companies in developed countries, despite active cooperation with the IT sector and integration into its projects, cannot yet fully overcome the impact of weak demand on their business.
- *Food.* The success of companies from developing countries, whose Global Performance Index significantly exceeded that of developed country producers (73% vs. 46%), is due to the unsaturation of domestic markets and high demand for food raw materials and semi-finished products from the global market as a whole.

The transport and logistics sector has become the only sector of the global economy in which the balance of power between companies from developed and developing countries in 2024 was almost identical — the Global Performance Indices were 85% and 86%, respectively. A key role in the performance of companies in both groups of countries is played by the type of logistics operations that carriers specialize in. Maritime operators' revenues grew at an ultra-high rate in 2024 as a result of a huge increase in freight rates due to the crisis in the Red Sea, while both U.S. and Chinese companies involved in land transportation experienced difficulties.

More details on the performance of the world's largest companies in 2024 can be found in the paragraphs “Revenue Dynamics of the Largest Companies: 2024” located in the middle of each industry section of the Monitor.

Companies participating in the calculation of the Global Performance Indices and their revenues in 2023 and 2024.

INVESTOR OUTLOOK



Note: all calculations of share price dynamics in the Issue were based on investing.com data; share price for the period (quarter) was calculated as weighted average closing price based on daily trading volume

In **Q1 2025**, investors had a low, but generally positive assessment of the prospects for global business development — the value of shares of the world's largest companies grew by an average of 1.5% compared to Q4 2025. The main growth drivers were the fairly successful business results in 2024 (see the section Global Performance Index: 2024); expectation of continued strong demand for products and solutions in IT industries in the context of the AI boom; launch of support programs for industries in crisis in Europe; accelerated development of the IT industry, primarily the semiconductor industry in China. During the quarter, stock quotes were negatively affected by high uncertainty caused by the aggressive and inconsistent US trade policy, sanctions pressure on China and Russia, as well as the continuing weak environment in the world's largest economies — the US, Europe, and China.

Industrial outlook

The ***platform business*** showed the highest growth rates among the key sectors of the global economy, with an average share price growth of 5.5%. Continued intensive development of platforms in both domestic and foreign markets, introduction of AI into business processes and customer solutions and a number of other factors determine investors' willingness to buy shares in this industry and stimulate growth in their value.

The growth of quotations in the ***steel industry*** by an average of 4.5% was due to the exceptionally favorable attitude of investors to European producers, which were in crisis and lost value at the end of 2024. In March 2025, the European Commission adopted the "European Action Plan for Steel and Metals", which contains strategic directions for the development of the industry. In addition, the EU imposed tougher restrictions on steel imports, and Germany announced a significant increase in defense and infrastructure spending, which will boost demand for steel (on the back of this news, ThyssenKrupp shares rose 109%).

Shares of all sectors of the ***information and communication sector*** — platform business (see above), semiconductor manufacturers, consumer electronics, IT equipment, software developers, and telecom operators — rose. Investors' good assessment of the prospects of key players in the global ***semiconductor industry*** (average value growth of +4.2%) is due to the tremendous success of the industry in 2024, continued strong demand for products in the context of the AI boom in the medium term, and intensive development of production in China. The growth of quotations in the ***telecommunications sector*** (+3.8%) is explained mainly by a positive assessment of the prospects of operators in developing countries, including Chinese operators that have started to integrate the Chinese AI model DeepSeek into their networks. The success of DeepSeek increased investor interest in Chinese IT companies in general and ***software*** developers in particular, while the shares of the U.S. software industry fell on the back of the general situation in the country, as well as the resounding success of DeepSeek. As a result of such multidirectional dynamics, the value of shares in the global software sector grew not very much, on average by +3.1%.

The value of ***automobile manufacturers*** also increased, by an average of 2.2%. Investors are most optimistic about Chinese auto giants, which have an undisputed technological advantage in the electric car segment. Against the backdrop of positive expectations related to the comprehensive plan presented by the European Commission to support the automotive industry and reduce the burden on the industry in achieving climate goals, quotations of almost all major European manufacturers, which were in crisis at the end of 2024, rose.

The ***oil and gas sector*** companies showed the lowest positive value growth — by 1.0% on average. A drop in revenue in 2024 for most players, weak market conditions in the main regions of the world and, as a consequence, low demand for energy resources, escalation of the trade war and tougher sanctions are the main reasons for investors' lack of optimism.

In Q1 2025, investors had a negative attitude towards companies in three industries — ***food, pharmaceuticals and logistics***, with average share price declines of –4.3%, –1.9% and –1.9%, respectively. Pessimism in relation to some representatives of the food sector was caused by falling prices for food raw materials and unsatisfactory financial results in 2024. The decline in investment attractiveness in the pharmaceutical industry occurred in the group of companies from developing countries, especially Indian manufacturers, the

main reason for this was the fear of possible introduction of trade barriers to pharmaceutical products by the United States. Investors' reticence towards transport and logistics carriers can be explained by the uncertainty caused by D. Trump's trade policy, which may provoke the restructuring of trade routes and reduce transportation volumes.

Regional outlook

The investment attractiveness of ***developed country*** companies underperformed ***developing country*** companies, with average value growth of +0.5% and +2.9%, respectively.

Investors are most pessimistic about ***American companies***, the average drop in the value of their shares amounted to 3.4%. The negative dynamics is caused by the inconsistent and aggressive policy of D. Trump, as well as the expectation of recession in the U.S., the assessment of the probability of which experts are constantly increasing. Against the background of the United States, ***European companies*** look very promising in the first quarter of 2025, the value of which grew by an average of 5.8%. However, the main contribution to this growth was made by investors' expectations with regard to European automobile and steel manufacturers, which were in crisis and lost value at the end of 2024. The EU plans to support these industries and the efforts of the companies themselves led to an increase in quotations in the steel business by an average of 21% (including due to the explosive growth of German ThyssenKrupp by 109%), and in the automotive industry by 9%.

The value of the overwhelming majority of ***Chinese manufacturers*** increased by an average of 6.7%. Quotes of representatives of the PRC IT sector grew most rapidly (+11.4%), investors' interest in which was fueled by the success of DeepSeek. Chinese technology giants, including those in the semiconductor industry, are also attractive due to the growth of sales in the domestic market, stimulated by government support and the course towards technological sovereignty, which, similar to the automotive industry, may well lead to the leadership of Chinese companies in the types of products and technologies that are still inaccessible to them.

The value of most ***Indian companies*** (16 in the sample) fell, on average by 8.0%. The fall in quotations was observed in all Indian pharmaceutical manufacturers in anticipation of the introduction of trade barriers from the U.S., as well as automakers Bajaj Auto and Tata Motors, whose sales growth prospects analysts assess as weak.

You can read more about these and other trends below in the “Investor’s view” paragraphs located at the end of each industry section of the Monitor.

Growth rates of Monitor’s companies share prices in Q1 2025 vs. Q4 2024

INDUSTRIAL TRENDS AND KEY EVENTS

OIL AND GAS

Key trends and events

US sanctions and trade-policy pressure on Russia, Iran and Venezuela became the key factor in the development of the global energy sector in Q1 2025.

In January, the outgoing US administration imposed ***unprecedentedly tough sanctions against Russian oil companies***, including Gazprom Neft and Surgutneftegaz, as well as about 160 ships that Washington considered "part of Moscow's shadow fleet" for fuel transportation.

In early February, D. Trump signed a national security memorandum that ***restores maximum pressure on the Iranian*** government, instructing the U.S. Treasury Department to conduct a campaign aimed at "reducing Iranian oil exports to zero." The first step in this campaign was the imposition of new sanctions against individuals, entities, and vessels associated with Iran's petrochemical industry and the transportation of Iranian oil to Asia. By mid-April, a total of six sanctions packages against Iran had been imposed, the most recent of which included second private refinery in China, seven companies from China, Malaysia and Thailand that may have transported Iranian oil, and five other ships.

The EU adopted the 16th package of sanctions against Russia in late February, containing restrictions on energy resources, as well as the banking sector and the aluminum industry. In the context of oil and gas, the sanctions include 74 more vessels, mostly oil tankers; in addition, the EU bans the temporary storage on its territory of oil and oil products originating from Russia and expands restrictions against liquefied natural gas (LNG) projects.

In late March, ***the U.S. president announced a new type of sanctions for Venezuela*** — a 25% duty on goods from countries that purchase Venezuelan hydrocarbons. This step is mainly directed against China, which is the largest importer of oil from the South American country. Additionally, the U.S. Treasury Department ***revoked licenses*** to produce and operate in Venezuela ***from a number of Western oil companies***, including Global Oil Terminals, Maurel et Prom, Repsol, Chevron, Eni, Chevron, BP and Shell.

It is worth mentioning ***D. Trump's threats*** in early April ***to impose 500% duties*** on countries that continue to buy ***Russian oil, gas*** and uranium, which, however, are not taken seriously by the market and analysts.

Sanctions pressure on Russia, Iran and Venezuela, as well as inconsistent trade-policy decisions by D. Trump, first towards Canada, Mexico and China, and then towards all other countries of the world, led to the **following developments** in the oil and gas market during Q1 2025:

- India and China, whose share of Russian oil imports is about 30% and 20%, respectively, have significantly reduced their purchases of Russian oil and are forced to increase imports from the Middle East and Africa, as well as North and South America. In particular, India's Bharat Petroleum Corporation and Brazil's Petrobras signed an agreement to supply an additional 6 million barrels of oil to Indian refineries (see case India), another Indian company IndianOil signed a 15-year agreement with ADNOC from the UAE to supply 1 million tons of LNG per year; France's TotalEnergies signed a 10-year agreement with India's Gujarat State Petroleum Corporation Limited to sell the Indian company 400,000 tons of LNG per year.

> ***Case. India has found a replacement for Russian oil in Brazil***
>
> Indian state-owned Bharat Petroleum (BPCL) and Brazil's Petrobras have signed a contract for the supply of 6 million barrels from April 2025 to March 2026, with an option to extend it for another year. This way BPCL ensures stable and reliable supply of crude oil for its refineries. The agreement is also aimed at strengthening India's energy security.
>
> *Source:* neftegaz.ru, oilcapital.ru

- As part of the escalation of the trade war with the United States, China first imposed duties on a number of U.S. goods, including LNG, oil and coal, and in mid-April completely refused to buy U.S. gas and oil — imports to China were completely halted. The necessary volumes were compensated by increasing purchases from regional neighbors Indonesia and Australia, and in addition, in March China resumed imports from Brunei.
- Volumes of oil that previously remained at refineries in Europe began to be diverted to Asia.
- U.S. refineries on the West Coast bought a record volume of Canadian crude in March in anticipation of duties.
- Amid rising demand for Middle East crude oil, Saudi Aramco sharply raised prices for Asian buyers in March to their highest since August 2022, but lowered them in early April.
- Chinese refineries have suspended shipments of Venezuelan crude to assess the situation.
- In early April, a number of Asian countries, including Indonesia, Pakistan, India, Japan, Taiwan, and Thailand, expressed their willingness to increase their purchases of U.S. energy resources, including LNG, to reduce the trade imbalance with the U.S. and mitigate the tariff pressure exerted by D. Trump.

Despite the steps taken by the main countries buying Russian, Iranian and Venezuelan oil to reduce purchases, there is a high probability that these measures will be short-term. According to analysts, the **new restrictions will not have a strong impact on the volumes of sub-sanctioned oil supplied to the world market**, but will only lead to a change of routes and an increase in transaction costs. Already in February, numerous cases of Russia, Iran and their largest buyer China adapting to the new restrictions appeared. Reports by the

International Energy Agency and the U.S. Energy Information Administration also refuted market expectations of a significant reduction in Russian oil exports. These assumptions have been confirmed/ For example, Russian oil imports in India recovered to normal levels in March (cargoes are delivered by tankers that have not fallen under sanctions, and some shipments have been redirected from Turkey).

Both foreign and domestic **policies of D. Trump are aimed at developing the country's energy sector and ensuring its dominance in the global economy**. Already in the first days after taking office, D. Trump made a number of decisions in the energy sector, including lifting bans on leasing offshore oil and gas fields, which actually blocked drilling in most of the country's coastal waters; announcing an imminent ban on oil purchases from Venezuela; urging the EU to buy American energy resources to avoid duties; lifting a moratorium on issuing new licenses for the export of liquefied natural gas, and others. In mid-February, the U.S. created a new National Energy Dominance Council, which will develop a national energy strategy to reduce administrative barriers, streamline permitting processes, and encourage private investment in the industry.

Among other key developments in the global oil and gas market, we would like to highlight the following:

- **OPEC+** Ministerial Monitoring Committee in early February 2025 **made no changes** to current production and supply plans, intending to hold them in check until the end of the quarter and begin a gradual recovery of production from April; in early April, eight OPEC+ countries with voluntary oil production cuts agreed to **accelerate production ramp-up**, which came as a surprise to the market.
- **Oil prices** at the end of Q1 2025 fell to 2021-2022 levels as a result of risks of lower economic growth due to escalation of trade wars, OPEC+ decision to increase oil production, lack of effect of sanctions against Russia, Iran and Venezuela.
- **Oil and gas companies continue to wind down renewable energy projects.** The UK's BP announced an updated strategy to increase investment in oil and gas production with a more selective approach to investment in low-carbon technologies. Restrictions on low-carbon energy investments and solutions are included in Shell's new strategy, as the profitability of projects in these areas was negative in 2024. D. Trump's policy aimed at developing oil and gas production in the country has dealt a sensitive blow to the climate agenda — France's Total Energies has suspended wind generation projects on the American coast, as it is not sure of their prospects.
- According to the results of the first quarter of 2025, after the termination of Russian gas transit to Europe via Ukraine from January 1, 2025, **imports of US LNG to the EU exceeded Russian supplies**. This made the US the second largest gas supplier to the European market after Norway. It is noteworthy that against the background of rising gas prices in Europe, LNG tankers from the US started heading to European countries instead of Asia and Colombia (see case US LNG tankers). LNG supplies to Japan are also declining as a result of the migration of US volumes to Europe. In response to D. Trump's demand for the EU to buy $350 billion worth of US gas in

exchange for concessions in the trade war and lower duties, the EU has generally expressed its willingness to buy more LNG from the US. At the same time, Europe postponed the final decision to reject Russian gas, using it as a tool in negotiations with the U.S. administration.

Case. LNG tankers from the US abruptly changed their course to Europe

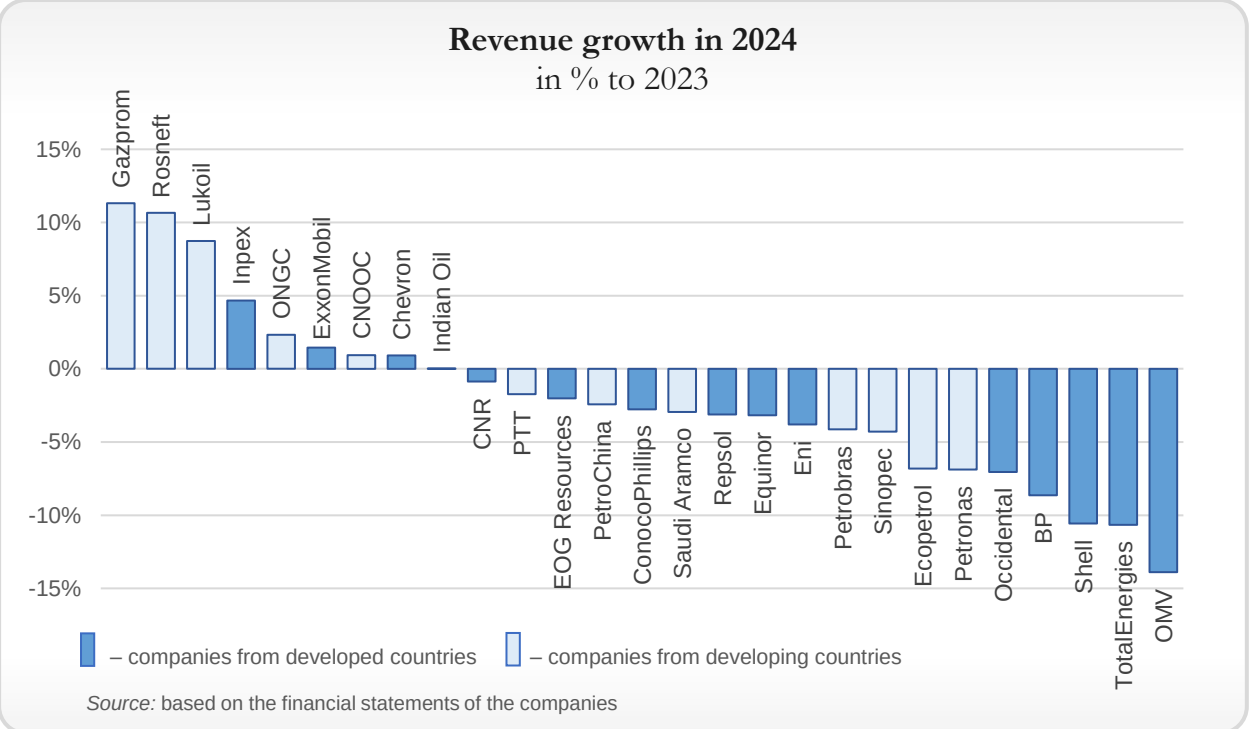
Seven LNG tankers from the US headed to Europe amid rising commodity prices on the European market after Russian gas transit to the EU via the pipeline through Ukraine was halted on January 1, 2025. Six ships were heading to the Cape of Good Hope in South Africa and Asia, while another was bound for Colombia. Analysts noted the unusual nature of this number of reversals. A trader can divert a shipment from its original destination, either by paying a penalty for canceling the delivery, or can still meet the needs of the original customer by sending another shipment. In some cases, shipments do not have a specific destination on departure from the port of loading and can choose a destination mid-voyage.

Source: rbc.ru

- **The share of pipeline supplies in China's gas imports** in January 2025 exceeded half for the first time. Russia ranks first in terms of pipeline supplies to China, and supplies through the Power of Siberia gas pipeline have reached the maximum design level.

News Feed: Oil and Gas

Revenue dynamics of the largest companies: 2024



Source: based on the financial statements of the companies

The year 2024 was less successful for the leaders of the global oil and gas industry than the previous year. Two thirds of the companies (18 out of 27 in the sample) reduced revenue, with an average decline of 6%.

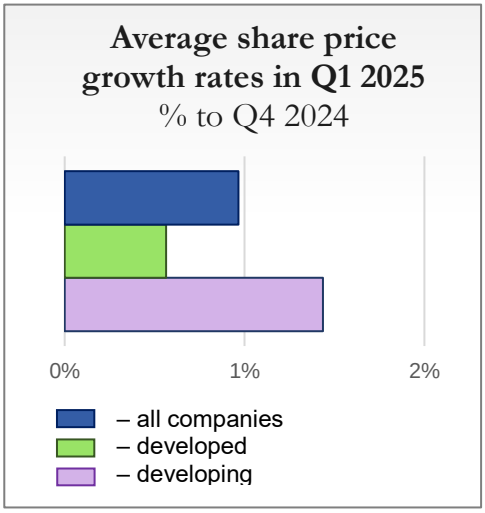
Russian companies Gazprom (+11%), Rosneft (+11%) and Lukoil (+9%) are at the top of the list of companies that still managed to improve their performance, having succeeded despite increased sanctions pressure. Gazprom significantly increased revenues from sales of oil and petroleum products. In addition, the company record-breakingly increased gas supplies to the domestic market to about 390 billion cubic meters, as well as increased gas exports, including to Europe from 28.3 to 32 billion cubic meters and to China from 30 to 31 billion cubic meters. At the same time, the decrease in average gas prices was offset by changes in the exchange rate. Rosneft demonstrated stable volumes of crude oil exports during the year, including premium ESPO grade, which is transported through the East Siberia-Pacific Ocean pipeline mainly to China. Lukoil's main growth drivers were oil prices in the first half of the year and high utilization of the company's refining assets. Other oil and gas giants with positive dynamics include Japan's Inpex (+5%), which benefited from a decline in the average exchange rate of the Japanese yen against the US dollar. The rest of the companies showed growth of 2% or less.

European companies — Austria's OMV (–14%), France's TotalEnergies (–11%) and the UK's Shell (–11%) — were the least successful in 2024, with revenue falling by more than 10%. The main reasons for the problems of Western oil and gas giants were the decline in economic activity in Europe, as well as competition from refineries from Asia and Africa. All three companies noted in their reports lower commodity prices and lower natural gas sales.

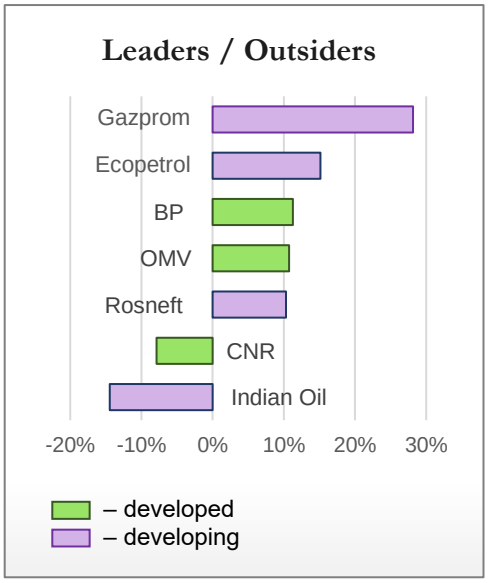
Investors' view: Q1 2025

Investors' expectations for the oil and gas industry are very subdued — the shares of the 27 largest companies rose by an average of 1% in Q1 2025 vs. Q4 2024, with emerging market companies shares rising faster (+1.4%).

Russian producers, as expected, are among the **growth leaders**, having successfully completed 2024 against the backdrop of falling revenues of most industry players (see section above). Gazprom's share price rose by 28% — the main “upsurge” started in mid-February 2025 as a result of improved relations between Russia and the US, as well as expectations of a possible easing of sanctions and partial resumption of gas supplies to Europe. Rosneft shares (+10%) were at a higher price level in 1Q 2025 primarily due to the information in the third decade of



December 2024 about the company being granted the right to make independent transactions with its shares (as part of the presidential decree on special economic measures), and after the extraordinary general meeting of shareholders, which approved an increase in dividends.



Colombian Ecopetrol is also among leaders, with its share price rising by 14%. Analysts generally considered the company to be undervalued, noting the improved economic and political situation in Colombia, transparency in the provision of financial reports, stability in the payment of dividends, as well as the expected increase in oil reserves. Shares of British BP and Austrian OMV also rose in price (+ 11%), despite a significant drop in revenue in 2024. OMV's value began to rise in February 2025 after the company announced the merger of its chemical division Borealis AG with Borouge, owned by the UAE's largest oil and gas company ADNOC, which can result in a $60 billion chemical giant on the global market. BP's shares generally showed high volatility, with the main jump occurring after the news of the acquisition of a stake in BP by U.S. investment firm Elliott Investment Management, which may entail changes in operating strategy and reorganization of the board.

The **outsiders** in terms of share price dynamics in Q1 2025 were Indian Indian Oil (–14%) and Canadian Natural Resources (–9%). Indian Oil failed to meet forecasts, showing poor results in refining and marketing and incurring losses in the liquefied petroleum gas segment. The share price of Canadian Natural Resources suffered as a result of concerns about the trade war with the US and weak prices, however, its strong financial position and the largest reserves among independent oil companies somewhat offset the negative attitude of investors.

IRON AND STEEL INDUSTRY

Key trends and events

The first quarter of 2025 was marked in the global iron and steel industry by the emergence of **two new factors critical for the development of the industry** — D. Trump's trade policy, which affected all sectors of the global economy without exception, and the EU program to support the European steel industry, which found itself in crisis by the end of 2024.

D. Trump's inconsistent trade-policy decisions in general and with respect to steel and aluminum in particular led **to the following developments in the steel industry** in February and early April 2025:

- *Chronology of US actions*: February 1, 2025. D. Trump imposed duties of 10% on imports from the PRC (increased to 20% from March 4, 2025) and 25% on imports from Canada and Mexico (delayed until March 4, 2025). On February 10, 2025, the U.S. administration announced customs duties of 25% on aluminum and steel imports from all countries, effective March 12, 2025. On April 5, 2025, 10% duties on imports of goods from almost all countries of the world became effective, however, they did not affect a number of goods already subject to additional duties, including products and derivatives made of steel and aluminum, as well as automobiles and auto parts. The planned introduction of more extensive duties was postponed by D. Trump on April 9, 2025 for 90 days for all countries except China.
- D. Trump's actions have provoked a response from key US trading partners. In particular, Canada and China filed a complaint with the World Trade Organization; Canada announced 25% duties on steel, tools, computers and other products from the U.S., at the same time asking recipients of federal grants to switch to Canadian steel; the EU increased duties on U.S. agricultural products; Brazil announced plans to impose duties on products of U.S. high-tech companies; Australia is considering tough anti-dumping rules for aluminum and steel; Japan is trying to reach an agreement with the U.S., etc.
- A number of countries are taking measures to develop and restore the national steel industry. A large-scale plan to support the industry is presented in the EU (see below); the UK has announced an urgent realization of investments in the steel industry worth 2.5 billion pounds; the Mexican industry plans investments of $8.7 billion by 2028 to replace steel imports.
- Steel companies are experiencing difficulties and are looking for ways to circumvent duties: Canadian producers canceled some contracts in early February amid high uncertainty due to expectations of duties; British Tata Steel UK and British Steel faced cancellation of orders; Canadian plants started laying off workers at the end of March; South Korean Hyundai Steel is investing $5.8 billion in construction of a steel plant in

the U.S. state of Louisiana; ArcelorMittal is building a new plant in the U.S. (see below).

Steel Support Program in the EU. At the end of 2024, the European steel industry found itself in crisis. In addition to the reasons listed in Issue 4/2024 (high energy costs, overcapacity, weak protection against Chinese imports, low demand in Europe), another reason was added in early 2025 – D. Trump's duties, which may redirect the import flow of steel from the U.S. to the more open European market, as well as force European automotive and steel companies to move production to the U.S. territory. Europe's ArcelorMittal announced the construction of an advanced plant in the U.S. to meet demand from the auto industry in February 2025 (see case ArcelorMittal).

Case. ArcelorMittal to build new steel plant in the US

ArcelorMittal said on February 6, 2025 that it will build an advanced steel plant in Calvert, Alabama, as it seeks to increase its production capacity to meet demand from the US automotive sector. The plant will be able to supply up to 150 kilotons of high-quality, non-grain electrical steel per year, which is mainly used in the production of larger vehicles, full-size pickup trucks and SUVs. The plant is estimated to cost $0.9 billion to build, with production expected to start in the second half of 2027.

Source: Reuters, metalbulletin

In November 2024, the European steel industry called on the EU Commission to take action to support the industry, which translated into the adoption of the "European Steel and Metals Action Plan" in March 2025. The Plan includes strategies to ensure safe and affordable energy supply, prevent carbon leakage, protect and expand industrial capacity, promote closed loop, reduce decarbonization risks and safeguard high-skilled jobs. The realization of the objectives set out in the Plan involves the development of specific measures. The first measures to support the industry were taken at the end of March 2025 in the field of foreign trade — the European Commission announced the tightening of restrictions on steel imports, reducing import quotas and eliminating the possibility of prolonging unused quotas, which should lead to a 15% reduction in imports.

Some producers are critical of the European Commission's Plan, considering it incomplete due to the lack of measures to increase market demand for steel or revitalize production in the EU. Nevertheless, some initiatives indirectly address this issue. For example, at the end of January 2025 the European Commission has allocated €175 million for research and innovation as part of a just transition. The European Commission's proposed extension of the period of compliance with EU CO2 emission targets for the automotive sector from one to three years could also help boost steel demand.

The trends observed during 2024 continue to develop:

China's steel industry continues to operate in the face of weak domestic demand and cuts production volumes. The Chinese government remains committed to plans to restructure the industry. Plants in the Xinjiang region have responded to the government's call to address overcapacity and reduce emissions by beginning a 10% reduction in crude steel production on March 24, 2025. According to experts, China will have to cut 15% of

capacity in 2025 if plants want to meet climate targets and return to profitability. The country has already made some progress in this direction — output in 2024 fell by 1.7%, becoming the lowest in five years.

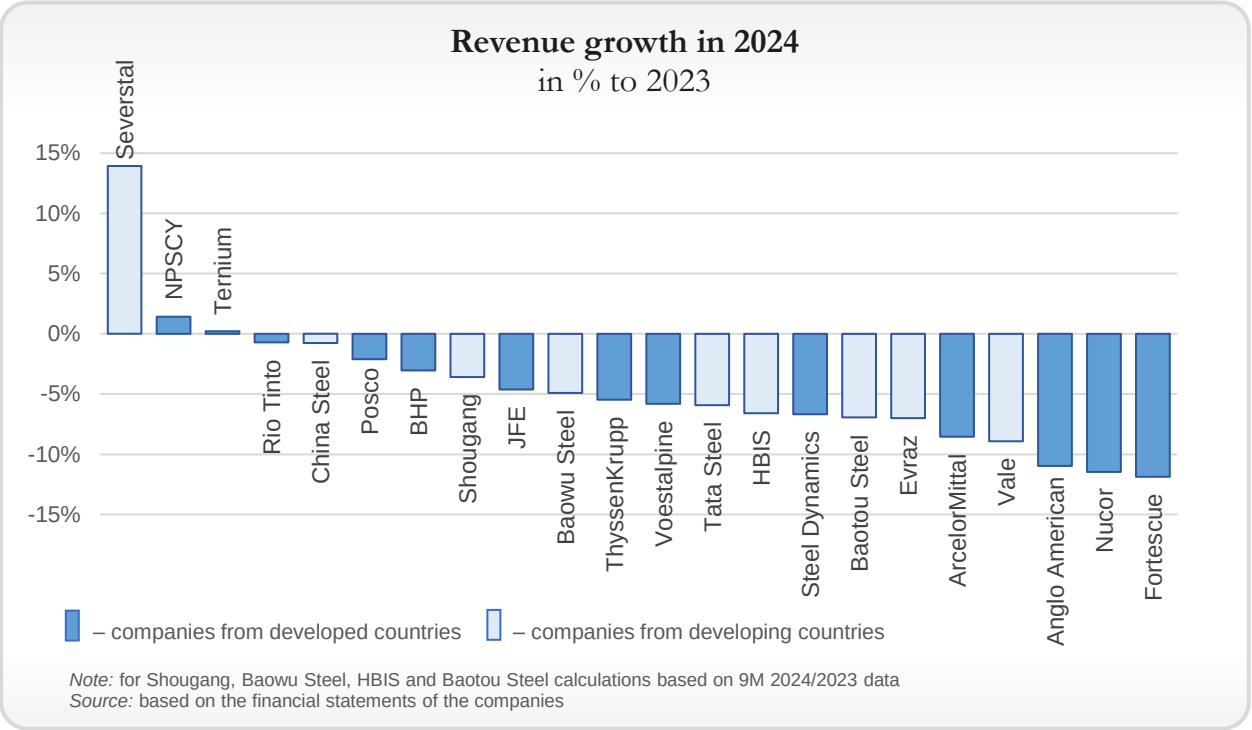
Opposition to Chinese steel exports has not lost intensity. In 2024, China's steel exports increased by 23%, reaching their highest level since 2015. In this regard, new investigations are being initiated and duties are being increased / maintained worldwide. In Q1 2025, anti-dumping investigations against certain types of Chinese steel products were launched in Mexico and South Korea; the Association of Indian Alloy Steel Producers plans to file an anti-dumping petition with its regulator. Anti-dumping duties were introduced by the EU, Vietnam, South Korea, the level of duty in the UK was maintained, Japan and India are planning to take measures against imports from China.

India's steel sector expansion. India's steel production capacity will reach 205 million tons by early 2025, almost doubling in a decade. Strong domestic demand, including infrastructure growth and industrial expansion, is the main driver. Despite this, imports into the country from China, South Korea and Japan reached record levels in the first 10 months of the fiscal year (April 2024-March 2025). This has led to plans to impose a 12% tax on steel imports for the benefit of domestic producers, who in turn are lobbying for protection of at least 15%.

The deal to sell US Steel to Japan's Nippon Steel continues to be in limbo. The deal was announced back in December 2023 and has faced obstacles throughout 2024. U.S. administrations, including the new administration, have taken the position that US Steel should remain in U.S. ownership. In January 2025 Joe Biden blocked the deal on national security grounds. D. Trump, who took office, first expressed agreement to the Japanese company's acquisition of a minority stake, then ordered regulators to consider options to sell US Steel for cash, which made the deal optimistic, but, after a few more days, said he did not want US Steel to “go to Japan.” US Steel and Nippon Steel continue to cooperate with the US administration, holding out hope for a deal.

News Feed: Steel Industry

Revenue dynamics of the largest companies: 2024



Note: for Shougang, Baowu Steel, HBIS and Baotou Steel calculations based on 9M 2024/2023 data
Source: based on the financial statements of the companies

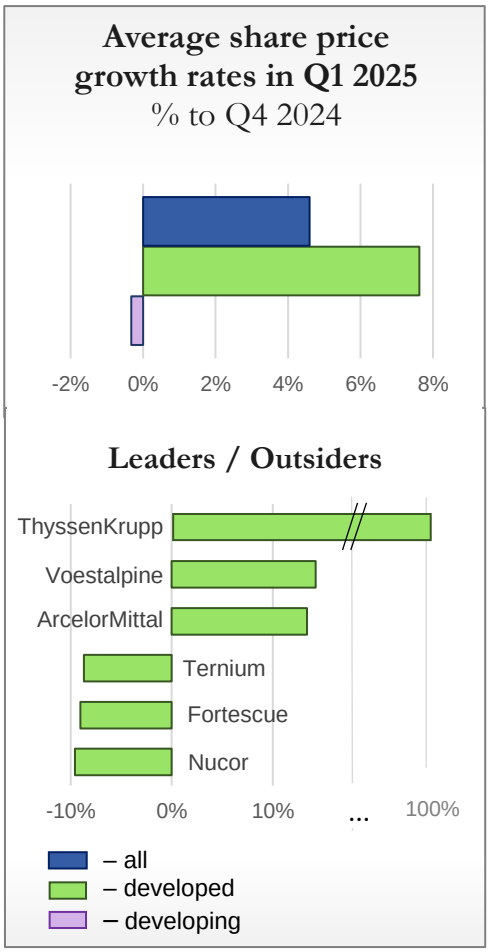
Almost all leaders of the global steel industry ended 2024 with a negative result. The only exceptions were Russia's Severstal, which increased revenue by 14%, Japan's Nippon Steel with a minimal increase of +1%, and Luxembourg's Ternium with zero growth against 2023. The Russian company showed atypical growth for the industry due to an increase in the share of finished steel products in sales, including through the acquisition and consolidation of the results of metal service corporation A Group, as well as a result of an increase in average selling prices.

Brazilian Vale (–10% and –22%) and Ternium operating in the Latin American market (–14% and –21%, respectively) were extremely disappointing in Q3 and Q4 2024. As a result, Vale's revenue fell and Ternium's was unchanged for 2024, despite the fact that they showed growth in the first half of the year. Vale attributed the decline to lower iron ore prices and sales volumes, while Ternium faced increased competition in key markets (Mexico and Brazil), a weak commercial real estate market and uncertainty in Mexico resulting from the rhetoric of increased protectionism from the US, as well as lower sales in Argentina due to a seasonal drop in demand.

The **outsiders** of the year with the maximum decrease in sales were Australian Fortescue (–12%) and American Nucor (–11%). The problems of the mining Fortescue are connected with the fall in prices and iron ore supplies due to the economic downturn in China. Pressure on Nucor's results throughout the year was exerted by general industry factors and lower demand in its main sales markets (USA and Canada).

Investors' view: Q1 2025

The outlook for the global steel industry in Q1 2025 was better than in 2024 (see Annual Issue/2024). The average increase in the value of shares of the largest producers amounted to +5%, however, this was solely due to the enormous rise in the value of ThyssenKrupp (+109%). If we exclude this company from the calculations, the average increase is negative and amounts to –0.6%, including –0.7% for developed countries companies and –0.3% for emerging markets producers.



Investors positively assessed not only ThyssenKrupp, but **European steel companies** in general. Shares of Voestalpine and ArcelorMittal rose by 14% and 13% respectively. The key drivers of this dynamic are several: (1) Germany's announcement in early March 2025 of a significant increase in infrastructure and defense spending, which will boost steel demand; (2) the European Commission's adoption of the "European Steel and Metals Action Plan"; (3) the EU's tightening of steel import restrictions; and (4) China's announcement of industry restructuring and production cuts, which will alleviate steel overcapacity problems and raise product prices. In addition to industry-level factors, ThyssenKrupp's strategic initiatives, such as the monetization of its marine business and plans to sell an additional 30% of its steel business, as well as upward revisions to its earnings per share forecasts, played an important role in increasing ThyssenKrupp's value. The low base from which growth has occurred should also be mentioned — ThyssenKrupp's share price was down 39% in 2024 compared to 2023. For ArcelorMittal, investors expect growth in the medium term from strategic projects and note the company's healthy financial position, while Voestalpine is attractive due to its involvement in EU infrastructure projects, especially in rail infrastructure.

Geopolitical tensions and trade uncertainty have a negative impact on the development of the industry, including by restraining the prospects of European companies. The introduction of a 25% tariff on steel imports by US President D. Trump on March 12, 2025 may lead to market volatility in the short term, lower demand and price pressure in the medium term.

The **outsiders** of the first quarter of 2025 were American Nucor (–10%), Australian mining Fortescue (–9%) and Luxembourg-based Ternium (–9%) operating in the Latin American market. Nucor shares were falling in December 2024 due to the company lowering its Q4 2024 earnings guidance. Fortescue, with record iron ore supplies at the end

of 2024, saw costs rise. Ternium suffered the main decline in value in November-December 2024 following the release of its Q3 2024 results, which fell short of analysts' EPS expectations (lower margins due to lower prices).

Let’s note that in the second half of March 2025, the shares of **American steel producers** began to rise after D. Trump introduced a 25% tariff on steel imports and the Oval Office discussed their stimulative effect on the U.S. industry.

FOOD SECTOR

Key trends and events

The **trade policy of the new US administration** has led to the following major developments in the global food sector. It should be noted that there is high uncertainty in this and other sectors of the world economy due to D. Trump's suspension in early April 2025 of the decision to sharply increase import duties for goods from most countries of the world.

- In response to D. Trump raising duties on Chinese imports from 10% to 20%, China imposed duties on some U.S. agribusiness products in early March 2025, including 15% duties on chicken, wheat, corn and cotton and 10% duties on sorghum, soybeans, beef, pork, vegetables, fruits and dairy products.
- The EU announced the inclusion of food and beverage products on the list of goods from the U.S. on whose imports higher duties will be imposed, responding to the U.S.'s 25% tariff on global steel and aluminum imports.
- Canada imposed a 25% import duty on U.S. peanut butter and alcohol in retaliation for U.S. protectionism, however, D. Trump suspended levies on some goods entering the U.S. from Canada and Mexico, including food; in response, Canada said it would not impose a second tranche of tariffs.
- The U.S. Consumer Brands Association, which includes major U.S. food manufacturers including PepsiCo, General Mills and Mondelēz International, asked the D. Trump administration for tariff relief on imported ingredients in mid-March 2025.

The actions of regulators in other countries of the world towards each other in the first quarter of 2025 mainly consisted **in the softening of trade-policy measures**. Thus, Malaysia and China at the end of March 2025 lifted the ban on imports of milk from Germany, imposed after the outbreak of foot-and-mouth disease, and the EU and Mexico finalized negotiations on a trade agreement aimed at reducing tariffs on products, including meat, cheese and wine. The tightening of trade policy came from China towards Canada — China announced the imposition of additional duties on Canadian agricultural and food products up to 100%, which can be considered a retaliation to the tariffs imposed by Canada in August 2024 on electric vehicles, steel and aluminum products from China.

The traditional **expansion of the food sector through acquisitions and partnerships** was most active **in the European market** in Q1 2025. Belgium's Greenyard plans to acquire a controlling stake in France's Gelagri Bretagne to strengthen its position in the frozen fruit and vegetable market. Ireland's Greencore has improved its takeover offer for British rival Bakkavor. Belgium's Vandemoortele is buying European margarine and spreads assets from US agri-food giant Bunge, thereby expanding its business in Germany, Finland, Poland and Hungary. France's Danone, which has a record cash flow of €3 billion in 2024, said it plans further mergers and acquisitions to meet consumer

interest in healthy eating and organic products. Swedish poultry group Scandi Standard acquired the production assets of US-based Tyson Foods in the Netherlands to move from Scandinavian to pan-European player status.

On other continents, among the most significant initiatives in the area of acquisitions and partnerships was the conclusion by Brazilian meat giant JBS of an investment agreement to purchase a 50% stake in Mantiqueira Alimentos in order to enter the domestic egg production segment. A key event was also the signing of a strategic alliance agreement by the US-based Archer Daniels Midland and Japan's Mitsubishi (see case ADM).

Case. ADM and Mitsubishi are exploring a strategic alliance in agriculture

US-based Archer Daniels Midland (ADM) and Japan's Mitsubishi Corp. have signed a non-binding agreement to form a strategic alliance. The partnership will explore potential areas of future collaboration across the agricultural value chain to build safe and sustainable supply chains as well as a strong global food system.

Source: just-food.com

The international expansion of the world's largest food companies continues unabated. In the first quarter of 2025, it was marked by the following projects: Brazilian JBS invests $200 million to increase beef production in the United States and plans to build two meat processing plants in Vietnam; French dairy company Lactalis invests $55.3 million to expand dairy production in Brazil and plans to buy Granja Pocha dairy company in Uruguay.

Despite activity in acquisitions, partnerships and overseas expansion, the global food sector continues to operate in a challenging environment, facing protectionism, supply chain disruptions, climate change, demographics and other challenges. This is reflected in **actions by the industry's largest players to optimize and restructure their businesses**. Unilever is selling its vegetarian meat products division to Brazil's JBS as part of a strategy to streamline operations and reduce the number of brands, and has announced plans to cut more than three thousand jobs in Europe (see case Unilever). France's Danone plans to close a dairy plant in Germany due to high costs and underutilization of capacity. American Conagra is closing two plants in the US to optimize costs, cutting more than 300 jobs, and Kraft Heinz has hired consultants to work on the potential sale of its Italian baby food business Plasmon.

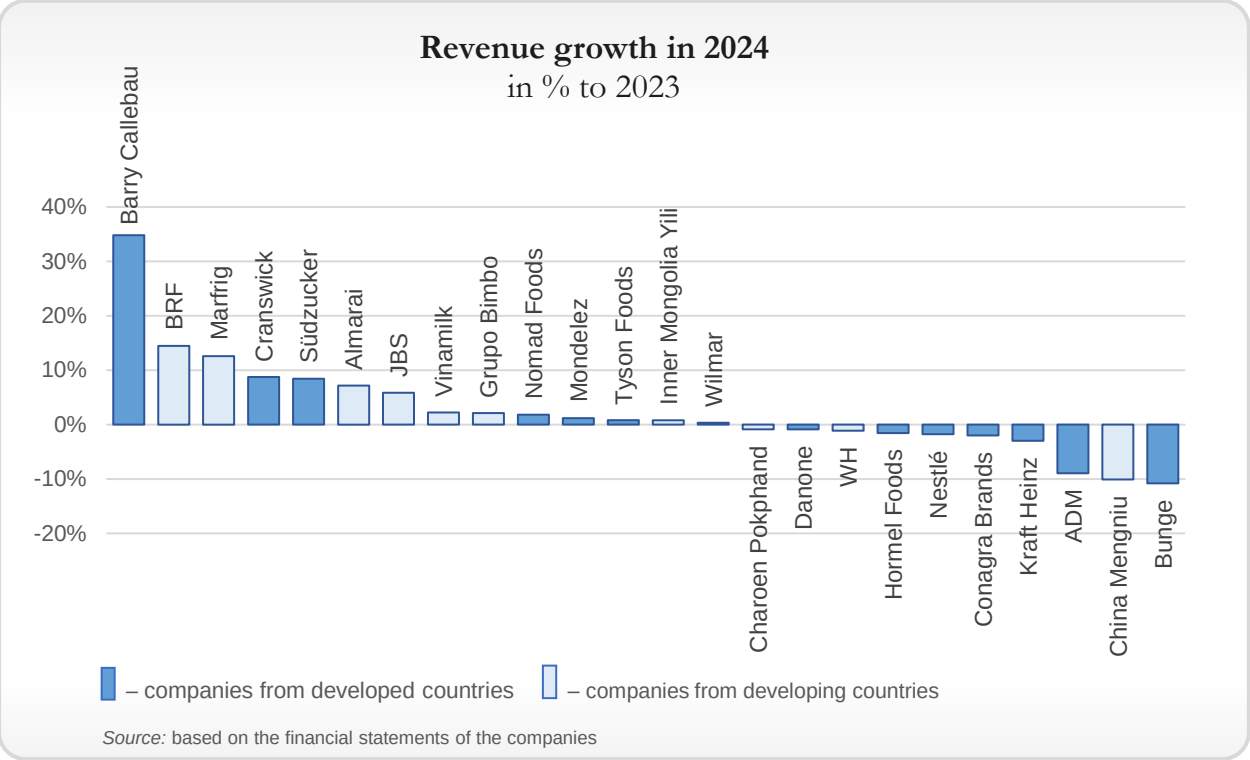
Case. Unilever to cut several thousand jobs

Unilever will cut 7,500 jobs as part of a program announced in March 2025 and aimed at reducing costs by 800 million euros in the period up to 2027. The main objective of the measures is to reduce costs and “streamline” the brand portfolio. By the end of 2025, the company will also spin off its ice cream division (Ben & Jerry's, Magnum, Carte d'Or, Cornetto, Wall's and other brands) into a separate business and intends to cut up to 3,200 office jobs in Europe.

Source: unilever.com

News feed: Food sector

Revenue dynamics of the largest companies: 2024



Source: based on the financial statements of the companies

2024 was a productive year for the majority of leading companies in the global food sector — slightly more than half or 14 out of 24 analyzed companies increased their revenues compared to 2023. Companies from developing countries were more successful (three quarters of producers increased their revenues), which concentrate on primary processing stages and take advantage of insufficient demand saturation in domestic markets and high demand for food raw materials and semi-finished products in developed countries.

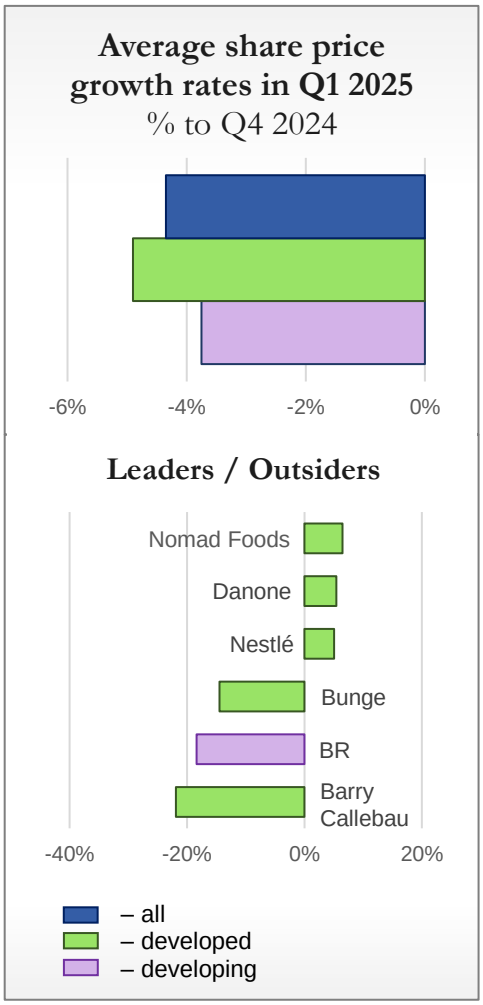
Three companies — Switzerland's Barry Callebau (+35%) and Brazil's BRF S.A. (+14%) and Marfrig Global Food (+13%) — are the industry **leaders** for 2024. Barry Callebau, which specializes in chocolate production, achieved record highs despite a global rise in cocoa bean prices to historic highs. The company's revenue increase was largely due to higher prices for its products — its flexible marketing and pricing policy helped offset the negative impact of the raw material factor. The success of BRF S.A., which is engaged in meat production and is the world's largest supplier of chicken, was achieved by diversifying the market and increasing the share of processed products in the portfolio. The company increased exports, including maintaining its leading position in the Gulf and Turkey, and also saw an increase in demand for processed food products in the domestic market. The results of meat giant Marfrig Global Food, which is the majority shareholder of BRF S.A., are largely driven by the performance of the subsidiary, which accounts for 40% of turnover. An additional growth driver was the expansion of the South American business by completing transactions with assets in Brazil, Argentina and Chile.

The industry **outsiders** were the American Bunge (–11%) and Archer-Daniels-Midland Company (–9%), as well as China Mengniu Dairy (–10%). Bunge Agribusiness attributed the revenue decline to lower average selling prices for processed oilseed crops

in all regions, as well as lower wheat production. China Mengniu Dairy, China's second largest dairy producer, attributed the decline in revenue to an imbalance between supply and demand and lower-than-expected consumer demand. Archer-Daniels-Midland Company, an agro-industrial corporation, suffered a deterioration in its financial position due to weak demand for its products and the downtime of a large soybean processing plant.

Investors' view: Q1 2025

In Q1 2025, investors demonstrated negative expectations regarding the prospects of the world's leading companies in the food sector — the average decrease in stock prices amounted to 4% as compared to Q4 2024. 17 out of 24 companies in the sample experienced a drop in value, while the increase in the rest was insignificant, at most 6%.



The **leaders** of growth were three companies from developed countries: the British Nomad Foods (+6%), the French Danone (+5%) and the Swiss Nestlé (+5%). Such low growth rates are generally explained by volatility, however, at certain periods of time were due to the strategic actions of the companies and their performance. Nestlé's shares started to rise in the first half of January 2025 on the back of information about the company's decision to expand operations in plant-based products, improved budget forecasts and commitment to sustainability. Danone's share price rose from mid-January to early March 2025 following reports of solid sales growth in the latest Q4 2024 quarter and strong demand for its dairy products and bottled water in North America. Nomad Foods saw its share price rise in mid-January 2025, driven by a 13% quarterly dividend increase and news of record 2024 financial results.

As **outsiders** we will single out three companies — Swiss chocolate producer Barry Callebau (–22%), Brazilian meat giant BRF (–18%) and American agro-industrial company Bunge (–14%). The drop in Barry Callebau shares came despite record revenue growth of 35% in 2024. The company grew revenue by increasing selling prices, but ultimately fell short of investor expectations for sales volume. The company also cut its forecast for FY 2025 as rising cocoa bean prices are forcing up product prices and curbing demand. BRF is in a similar situation, with its share price plunging on revenue growth of 14% for FY 2024. The decline in BRF's value was caused by the fact that the results failed to meet market expectations for the first time in a long time. Bunge's shares started falling

back in October 2024 and continued to fall until the end of Q1 2025. Such dynamics was caused by the publication of financial results, where adjusted earnings per share amounted to $2.13 and revenues amounted to $9.91 billion, below the expected results of $2.27 and $13.73 billion, respectively.

PHARMACEUTICAL INDUSTRY

Key trends and events

West-China: growing trade tensions between the countries while strengthening partnerships at the corporate level. In Q1 2025, there was a steady trend of expanding cooperation between Western pharmaceutical giants and China, despite the increasing complexity of the geopolitical environment. This dynamics is especially indicative in the context of the discussed introduction of tariffs on pharmaceutical products by the US and potential restrictions on the supply of pharmaceutical components within the framework of D. Trump's "America First 2.0" policy aimed at developing American industries, fighting foreign competition and achieving dominance in the energy sector.

The U.S. is considering imposing duties on Chinese pharmaceutical ingredients, while China is increasing controls on exports of critical medical technologies and initiating measures against imports. A prime example was China's restriction on imports of biotechnology products from the U.S. company Illumina, a move that reflects growing tensions in trade relations.

However, business activity is developing in the opposite direction. The American Merck acquired global rights to the Chinese Abbisko's anticancer drug for $85 million; the French Sanofi obtained exclusive rights to promote the Cytokinetics drug in China; the American Moderna is expanding its partnerships in China (see case Moderna); the Chinese BeiGene, which specializes in oncology drugs, is negotiating the establishment of a research center in the United States. Notably, the CEOs of major pharmaceuticals AstraZeneca, Bayer, Boehringer Ingelheim, Eli Lilly, GSK, Merck KGaA, Pfizer and Sanofi were among more than 40 international business leaders at a meeting with Xi Jinping in Beijing on March 28, 2025, demonstrating interest in maintaining business ties with the PRC despite political pressure.

Case. Moderna continues expansion in China

Against the backdrop of reticence on the part of some U.S. players, Moderna has taken a different approach: in Q1 2025, the company strengthened local partnerships and expanded its project portfolio in China to include various initiatives in oncology research and genetic engineering. The move is seen as an investment in a long-term presence in one of the world's most crowded markets, despite a challenging regulatory and political environment.

Source: The Wall Street Journal

Nevertheless, companies are taking steps to mitigate potential risks. Pfizer has announced its readiness to move production to the US if tariffs are imposed, for the same reason Germany's Merck opened a new vaccine plant in North Carolina and announced a strategy to strengthen production and R&D in the US, and industry players are actively lobbying the US administration to delay trade restrictions to adapt their strategies.

The current situation indicates the dual position of pharmaceutical companies: on the one hand, they have to take into account geopolitical risks, on the other hand, they are not

ready to give up the prospects of the Chinese market. This creates a unique precedent — business strategies are unfolding contrary to official political rhetoric, but in full compliance with economic expediency.

Continued active work on the development of drugs for the treatment of diabetes, obesity and oncology. In 2025, the key trends formed in previous years continue, primarily in the development of new drugs. The US Pfizer has intensified work on its own drug for ***obesity***, engaging the former head of the relevant division of Johnson & Johnson for this purpose. In ***oncology***, there was a steady increase in the number of cross-border M&A deals: India's Sun Pharma acquired the US-based Checkpoint Therapeutics, and the UK-Swedish AstraZeneca strengthened its position at the expense of Korea's Alteogen. In parallel, some companies are opting for an alliance strategy: Switzerland's Roche has once again partnered with China's Innovent Biologics (see case Roche), while Takeda has joined forces with the US-based Protagonist Therapeutics. At the same time, innovative developments in oncology cover an increasingly wide range of diseases, from skin cancer to bladder tumors.

Case. Roche and Innovent Biologics

ADC drugs are now considered one of the most promising areas in oncology. Their unique mechanism of action is like a Trojan horse — they deliver powerful anti-tumor agents directly to cancer cells, with little or no effect on healthy tissue and significantly reduced side effects.

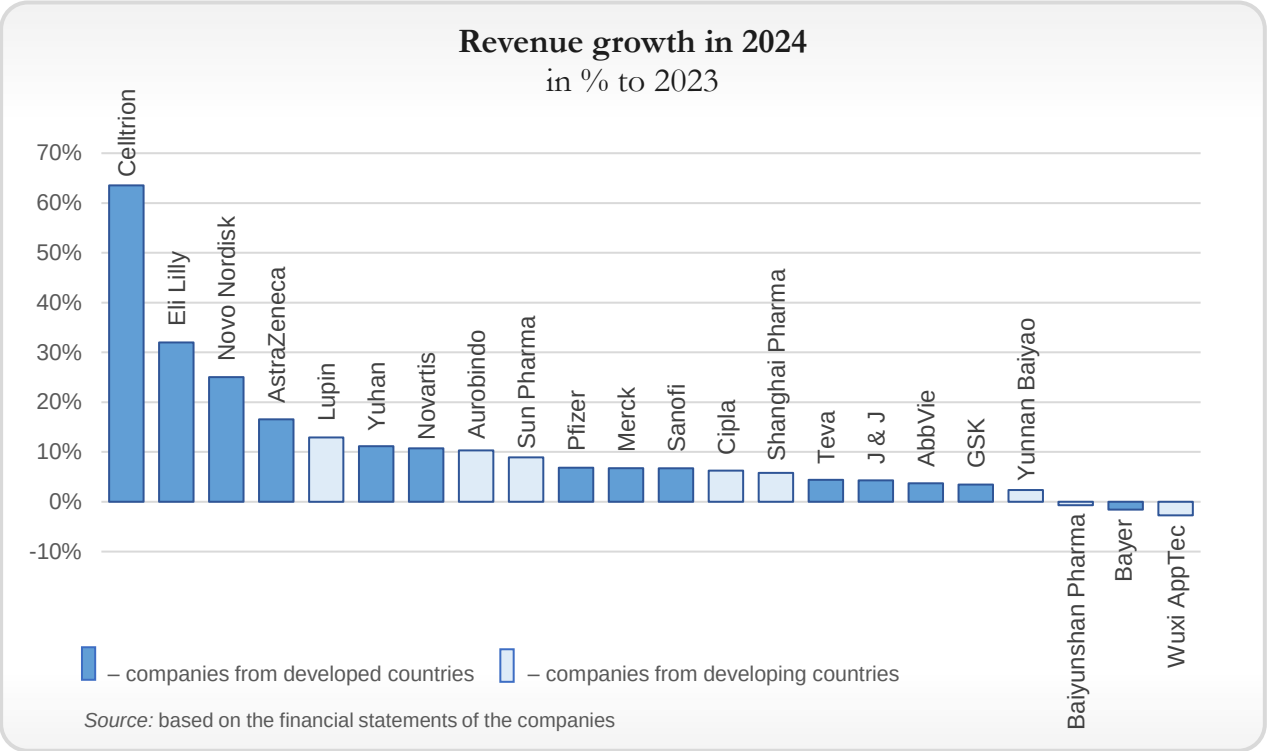
Roche, strengthening its position in the oncology race, has once again chosen a strategy of collaboration with the biotechnology company Innovent Biologics. This is the third partnership between the companies: the previous agreements were in 2020 and 2022. Under the terms of the new deal, Roche will pay an upfront payment of $70 million, but if the future drug successfully passes all trials and reaches the market, the amount of payments will total $930 million. This approach allows Roche to share the development risks while retaining access to promising technologies, while Innovent receives funding and the opportunity to bring its product to the global market.

Source: Fierce Biotech

The most significant trend that has finally taken shape in the pharmaceutical industry in recent years has been the **shortening of the period for achieving market superiority due to the lightning-fast development of new technologies**. This trend is particularly relevant for the development of biosimilars and generics, but also applies to original drugs. Whereas previously it took an average of four years to develop analogs after the release of the original drug, this period has now been reduced to one year. This has led to increased competition between Western and Asian manufacturers, forcing large pharmaceutical companies to more actively use M&A strategies to accelerate the development of new drugs and competitive analogs. The oncology deals described above confirm this trend, as they increasingly involve small and medium-sized companies of two types: those with unique platforms for rapid molecule development, or those with ready-made chemical compounds but lacking the resources to bring them to market on their own. This dynamic is indicative of the growing specialization of players and the redistribution of roles in the pharmaceutical ecosystem.

News Feed: Pharmaceutical Industry

Revenue dynamics of the largest companies: 2024



The year 2024 can be recognized as quite successful for the global pharmaceutical industry — revenue growth was demonstrated by 19 out of 22 analyzed major manufacturers.

The most impressive were the results of Q4 2024, which was a logical continuation of the positive dynamics throughout the year. In the year-end quarter, only two companies reduced their revenue, while the leaders demonstrated record growth rates (for comparison — in Q1 2024, seven companies reported a decrease in revenue). Analysts attribute this growth to several factors: acceleration of purchases before possible changes in regulatory policy due to the return of D. Trump; pent-up demand due to supply chains disrupted at the beginning of the year; seasonal growth in sales of drugs related to winter illnesses. Nevertheless, the introduction of new trade duties puts a question mark on the continuation of such rates in 2025, especially for companies dependent on global supplies.

The following manufacturers were the 2024 growth **leaders**: South Korea's Celltrion (+64%, largely due to 178% growth in Q4 2024), US-based Eli Lilly (+32% — all-time record revenue) and Denmark's Novo Nordisk (+25%).

Celltrion showed the most significant growth due to aggressive expansion of biosimilars (cheaper analogs of original biologics). Of the 72 biosimilars approved by the US FDA since 2016, it has developed 9 (12.5%). In Q4 2024, the company won several tenders in Europe and the US and launched Truxima (analog of Rituxan, manufactured by Biogen and Roche) in key markets. The company showed positive growth throughout the year — in the first half of the year the reason was the merger and integration of Celltrion Healthcare's performance into the reporting, and in the second half the successful entry into

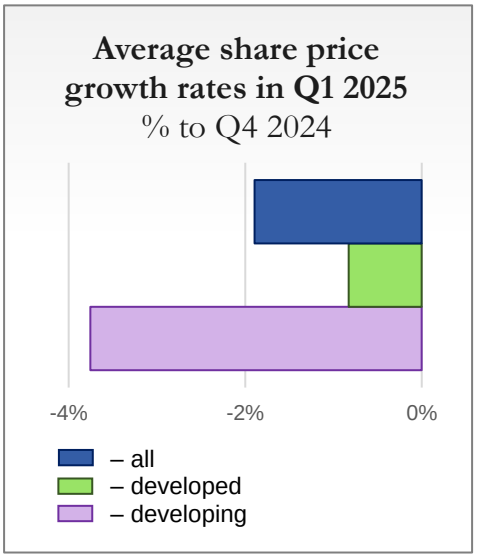
new markets. ***Eli Lilly*** and ***Novo Nordisk*** also grew at a fairly high rate. Both companies continue to dominate the market for GLP-1 agonists (diabetes and obesity drugs), with demand growing by nearly 40% in 2024. A key driver of Lilly's success was the increase in sales of its blockbuster drug Mounjaro after obesity was officially added to the list of indications (from Q3 2024). At the same time, Novo Nordisk maintained its leadership thanks to Ozempic and Wegovy, despite a shortage, which the company gradually eliminated by the end of the year.

Throughout the year, three companies were **outsiders** — China's WuXi Apptec, Germany's Bayer AG and the US-based Pfizer. Only one of these companies, Pfizer, managed to get out of the list of laggards and show +7% growth by the end of 2024. Pfizer continues its unquestionable leadership in terms of unexpected results. It started 2024 with an 18% drop in revenue in Q1 due to a sharp decline in demand for COVID-19 vaccines and therapies. However, the company unexpectedly posted a 22% growth in Q4 2024, allowing it to end the year with a positive result. The reasons for this were a sudden surge in sales of Comirnaty and Paxlovid, probably due to a new wave of disease incidence and government procurement in developing countries. For WuXi Apptec and Bayer AG, the year ended rather predictably — the companies never posted positive growth. For WuXi, the departure from the U.S. market was a big blow, while Bayer's crop protection products division was the main problem.

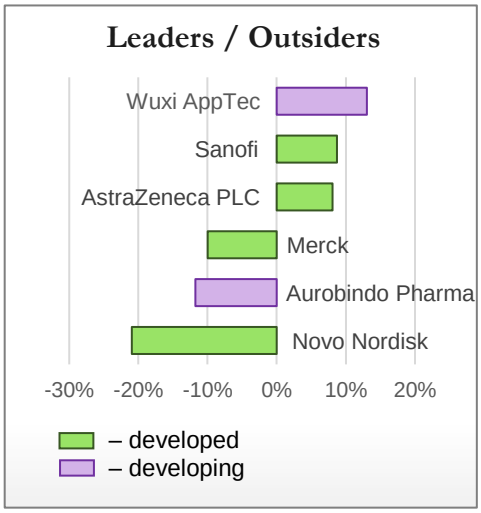
Investors' view: Q1 2025

In Q1 2025, the pharmaceutical industry showed a slight decrease in investment attractiveness compared to Q4 2024. The average decrease in market capitalization of the world's largest manufacturers amounted to 2%, while the dynamics by groups was unevenly distributed: companies from developing countries lost 4%, while those from developed countries lost only 1%.

Among companies from **developing countries**, only China's WuXi AppTec (+12%) showed positive dynamics. This growth looks particularly significant given the serious challenges the company faced in 2024 after the introduction of the U.S. BIOSECURE law. This law significantly restricted the cooperation of US pharmaceutical companies with Chinese biotech contractors, including WuXi AppTec, due to fears of possible transfer of sensitive genetic data and hypothetical ties with PRC military agencies. The growth of quotations is probably connected with the optimistic forecast of the management, which announced the business recovery due to new contracts in the Asian region and with European partners.



Other companies from emerging markets, especially ***Indian*** companies, showed negative dynamics. The main reason for this was the increase in investors' concerns about the possible introduction of trade barriers to pharmaceutical products by the US. For India, this scenario represents a significant risk, as 31% of its pharmaceutical exports in 2024 (worth $8.73 billion, +16% by 2023) came to the U.S. market. Aurobindo Pharma (–12%) saw the biggest drop in its share price after the US FDA conducted a preliminary inspection and made some rather serious remarks.



Decrease in capitalization of **developed countries'** companies was largely due to a sharp fall in shares of Danish Novo Nordisk (–21%). Excluding this company, the sector dynamics would have been positive (+1%). The main negative factor was disappointing results of clinical trials of the drug CagriSema, which caused investors' doubts about the prospects of the company's product portfolio.

French Sanofi (+9%) and British AstraZeneca (+8%) were the leaders of growth among the companies from **developed countries**. Speaking about AstraZeneca, we can note the improvement in investor sentiment after the February news about the company's payment of a $4.5m fine in China. This is a much better outcome than the withdrawal from the PRC market, which could have occurred as a result of investigations into AstraZeneca's activities by Chinese regulators last year. As for Sanofi, the company presented a favorable outlook for 2025 and also made progress in developing a vaccine to treat respiratory syncytial virus, which poses a deadly threat to humans, especially infants. It is noteworthy that the US Merck & Co (–10%) made about the same progress in the development of a similar drug, but its future prospects were severely hampered by the changing regulatory environment, in particular, the appointment of Robert Kennedy, Jr. as US Secretary of Health, who is known for his criticism of vaccination.

AUTOMOTIVE INDUSTRY

Key trends and events

The key event in the global automotive industry, which can have a tremendous impact on the development and cause a global transformation of the industry, was the **introduction by the US administration of 25% duties on cars and components imported into the country**. In early March, a 25% duty on cars from Canada and Mexico was introduced and the duty on products from China was increased from 10% to 20%, and on March 26, 2025. D. Trump signed an executive order imposing a 25% tariff on all cars manufactured outside the U.S. and their major components. The pursued goal is to revive the U.S. auto industry, whose share in domestic sales fell from 97% in 1985 to 50% in 2024. The event was such a shock for manufacturers of all countries that in mid-April D. Trump admitted that automakers need more time to localize production in the U.S. and thought about abolishing or suspending duties for a longer period of time.

The first reaction of some companies in anticipation of the duties was generally in line with the US plans — Porsche and Audi thought about moving production to the US for the first time; Honda is changing the place of assembly of the new Civic, moving it from Mexico to the US state of Indiana; the Latvian manufacturer of luxury SUVs Dartz wants to organize production in Florida. However, immediately after the imposition of duties, the largest importers began to curtail export deliveries and their production stages in the United States to develop a strategy for operating in the U.S. market under the new conditions (see the case Volkswagen). On the one hand, many car companies with assembly facilities in the U.S. are going to increase their production volumes in order to avoid strong price increases. On the other hand, brands that do not have production facilities are winding down their operations — Audi has suspended exports to the U.S.; Stellantis is considering the sale of its Italian brand Maserati, 40% of whose sales are in the U.S.; Volvo is withdrawing from U.S. sales the S90 sedan it produces in China; Nissan plans to reduce production of the Rogue crossover for the U.S. market at its Japanese plant, and others.

Case. Volkswagen halts shipments to the U.S., Stellantis cuts staff

Volkswagen sent out a letter to its dealers, in which it notified about suspension of railroad deliveries of cars from Mexico. Ships with cars from Europe also “slowed down” in ports. The company needs to make a decision on pricing in new conditions.
Stellantis suspends production at its plants in Canada and Mexico also until clarification of the situation with tariffs and price adjustment. The company will lay off about 900 employees at five plants in the USA, the cars from which went to Canada and Mexico.
Mercedes-Benz is studying the possibility of reducing the model range in the U.S., because with the new duties the cars will lose competitiveness.

Source: auto.ru

According to experts, automakers and their associations, the duties will lead to higher prices and inflation, as well as a sharp decline in operating profits. Companies will have to choose between profit cuts, which may reach 30%, and price increases to a record level of 7-10%. German and Korean companies will

be hit hardest — the share of imports in Volkswagen's sales in the U.S. market is about 80%, Hyuindai-Kia group 65%, Mercedes-Benz 63%, BMW 52%. Brands that do not have production facilities in the U.S., already at the end of March began to change their price lists — Italian Ferrari raised prices by 10% at once. American automakers have also expressed serious concern about the country's aggressive trade policy. They are trying to persuade the authorities to soften it, as the new duties will lead to a sharp rise in prices for components purchased abroad and increase the cost of production.

D. Trump's new tariff policy has expectedly led ***to retaliatory measures in other countries*** and an escalation of the trade war.

Canada has imposed a retaliatory duty of 25% on vehicles from the U.S., as well as suspended all payments under the government's Tesla purchase grant system and will deny the company participation in future bonus programs.

China initially imposed an additional customs duty of 10% on U.S. oil, agricultural equipment, certain categories of motor vehicles, imposed a 15% duty on coal and LNG, etc. Later, in response to the 145% duties on Chinese imports imposed by D. Trump, China imposed new tariffs on goods from the U.S., and on April 11, 2025, raised duties on U.S. goods to 125%. The result was the immediate suspension of U.S. Tesla from accepting new orders for the production in the U.S. of Model S and Model X cars intended for the Chinese market. In addition, Chinese authorities block BYD and Geely investments in Latin America.

D. Trump's duties led to the EU and China starting new negotiations in April 2025 on the elimination of EU duties on Chinese electric cars. A possible solution may be the replacement of European duties with the introduction of minimum prices for these goods. The EU authorities are also negotiating with India to reduce duties on imports of cars from the EU. The size of barrier duties on car imports in India exceeds 100%, however, the country's government has tentatively voiced its readiness to gradually reduce them to 10%.

The European automotive industry is restructuring and implementing measures to overcome the crisis that erupted at the end of 2024. The industry continues to cut staff: Audi is closing its plant in Brussels and will lay off 7.5 thousand employees from indirect areas, however, it promises to retain and modernize the main production facilities; Porsche will reduce the number of employees at some plants in Germany by 15% by 2029; SEAT, which is part of the Volkswagen Group, is preparing to cut up to 1.5 thousand jobs. Separately, it should be noted the strategy of Volkswagen — to overcome the financial crisis, the company is actively expanding the model range with low-cost models, and at the beginning of the year even considered selling some of the enterprises in Europe to Chinese partners. In addition, automakers oppose the introduction of additional duties by the EU on electric cars produced in China, which undermine their competitiveness — In January

2025, Chinese BYD, Geely and SAIC, American Tesla, and European BMW and Mercedes-Benz appealed to the European Court of Justice.

Layoffs have also affected related industries, most notably German industrial giants. In the face of low demand for electric cars, Siemens will cut the staff of its charging infrastructure development division by 35% (see case Siemens); ThyssenKrupp is cutting the staff of its automotive parts division by 1,800 people; Bosch, the largest automotive parts manufacturer, which has already reduced its workforce by 11,500 in 2024, announced in March further mass layoffs around the world.

Case. Siemens will lay off a third of employees creating a network of charging stations

Siemens has announced about planned mass layoffs. In total, about 5600 people will lose their jobs worldwide, while the division that develops charging infrastructure for electric cars will be cut by 35%. The reasons for the cuts include rising price pressure and weak demand for low-power charging stations. Siemens plans to refocus on solutions for corporate auto fleets, as well as fast charging points.

Source: auto.ru

Europe's regulators are also taking steps to get the industry out of the crisis. At the beginning of March 2025, the European Commission presented a comprehensive plan to support the automotive industry — the focus is on centralized stimulation of electric vehicle sales, as well as support for battery production within the EU, accelerating the development of a network of charging stations and the development of autonomous driving systems. Nevertheless, the gap between the lawmakers' plans and the actual market demand for electric cars remains; the European Commission's initiatives must be approved by the European Parliament, and many of them have not been worked out in detail. The European Commission has also published an updated policy on CO2 emissions in the automotive sector — cars and vans can now be produced under the new requirements by the end of 2027 rather than 2025.

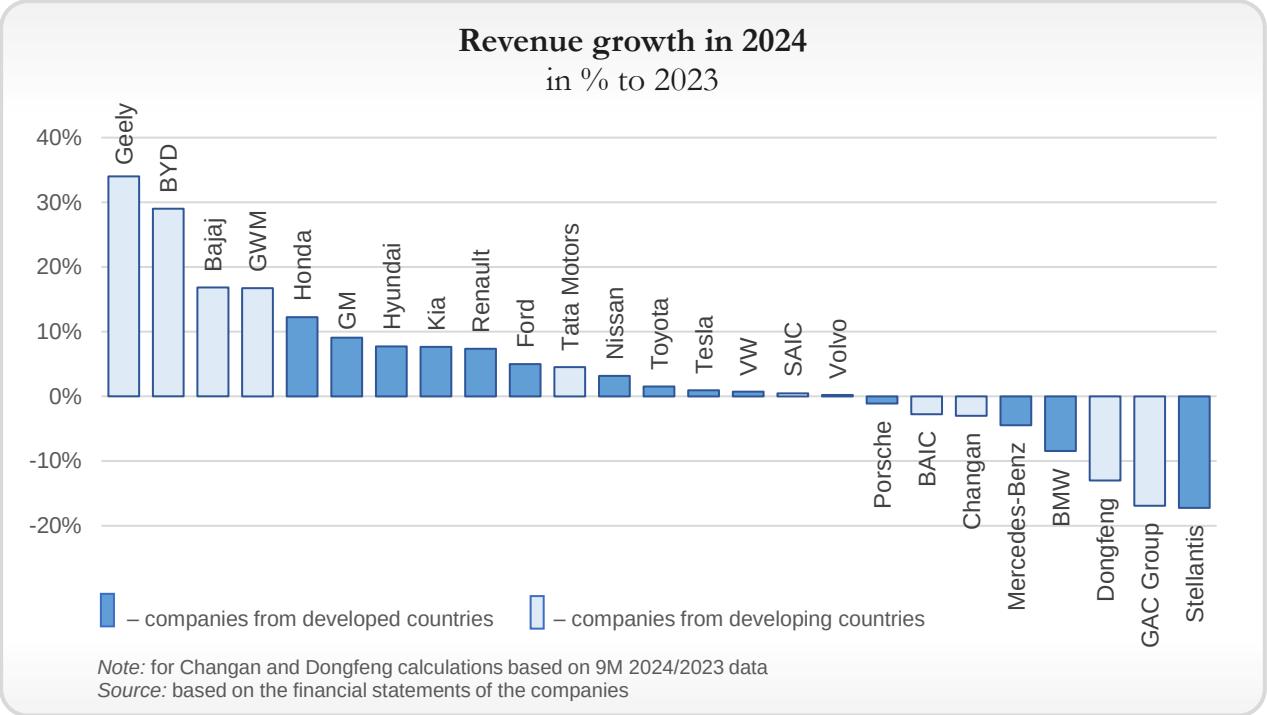
The **Chinese automobile market** is still rich in events — **national producers are merging, foreign companies are offering new models and opening production facilities** in cooperation with local partners. China's Dongfeng and Changan announced plans to merge to unify supply chains and consolidate resources, which could result in the world's fifth most powerful automobile company. The merger of Zeekr and Lynk&Co, part of the Chinese concern Geely, was completed in order to optimize the model range and accelerate technological integration. German Audi (with FAW) and Japanese Honda (with GAC) launched new electric car production plants as part of joint ventures with Chinese partners. Mercedes-Benz, despite plans to lay off 10 to 15% of its sales and finance staff, plans to invest in further development in China and cooperate with local component suppliers. Volkswagen together with SAIC plans to bring 3 new models to the Chinese market by 2026, and together with FAW 11 new models by 2030. In addition, the German VW group has signed a cooperation agreement with CATL to jointly develop affordable batteries and will build a network of ultra-fast charging stations in China in cooperation with Xpeng.

Other important developments in the global auto industry in Q1 2025 include:

- Another initiative of D. Trump after taking office **was the cancellation** of the previous president's **decree on the U.S. transition to electric cars** — the country no longer sets a strategic goal to increase the fleet of electric cars and does not allocate federal funds to expand the network of charging stations.
- **Continued integration of Chinese IT companies into the automotive industry** — Xiaomi has raised its domestic sales target for 2025 from 300,000 to 350,000 units; Huawei is partnering with SAIC to create another automotive brand for electric cars, this time a budget one; Taiwanese iPhone assembler Foxconn is preparing to enter into agreements with Japanese auto companies, expecting to produce electric cars of its own design.
- **The confrontation between electric car segment giants Tesla and BYD** is developing in favor of the Chinese company — Tesla's sales fell in Q1 2025 by 13% to a record low for the last three years as a result of I. Musk's controversial political activity, fierce competition and the expected update of the best-selling electric car Tesla Model Y, while BYD reported a record 110.5% growth in export shipments over the same period.

News Feed: Automotive Industry

Revenue dynamics of the largest companies: 2024



Note: for Changan and Dongfeng calculations based on 9M 2024/2023 data
Source: based on the financial statements of the companies

Despite the difficult conditions in which the global automotive industry operated during 2024 (see Annual Issue/2024), most of the largest players in the industry ended the

year with a positive result — two thirds of the analyzed companies managed to increase their revenues.

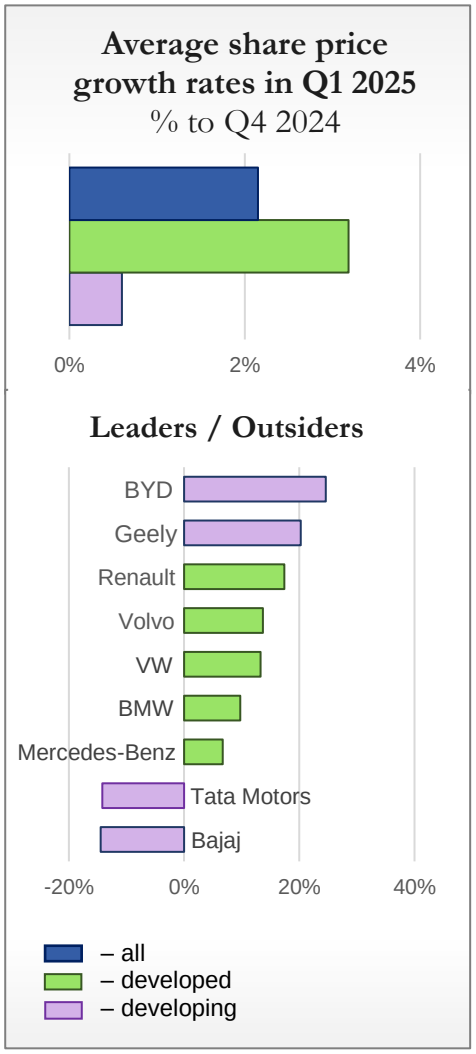
The **leaders of growth** were emerging market manufacturers — China's Geely (+34%), BYD (+29%), Great Wall Motor (+17%) and India's Bajaj Auto (+17%), which have been performing strongly throughout the year. Geely attributed its impressive growth to global expansion and increased product competitiveness, especially in the electric and hybrid segment, whose sales rose 92% to 888,200 units compared to 2023. The Group actively strengthened its position in the Middle East, Asia Pacific, Africa, Latin America, Europe. BYD achieved a huge revenue growth in Q4 2024 (+53%), thereby improving its full-year result as well. The company attributes the success of the year-end quarter to strong demand, large-scale expansion and the introduction of new technologies. In summarizing 2024 results, the company cites the following as the main factors of success: an aggressive strategy which combined price cuts with technological innovation; increasing domestic market share; increasing activity in the European market; and government support in China. Great Wall Motor also cites rising overseas sales, an improved sales mix in the domestic market due to a shift towards higher-end models and increased government subsidies. Bajaj Auto's key growth drivers are increased sales of premium motorcycles, three-wheelers and electric scooters, as well as growth in export shipments and domestic car sales.

Outsiders in 2024 in terms of revenue dynamics are Dutch Stellantis NV and Chinese Guangzhou Automobile Industry Group — both companies reduced revenue by 17% compared to 2023. Stellantis NV faced the following problems: weak demand and tough competition, especially in the U.S., where the company's cars were more expensive than competitors; temporary difficulties associated with the renewal of the model range; negative impact of exchange rates. Guangzhou recognized the choice of the wrong development strategy and inefficient use of production capacities, primarily at joint ventures.

In the context of negative dynamics, ***German auto giants*** should be singled out — with the exception of Volkswagen, whose revenue grew by only 0.7% in 2024, the rest showed a decline — BMW (–8%), Mercedes-Benz (–4%), Porsche (–1%), which confirms the crisis situation in the German industry. BMW, the least successful in this group, showed the most negative results in Q4 2024, in which its revenue decreased by 15% due to supply chain disruptions and weak demand in China.

Investors' view: Q1 2025

Investors are generally cautious about the global auto industry, which is in a situation of high uncertainty due to US protectionism, fierce competition from Chinese companies, low demand for electric cars and other factors — the value of shares of the largest manufacturers in Q1 2025 rose by only 2%.



Chinese auto giants BYD (+25%) and Geely (+20%) led the growth. BYD impressed investors with better-than-expected financial results for Q4 2024 as a result of high sales volumes and improved product mix, as well as the presentation of a new ultra-fast charging system for electric vehicles in mid-March. Analysts forecast BYD to dominate the global market for new energy vehicles. Geely also showed impressive year-end results, with sales up 34%, including electric vehicles up 92%, compared to 2023. In addition, the company's achievements in smart driving technology and a change in pricing strategy when introducing new cars to the market are noted.

The value of almost all major **European automakers** increased — Renault (+17%), Volvo (+14%), Volkswagen (+13%), BMW (+10%), Mercedes-Benz (+7%), Porsche (+2%). Renault was one of the few companies to reach its 2024 targets, as well as record revenue growth and record operating profit (€4.3 billion in 2024). Volvo also reported record sales — the number of cars sold increased by 8% compared to 2023, with sales of electric cars doubling. German producers lost a lot of ground in the second half of 2024 due to the crisis situation in the industry (see Annual Issue/2024), but are making efforts to improve the situation. The expected revival of the German automotive sector, both in terms of sales market and production location, is having a positive impact on their share price performance. The comprehensive support plan for the industry presented by the European Commission in March 2025, as well as the news that the industry's burden in meeting climate targets is being reduced, made an important contribution to the share price performance of all European carmakers.

The outsiders of Q1 2024 were **India's** Bajaj Auto and Tata Motors, whose quotations fell by 14.5% and 14.2%, respectively. Both companies were value growth leaders in 2024 (see Annual Issue/2024), however, their sales prospects are assessed by analysts as weak. Bajaj Auto particularly disappointed investors with low sales in December 2024.

SEMICONDUCTOR INDUSTRY

Key trends and events

The increase in import duties by D. Trump and the escalation of the trade war between the U.S. and China are directly unfolding in the global semiconductor industry, becoming the cornerstone of its development. The industry trends observed during 2024 — capacity expansion, aspiration for technological sovereignty, cooperation with IT companies, etc. — remain relevant.

D. Trump's duties as an instrument of a new strategy for the development of the American semiconductor industry. There is a change in the development strategy of the national semiconductor industry in the USA — D. Trump opposes subsidizing the industry, especially foreign manufacturers, within the framework of ehe CHIPS and Science Act and considers duties a more effective tool for attracting manufacturers without additional budget expenditures. In early March, he appealed to the Parliament with a call to repeal the law.

The new US administration announced its intention to impose import duties on semiconductor products at the end of January 2025. Semiconductors were subject to the first wave of U.S. duties directed against Mexico and Canada (25%) and China (10%). During Q1 2025, the U.S. administration made conflicting statements and moves to impose/withdraw duties on semiconductors as part of its overall trade policy. In mid-April, the world continues to wait for information about the US import duties on semiconductor products, in the introduction of which D. Trump promises “some flexibility”.

Under these conditions and under pressure from the US administration, Taiwan's TSMC announced new investments in the US (see case TSMC) — the company plans to invest another $100 billion in production expansion, which will allow it to create a complete value chain in the US for the production of chips, including those for computing accelerators. To realize this project, TSMC will need approval from Taiwanese authorities, who closely monitor overseas investments to prevent key technologies from leaving the country. The technology transferred to the U.S. will not be cutting-edge — in early March, Taiwanese officials said that the production of 2nm and 1.6nm chips in the U.S. will definitely not be deployed in 2026.

Case. TSMC will increase its investment in the U.S. to $165 billion

At the initial stage, when TSMC's management negotiated with the U.S. authorities to build three silicon wafer processing facilities in Arizona, they were talking about an investment of $65 billion. In early March 2025, the Taiwanese manufacturer confirmed that it was ready to spend $100 billion more in the United States. Three facilities will be added to the already planned facilities in Arizona, specializing in silicon wafer processing, and two others will master chip packaging using advanced techniques. Crystals made in the U.S. will not need to be sent to Taiwan for testing and packaging to be returned to the American continent.

Source: 3Dnews

According to analysts, D. Trump's inconsistent policies and the resulting economic uncertainty could be a big obstacle to U.S. superiority in AI and ramping up chip production.

The U.S.-China trade war in Q1 2025 manifested itself in increased export controls and led to accelerated chip purchases from the PRC:

- In January, the J. Biden administration introduced a new AI proliferation rule, dividing all countries into those that are allowed relatively free access to the most advanced U.S. AI chips and algorithms and those that will require special licenses to do so. The new approach limited the ability of China, Russia, and other countries that are prohibited from sourcing advanced AI chips to utilize parallel import mechanisms. This tough approach, which takes effect on May 15, 2025, has drawn criticism from the U.S. semiconductor industry, which fears increased competition in the global market. The European Commission has also criticized the approach, as only 10 EU countries will receive “trusted” status. The new US administration does not yet have a clear position on this issue.
- In mid-January, China launched an investigation into U.S. chip grants and alleged dumping. The investigation was initiated in connection with complaints from Chinese manufacturers regarding the U.S. CHIPS and Science Act, which incentivizes industry leaders, including TSMC and Samsung, to build production facilities in the United States. The measure may become one of Beijing's strongest retaliatory steps to U.S. technology sanctions.
- In early April, the Chinese authorities made an exception for semiconductor manufacturers as part of their response to the United States by raising duties on U.S. imports to 125% — U.S. chip manufacturers ordering their products from contract manufacturers outside the U.S. will be exempt from retaliatory duties. This measure will be available, in particular, to Nvidia, Qualcomm and AMD, which produce chips in Taiwan, but it will be applied to the products of Intel, Texas Instruments, ADI and ON Semiconductor.
- The D. Trump administration held talks with representatives of Japan and the Netherlands, whose authorities have traditionally been required by the United States to take more synchronized action to restrict exports to China of chip-making equipment and related services. As a result, Japan expanded the list of goods subject to export controls to include advanced chips and equipment for quantum computers.
- In March, Malaysian authorities pledged to tighten controls on shipments of accelerators, including Nvidia's, that should not enter the Chinese market amid U.S. export restrictions.
- In January, news broke that Taiwan's TSMC had severed its relationship with Singapore's PowerAIR over suspicions that the latter had assisted U.S.-sanctioned from 2019 Huawei Technologies in obtaining TSMC's advanced chips. However, in early April it emerged that TSMC itself could pay a hefty fine of $1 billion or more as part of a U.S. Commerce Department investigation over a chip found in Huawei's AI accelerator.

- Under the threat of increased export controls, Chinese companies are seeking to buy as many chips as possible, as a result of which Samsung Electronics' exports to China increased by 54% by the end of 2024; Taiwan's MediaTek, the largest supplier of chips for smartphones, expects revenue growth in January-March 2025 at a higher-than-seasonal rate; orders from Chinese customers to Nvidia quadrupled in the first quarter of 2025 (to at least $16 billion).

Ensuring technological sovereignty and capacity expansion, the course taken by all major countries of the world, was implemented in most countries in Q1 2025.

The most active in this issue is ***China***, which is under the strongest sanctions pressure (see above). China's dependence on imports is very high, in particular, its automotive industry is less than 10% supplied with locally developed semiconductor components. At the same time, according to experts' estimates, the country lags behind modern industry solutions in certain types of products by three to ten years. As a result, the PRC is increasing budget expenditures to support science and technology in 2025 by 10% to $55 billion — the priority areas of funding will be artificial intelligence, semiconductors, quantum computing and space exploration. In early 2025, China announced plans to launch a government program to encourage widespread use of domestic RISC-V-based chips. At the manufacturer level, it is worth **noting** (1) the achievements of Hauwai, which has reduced scrap rates, making chip production profitable, and is able to produce millions of AI chips per year despite sanctions and (2) the appointment by China's largest chip maker, Hua Hong Semiconductor, of Bai Peng, who spent a decade as a top executive at U.S. Intel, as president to diversify production and develop advanced technologies.

India is planning to become a major player in the global semiconductor industry — the first chips labeled “Made in India” will appear in August-September 2025 at a plant organized with the support of Taiwan's Powerchip and India's Tata. The chips will be produced on a 28nm process, which is not the most advanced, but they are widely used in automotive, consumer electronics and the Internet of Things, reducing the country's dependence on imports. India plans to attract large-scale foreign investment in the industry — Danish NXP Semiconductors is going to invest more than $1 billion in semiconductor R&D, US-based Analog Devices is working with Tata Group to explore opportunities for chip production in the country, another US manufacturer Micron Technology is building a $2.75 billion assembly and test plant in India, and the US-based Micron Technology is building a $2.75 billion assembly and test plant in India.

In ***Europe***, Germany's Infineon will build a diversified integrated circuit and power electronics manufacturing facility in Germany with the help of subsidies from the European Chip Law.

The authorities of ***Malaysia***, which is in the semiconductor chain at the simple stages of packaging and testing, are planning to create a complete manufacturing ecosystem in the country from chip development to silicon wafer processing and their subsequent packaging. As part of this goal, an agreement has been signed with British processor

architecture developer Arm, under which Malaysia commits to pay the company $250 million over ten years for access to its technology and licenses.

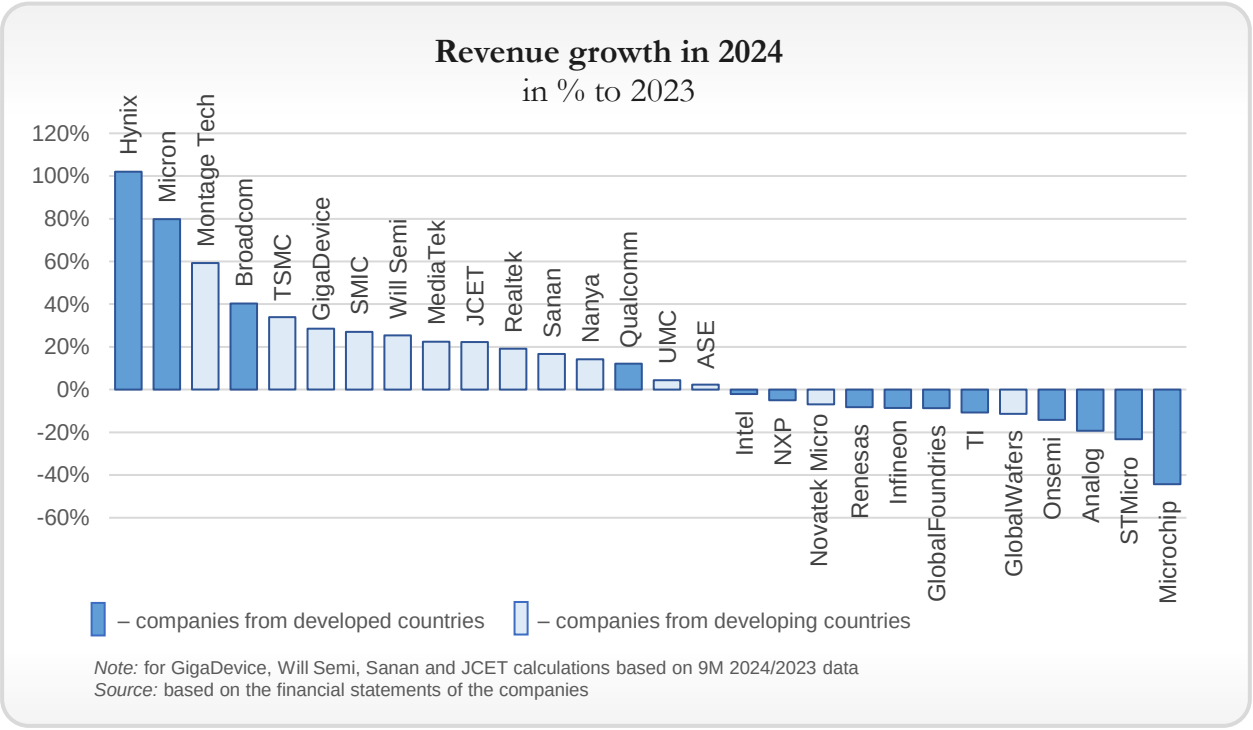
Japanese authorities are allocating an additional $5.4 billion in support for young domestic manufacturer Rapidus, which plans to master the country's production of 2nm chips by 2027. The move will increase the company's total subsidy allocation to $11.6 billion.

Taiwan continues to strengthen its technological superiority — TSMC has selected a site to build the country's first advanced 1nm manufacturing facility.

Overcoming the crisis at Intel. Intel (see Issue 4/2024 of the Monitor), which found itself in crisis in the second half of 2024, is taking strategic actions to overcome the situation. The company has changed its management, plans to expand its core business with AI and software solutions and separate non-core businesses, and is launching mass production of 3nm chips in Ireland to expand its customer base in Europe. A landmark event could have been the creation of a joint venture with TSMC, an idea promoted by the U.S. administration since February 2025, but TSMC CEO C.C. Wei strongly denied the rumors in April.

News Feed: Semiconductor Industry

Revenue dynamics of the largest companies: 2024



Note: for GigaDevice, Will Semi, Sanan and JCET calculations based on 9M 2024/2023 data
Source: based on the financial statements of the companies

The results of the global semiconductor industry in 2024 demonstrate two opposing trends. On the one hand, record revenue growth was demonstrated by companies operating

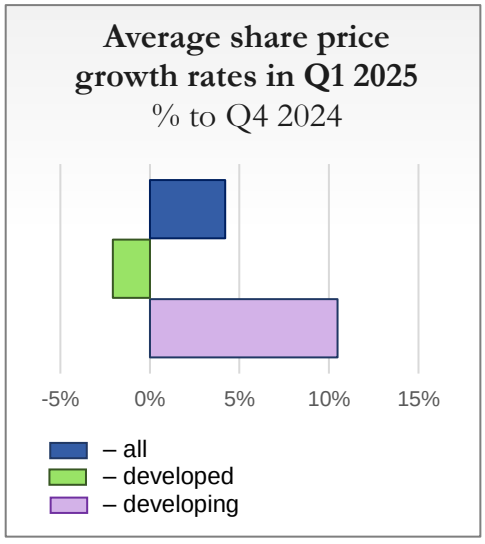
in the segment of memory for artificial intelligence. On the other hand, the downturn in the industrial and automotive segments in developed countries has resulted in semiconductor and electronics supplier companies for these industries facing challenges and falling revenue.

The **leader** in terms of revenue growth in 2024 was South Korea's SK hynix (+102%). The company significantly increased sales of HBM and eSSD memory used in AI solutions. High results were achieved by the American Micron Technology (+80%), which as the reasons for success notes the steady demand for artificial intelligence and high performance of its products, which facilitated record revenue growth in the context of high demand for DRAM chips from data centers. Revenue of China's Montage Technology (+59%) grew on the back of a gradual recovery in demand in the server hardware and PC markets for DDR5 memory modules and interfaces, as well as following the launch of three new products based on high-performance chips (PCIe Retimer, MRCD/MDB and CKD). The US Broadcom (+40%) is also among the leaders, whose revenues were strongly influenced by the growth in revenues from AI-related components and increased sales of infrastructure software as a result of the successful integration of the US software developer VMware, whose acquisition was completed in November 2023.

US-based Microchip Technology was the industry **outsider**, with a 44% drop in revenue. The company's results were affected by low demand from customers in the automotive and other industries, who are using inventories created during the pandemic, placing fewer new orders, and operating in a weak market environment. The situation in the automotive and industrial sectors also affected the revenues of Swiss STMicroelectronics (–23%), US Analog Devices (–19%) and ON Semiconductor Corporation (–14%).

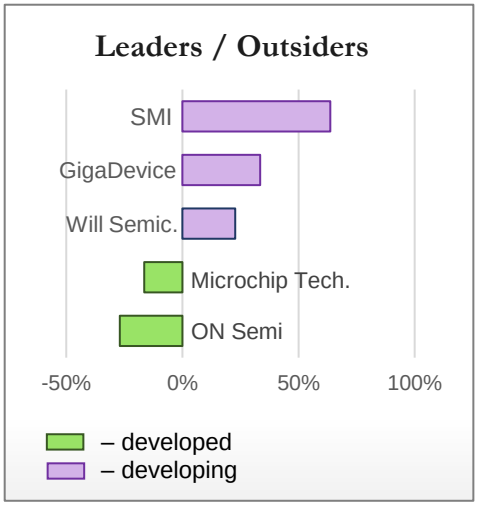
Investors' view: Q1 2025

The value of major players in the global semiconductor industry grew by an average of 4% in Q1 2025 (one of the highest gains among key global industries), driven by positive investor sentiment amid the AI boom.



Chinese manufacturers Semiconductor Manufacturing International (+64%), GigaDevice (+34%) and Will Semiconductor (+23%) were the **leaders** in value growth. The general factor behind the growth in quotations of Chinese companies is investors' optimism regarding China's efforts to achieve independence in semiconductor production despite technological lag and sanctions pressure. Expectations that Beijing would announce new

support measures for the industry, which did happen in March 2025, also played an important role. In addition, the companies also pleased investors with their 2024 results.



The **outsiders** were two ***American companies*** — ON Semiconductor (–27%) and Microchip Technology (–16%), which produce chips for automotive and other industries. Both companies showed weak results for 2024, reducing revenue by 14% and 44%, respectively, and revised downward their profit forecasts for 2025.

In March 2025, inconsistent duty policies and U.S. export controls became an important determinant of stock price performance. They began to put downward pressure on the shares of both Chinese and US manufacturers.

CONSUMER ELECTRONICS

Key trends and events

Increased US import duties and increased pressure on China are forcing companies to change their strategies for organizing global production and supplying products to the US market. Against the backdrop of D. Trump's threats to impose tariffs and his calls for corporations to increase investments in the country, the U.S. HP is considering moving its assembly processes to the United States. In addition, the company plans to reduce the volume of Chinese components in its products to 10% by the end of 2025. Japan's Sony is expanding the stock of components in U.S. warehouses in case of further increase in duties on imports of Japanese components and is considering localization of the production cycle in the U.S. territory. South Korean Samsung, which produces up to 40% of memory chips and mobile devices in China, is also studying options for relocation of production in order to minimize the impact of duties. Taiwan's Foxconn and Quanta Computer are also considering relocating production to the US.

Companies from developed countries are losing competition to manufacturers from developing countries. Despite the fact that Apple, the world's largest smartphone manufacturer, retained its leadership in the global market in 2024, its sales in China fell — Apple dropped to third place among smartphone suppliers in the Chinese market at the end of the year, giving way to national manufacturers Vivo and Huawei. As part of this competitive struggle, Apple is forced to cut prices (see case Apple). Further growth of the company can be provided at the expense of India and Southeast Asian countries. In 2024, South Korean companies were losing their positions in the global market — LG lost its position as the world's second largest supplier in the market of monitors and TVs, and South Korean Samsung reduced its sales of smartphones and microelectronics by 20-25%. Against the backdrop of falling sales of South Korean manufacturers, Chinese TCL and Hisense increased shipments of TVs and monitors.

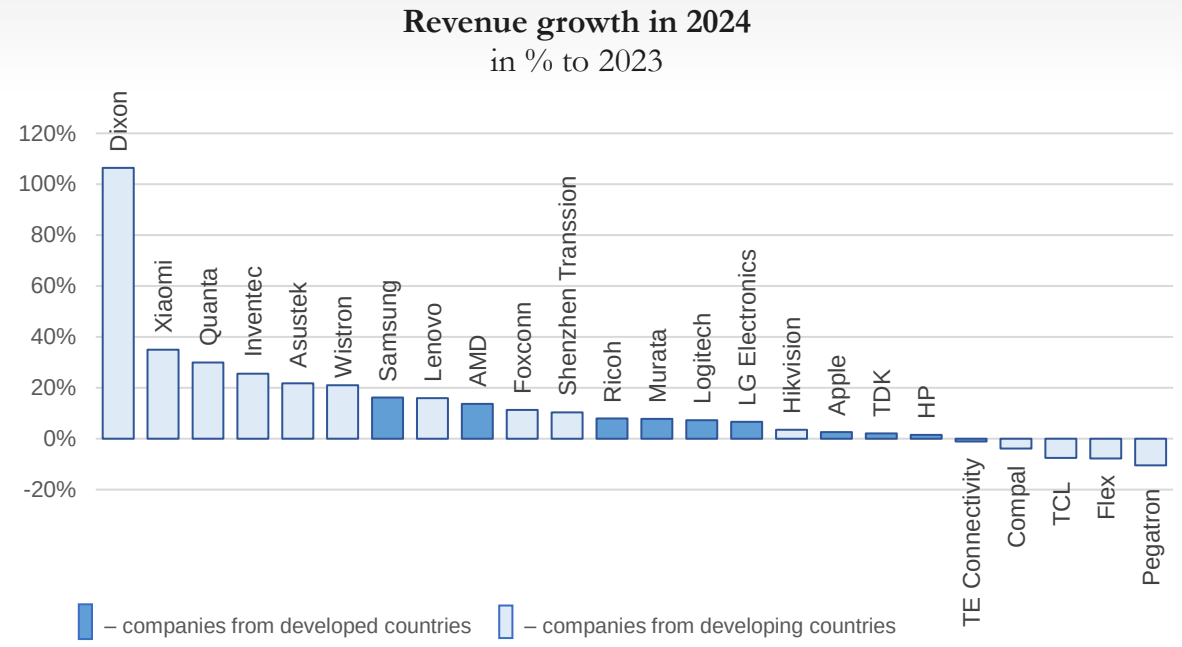
Case. Apple drops iPhone prices in China to stem sales decline

January 2025 marked the fourth consecutive month of continuous decline in shipments of foreign-branded smartphones to China. Apple, the top foreign smartphone vendor in China, has faced a slowing economy and increasing competition from Chinese manufacturers such as Huawei. After returning to the premium segment in August 2023 with models powered by locally manufactured chips, Huawei has become a serious competitor.
Apple launched a four-day promotion in China, offering discounts of up to 500 yuan (about $68.50) on flagship iPhone models to boost sales.

Source: 3dnews.ru

News Feed: Consumer electronics

Revenue dynamics of the largest companies: 2024



Note: for TCL calculations based on 9M 2024/2023 data
Source: based on the financial statements of the companies

2024 was quite successful for global consumer electronics manufacturers — the vast majority of companies increased their revenue. The key drivers in the context of weak demand were sales of products with AI functions and high demand for networking equipment, in the production value chain of which contract manufacturers are involved along with consumer electronics.

The **absolute leader** of the industry is India's Dixon Technologies, which doubled its revenue (+106%) due to the implementation of the "Made in India" strategy, as well as contract work for other manufacturers as they shift the manufacturing of components and mobile devices from China to India.

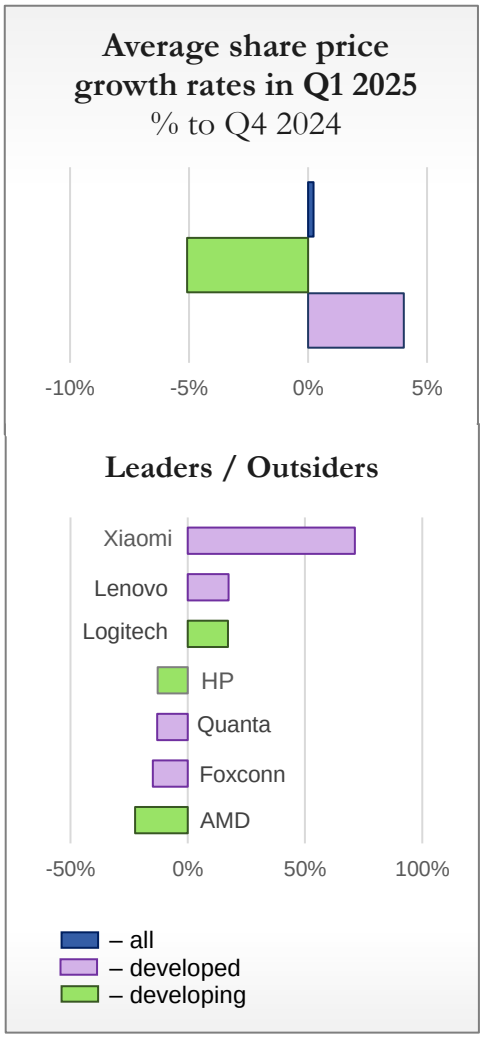
Chinese Xiaomi (+35%) and four ***Taiwanese*** contract manufacturers — Quanta (+30%), Inventec (+26%), Asustek (+22%) and Wistron (+21%) — are also among the leaders. Xiaomi, Quanta and Inventec's 2024 bottom line was impacted by strong Q4 2024 results, with revenue up 49%, 45% and 59%, respectively. Xiaomi's result is attributed to its expanding global smartphone market share and highly successful integration into the electric car segment in the domestic market. The Taiwanese manufacturers noted the introduction of networking equipment and graphics processors into the production chain, which are in high demand amid AI development.

The industry **outsiders** were Taiwan's Pegatron Corporation (–10%), Singapore's Flex (–8%) and China's TCL (–8%). The fall was mainly due to low demand for consumer electronics and contract manufacturing in end markets. Pegatron Corporation, a contract manufacturer of iPhones and other mobile electronics, closed a plant in India in the first half of the year, which affected financial results. Flex's revenue fell due to weak demand

for electronics in industries such as engineering, medical, energy and others. TCL additionally points to high competition in the domestic market.

Investors' view: Q1 2025

In Q1 2025, the value of the largest consumer electronics manufacturers from developed countries showed decline on average. Shares of developing countries' companies grew, however, the main contribution to this dynamics was made by China's Xiaomi, which, if excluded from the calculations, will make the growth in the value of developing countries' companies negative. Continued weak global demand for consumer electronics affects investors' expectations.



The **absolute leader** was Xiaomi, showing a 71% increase in value in Q1 2025, driven by increased electronics sales, continued growth in domestic electric vehicle shipments, and plans to bring electric vehicles to overseas markets. The share price of another Chinese manufacturer Lenovo (+17%) rose as a result of increased sales of AI chips and components, as well as the launch of new products with AI features. The positive impact of Chinese AI startup DeepSeek's breakthrough in the field of AI on the shares of Chinese technology companies in general and the growth of investor interest in them should be noted. Among the companies from developed countries, the leader in value growth was Swiss Logitech (+17%) — the company raised its sales forecast for 2025 amid high demand for gaming infrastructure, which emerged at the end of 2024.

The **outsider** in Q1 2025 was the American AMD, whose share price fell by 22%. This assessment of investors is caused by the company's activities in semiconductors rather than in the field of consumer electronics. The company's sales decline occurred in the segment of graphics accelerators as a result of high competition from another American manufacturer Nvidia. Despite its good position in the market of computing processors, AMD is losing competition to Nvidia in the field of accelerators for AI, which affects the company's revenue in the segment of cloud computing and data centers.

The value of two ***Taiwanese*** manufacturers — Foxconn (–15%) and Quanta Computers (–13%) and ***American*** HP (–13%) decreased. Investors' sentiment towards Foxconn deteriorated due to low financial results in 2024, as well as due to the increase of US import duties against Canada, Mexico and China, where the company assembles

electronics and other products. Despite Foxconn's optimistic outlook for 2025, investors remain pessimistic amid further possible duty hikes and geopolitical tensions. The fall in the value of Quanta Computers occurred despite high revenue growth in 2024. Investors are reacting to growing tensions in production chains, trade tensions with the U.S. and weak demand for consumer electronics. The factor of weak demand, including for personal computers and laptops, also affects the sales of US-based HP, which affected investor sentiment and led to a decline in the share price.

INDUSTRIAL IT EQUIPMENT

Key trends and events

High demand for artificial intelligence solutions promotes the expansion of production facilities and stimulates intra-industry competition. The US Dell is at the final stage of negotiations to supply AI servers to the xAI startup founded by I. Musk. The amount of the contract may exceed $5 billion, with equipment deliveries scheduled for the second half of 2025. Another American company Hewlett Packard Enterprise won a tender for the supply of servers for the social network X (formerly Twitter) for the amount of $1 bln, Dell and Supermicro also participated in the tender. Japan's Tokyo Electron will ramp up production of semiconductor equipment to meet market demand for high-performance chips amid strong demand for AI components. Leading technology companies, including Nvidia and Microsoft, are forming AI infrastructure partnerships to further expand investment in this area and develop AI technologies.

US sanctions pressure on China. In late March 2025 the U.S. Federal Communications Commission launched a new large-scale investigation of several Chinese IT companies, including telecommunications equipment suppliers Huawei and ZTE and the world's largest manufacturer of video surveillance cameras Hikvision. The regulator suspected them of circumventing restrictions on operations in the US. The Commission sent requests to the Chinese companies asking them to provide information about their activities in the country.

Almost simultaneously, the new U.S. government expanded its export control list to include new companies and organizations suspected of aiding China's military sector. About 80 more companies and institutions were added to the list, of which more than 50 are located in China, including subsidiaries of server equipment manufacturer Inspur. In addition to Chinese, the list included companies in Taiwan, Iran, Pakistan, South Africa and the UAE. Some of them are suspected of cooperating with companies previously on the export control list, such as China's Huawei Technologies. The actions of U.S. authorities have once again led to objections from Chinese diplomats, who have accused the United States of using national security issues to achieve goals in the technological and trade spheres.

In response to U.S. sanctions and trade and political pressure, **China has begun to develop a regulation on the energy efficiency of GPUs used**, which could have a significant impact on the balance of power in the Chinese market for this type of equipment. At the end of March 2025, China's National Development and Reform Commission introduced new energy efficiency regulations that recommend companies use the appropriate chips when building new data centers and expanding existing facilities. The regulation is aimed at promoting domestic solutions in this area. For example, Nvidia's H20 accelerators, which are manufactured specifically for China in compliance with U.S.

sanctions, do not meet the new requirements (see case China), jeopardizing the U.S. company's multi-billion dollar business in China.

Case. China develops regulations to promote domestic solutions in the cloud computing market

China's National Development and Reform Commission has unveiled new energy efficiency regulations for AI accelerators, recommending that companies use accelerators that meet energy efficiency requirements when building new data centers and expanding existing facilities. NVIDIA's popular H20 AI accelerator in China is less efficient than the company's flagship models, but it can still be officially shipped into the country. As of today, the H20 does not meet the new requirements, which could lead to Chinese IT corporations such as Alibaba, ByteDance, and Tencent dropping the H20. Lost orders will go to local competitors, including Huawei, whose products are more in line with Beijing's agenda.

Source: Servernews, 3dnews.ru

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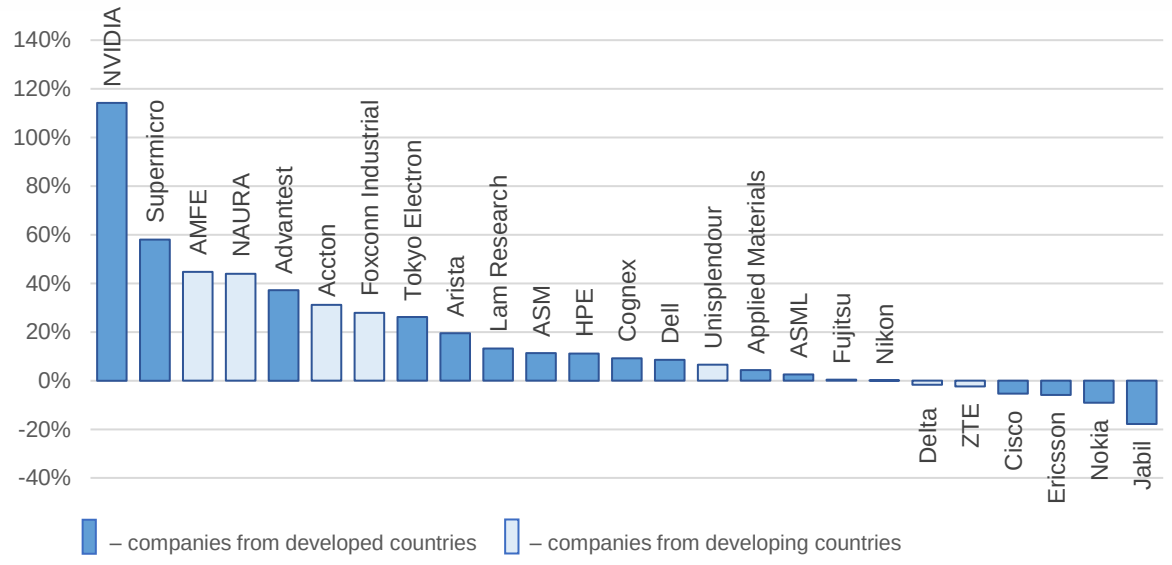
News Feed: Industrial IT equipment

Revenue dynamics of the largest companies: 2024



Note: for Unisplendour calculations based on 9M 2024/2023 data
Source: based on the financial statements of the companies

The world's largest IT equipment manufacturers achieved strong performance results for 2024, with 19 out of 25 companies reporting revenue growth. The key growth factor was the high demand for equipment for AI solutions.

The industry was led by leading ***American*** manufacturers of server hardware and GPUs - NVIDIA (+114%) and Supermicro (+58%), driven by the rapid development of AI technologies and high demand for cloud computing. ***China's*** AMEC (+45%) and Naura

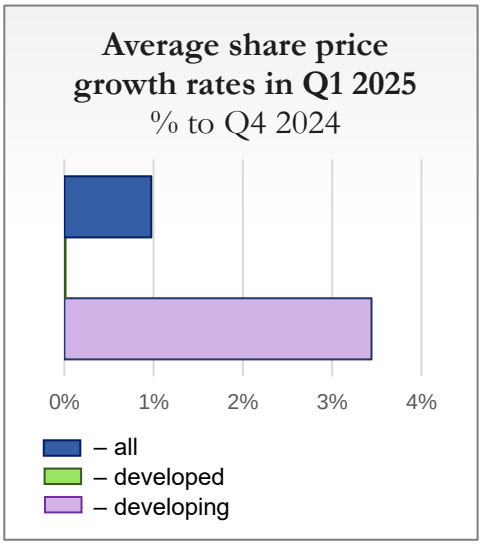
(+44%) showed strong performance as a result of increased sales of semiconductor manufacturing, inspection and testing equipment, for which demand is extremely high as China strives for technological independence in the semiconductor production chain amid the escalating trade war with the United States. For the same reason, sales of Advantest (+37%) and Tokyo Electron (+26%), ***Japanese*** manufacturers of semiconductor manufacturing equipment, which increased their supplies to China, grew. Taiwanese Accton, which produces server equipment, should also be included among the leaders in 2024. The company achieved a huge increase in revenue in Q4 2024 (+77%), which led to a 31% year-on-year growth.

The 2024 **outsider** was the US-based Jabil (–18%), which faced low demand in key markets. The company's revenue also declined as a result of the sale of its consumer electronics components business in China in the second half of 2023.

In the context of low demand for base stations, ***telecommunications equipment manufacturers*** — Finnish Nokia (–9%), Swedish Ericsson (–6%), American Cisco (–5%), Chinese ZTE (–2%) — showed a drop in revenue in 2024. It is noteworthy that companies from developed countries were able to show revenue growth in Q4 2024 (Nokia +10%, Cisco + 9%, Ericsson +1%), thanks to increased demand in North America and India at the end of the year.

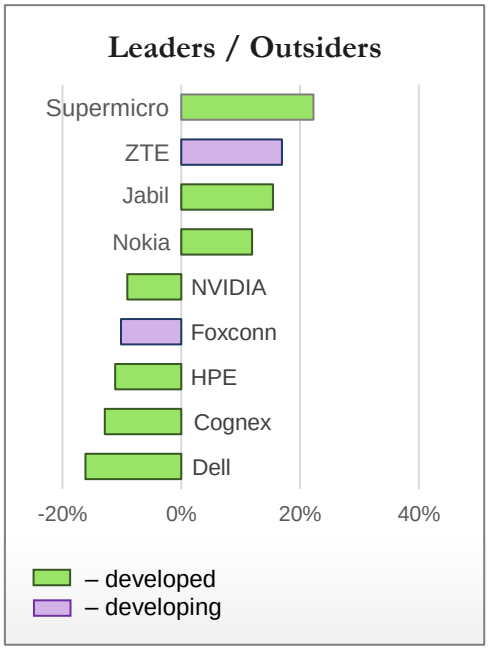
Investors' view: Q1 2025

Investors' expectations with regard to the largest IT equipment manufacturers remained generally unchanged — the average increase in share prices in Q1 2025 amounted to +1%. However, the dynamics of quotations of individual manufacturers varied in the range from +22% to –16%.



American Supermicro (+22%) became the **leader** 2024 in terms of value growth. The positive valuation is associated with a low base — in Q3 and Q4 2024, the company's shares fell by 32% and 40%, respectively, due to difficulties with the submission of financial statements, after the publication of which, however, managed to avoid delisting from NASDAQ. Strong demand for server hardware, new product introductions and the announcement of plans to expand production in the US will continue to play an important role in Supermicro's stock performance. Investors praised the prospects of another US company Jabil (+15%), which raised revenue forecasts for 2025 amid strong demand for server hardware and AI technologies.

It is noteworthy that the positive assessment of investors was received by manufacturers of telecommunications equipment, which have been operating in conditions of low demand and not inspiring optimism in investors for a long time — the shares of Chinese ZTE rose by 17%, Finnish Nokia by 12%. The growth of ZTE shares is associated with a positive assessment of the company's prospects on the background of the emergence of Chinese AI model DeepSeek, the development of which may lead to an increase in demand for telecommunications equipment and related technologies. The key drivers of Nokia's value growth were the recovery of demand in the telecom equipment market in North America, positive revenue dynamics in the last quarter of 2024 and the completion of the deal to purchase the American manufacturer of optical networking equipment Infinera, which allowed the company to become the second largest supplier in the optical networking market with a 20% share after Huawei.



The **outsiders** 2024 are ***American*** manufacturers Dell (–16%), Congex (–12%), Hewlett Packard Enterprise (–11%), NVIDIA (–9%). The main factor in the decline in the value of American companies that assemble some products in Mexico and China was the trade policy of the new U.S. administration, which will lead to higher costs and lower profits. An additional impact on the fall in Dell shares was the publication of the financial results in the first quarter of the fiscal year (November 2024 - January 2025), according to which operating profit fell by 14%. Cognex's stock price was falling due to a decline in revenue in key business areas, among other factors. NVIDIA faced the following negative factors: new restrictions on the export of AI accelerators requiring licenses; decreased sales and market share in the People's Republic of China; and increased regulation due to the discovered smuggling of accelerators into China via Singapore and Malaysia.

Among the companies from developing countries, the largest drop in value was in the ***Chinese*** Foxconn (–10%), which is associated with investors' concerns about the impact of U.S. duties and trade policy (the company has large production facilities not only in China, but also in Mexico).

PLATFORM BUSINESS

Key trends and events

Platforms continue to develop AI functions

Throughout 2024, platform companies were developing and implementing AI solutions in their products, and this work became even more intensive in Q1 2025. Following the success of DeepSeek, other ***Chinese companies*** have also joined ***the AI race***. Alibaba launched the QwQ-32B AI model, which the company claims is comparable to DeepSeek's development. Tencent launched the first official version of its T1 model, and Baidu announced plans to launch its AI model in the 2nd half of 2025.

In addition to bringing new products to market, ***companies are using AI to improve services on their platforms***, in particular by enhancing their voice assistants: Amazon introduced a new version of Alexa; Alibaba, in the latest version of its AI assistant Quark, emphasized the expansion of reasoning ability, which will allow users to ask the assistant complex questions; Google, for its part, is adding quantitative AI models to its cloud offerings to improve their competitiveness.

The development of AI models and functions based on them requires platform companies to ***increase investments***. Many platforms, including Alphabet, Alibaba, Amazon, Meta Platforms (recognized in Russia as an extremist organization and banned) and Tencent, have announced increased spending on the development of AI products, including investments in AI infrastructure, in early 2025. In addition, global players with a platform business model are focusing on chip investments. For example, Meta Platforms is starting to test its first proprietary chip for artificial intelligence training. Google (Alphabet) continues to develop its own line of server processors; in 2025, its new partner will be Taiwan's MediaTek (see case Google).

Case. Google will develop its next AI chips in collaboration with MediaTek

Google has long been developing a line of its own server processors. Until now, the main partner of Google in this area remained the American Broadcom, but in the next generation of products will be joined by Taiwanese MediaTek. Cooperation with MediaTek does not imply a break with Broadcom. One of the benefits pursued in the alliance with the Taiwanese developer is to save the cost of producing the chips. Reportedly, MediaTek enjoys lower rates for the production of its chips at TSMC facilities than Broadcom, so Google in the next generation of its own solutions hopes to achieve proportional savings.

Source: 3dnews.ru

Despite high R&D costs, there is a desire by companies to make ***their AI models and products more accessible.*** For example, Baidu plans to make the Ernie chatbot free of charge, and Alibaba is making its AI model for creating videos and images publicly available. Google (Alphabet), for its part, is not abandoning paid AI models, but has announced updates to its Gemini family of large language models, including a new

competitively priced product line for low-cost AI models like Chinese competitor DeepSeek.

Platform companies continue to enter into ***partnerships to accelerate the development of AI solutions*** and to implement them in other industries. Platforms are most actively cooperating with the US OpenAI — since the beginning of 2025, the US eBay and Booking Holdings, as well as South Korea's Kakao, have announced cooperation with it. The US Apple and China's Alibaba (see case Apple), as well as China's Weixin (a joint application of Tencent and Baidu) and DeepSeek have signed partnerships, while the US Meta (recognized as an extremist organization in Russia and banned) and India's Reliance are negotiating the expansion of AI products in India. At the same time, Alibaba has become an AI partner not only for Apple, but also for BMW to develop AI for cars in China. It is worth noting that the automotive industry is increasingly becoming the focus of platform companies due to joint work on autonomous driving and unmanned cab solutions. Examples of such partnerships in early 2025 include Baidu and CATL, Baidu and Tesla, and Uber and Nvidia.

Case. Apple teams up with Alibaba in China

Apple is teaming up with Alibaba to bring artificial intelligence features to iPhones in China. It's worth noting that Apple was in talks with Baidu to enter into a partnership in 2024, but the company was not satisfied with the degree of progress in developing AI models. Tencent and DeepSeek were then considered. So far, Apple and Alibaba have sent their jointly developed AI features to the Chinese regulator for approval.

Source: Reuters

U.S. domestic and foreign policy has not spared platform companies either. In early January 2025, China's Tencent was put on a list of companies linked to the Chinese military. This did not impose any sanctions on Tencent, but made it a high-risk partner for US players. Chinese e-commerce platforms, particularly Temu (PDD Holdings), have been greatly impacted by D. Trump's decision to repeal an exemption to the U.S. tariff law that provided for no duties and taxes on imports below $800 per shipment. The United States has also found leverage with Chinese companies through Mexico, accusing it of allowing Chinese products open access to the U.S. market. Despite official opposition to the accusations, in January 2025. Mexico imposed a 19% tax on imports via courier services from countries with which it does not have free trade agreements, including China. The measure is meant to act as a barrier to Temu's proliferation in the Mexican and U.S. markets, providing a competitive advantage to U.S.-based Amazon and Uruguay's MercadoLibre.

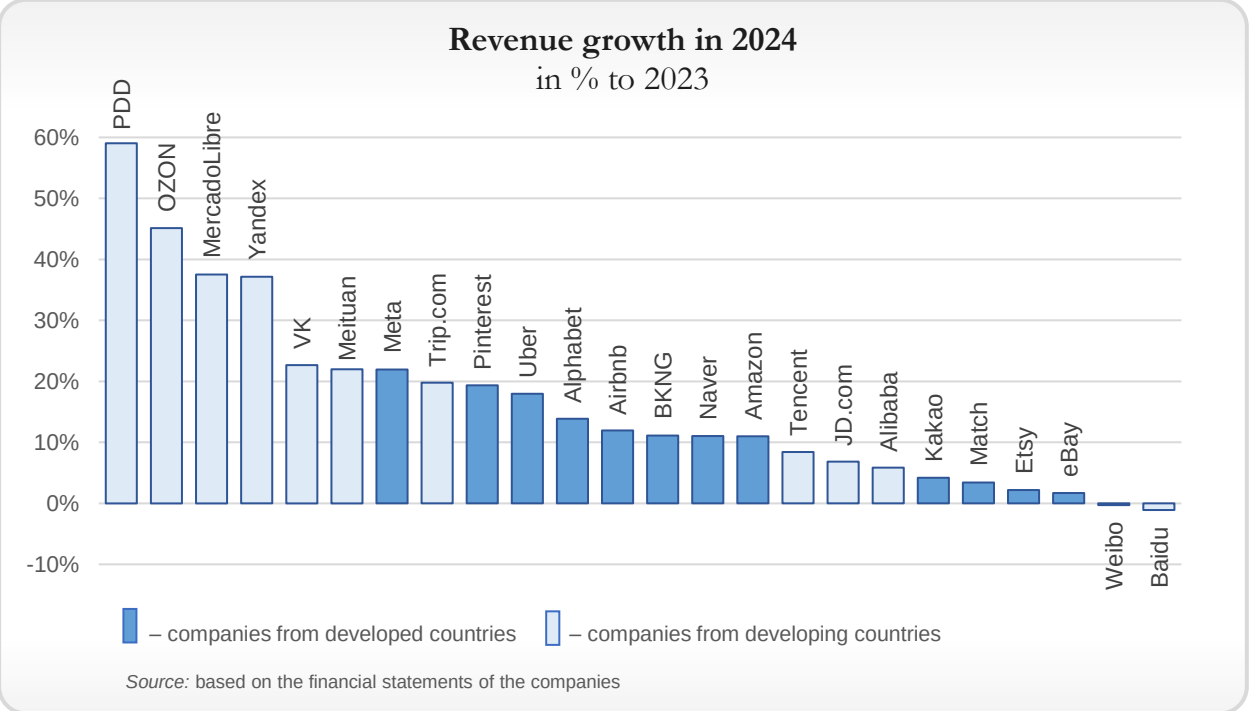
In January-March 2025, platform companies extended **the development of their own logistics capacities** observed in 2024 (see Issue 3/2024 of the Monitor). The US-based Amazon plans to buy more than 200 electric trucks from Mercedes-Benz Trucks and to start testing parcel delivery by drone in the north of England. Strengthening the development of the company's own logistics capacity may also be influenced by the announcement of the largest U.S. carrier UPS plans to reduce the volume of delivery for Amazon by 50% by 2026. Thus, in January 2025, the company announced the closure of

all warehouses in Quebec, Canada, and the transition to using the services of logistics operators, which will entail the dismissal of 1.9 thousand employees.

Platform companies are constantly under the influence of antitrust laws and national regulators around the world, which creates obstacles for business development. In early 2025, new allegations of violation of competition laws were announced by Alphabet, PDD Holdings, Uber, Alibaba, Amazon, Meta (recognized as an extremist organization in the Russian Federation and banned) and others. One of the most striking events in January was Meta's announcement about the possible suspension in India of a number of functions of its WhatsApp application. The Indian antitrust regulator accused the company of abusing its dominant position through WhatsApp's data policy in 2024. The regulator requires the WhatsApp app to ensure data compatibility with other services, but Meta claims this would weaken encryption and compromise user security. The action required by Indian regulators, like rolling back to an outdated version of the app, could have a negative impact on the company's revenue. If Meta does not challenge the regulator's decision, it will set a dangerous precedent for all tech companies in India and affect the regulation of one of the largest and fastest growing digital markets in the world.

News Feed: Platform business

Revenue dynamics of the largest companies: 2024



Source: based on the financial statements of the companies

The world's largest companies utilizing a platform business model showed positive revenue growth through 2024 — only 2 of the 24 companies of the Monitor ended the year with negative growth.

The **leader** was China's PDD Holdings (+59%). The company attributes this indicator to the expansion of Temu e-commerce platform in the US, Europe, Latin America and Asia. At the same time, measures taken to improve conditions for users on national platforms provided growth in advertising and commission income, and the development of its own logistics direction allowed to cover remote communities, which increased the number of customers. It is worth noting that in Q4 2024 PDD Holdings' growth (+24%) slowed down compared to the three previous quarters of the year due to the saturation of the US and European markets with Temu platform offerings, as well as a result of lower consumer activity in China.

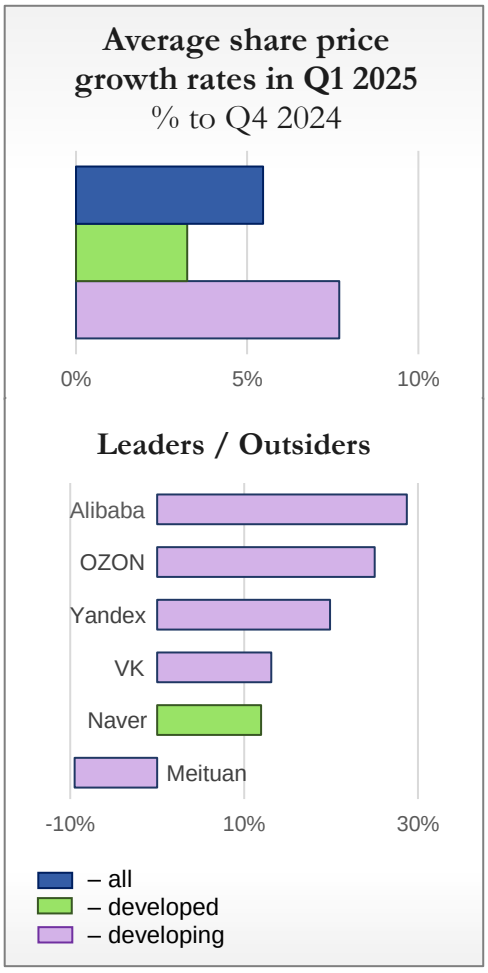
Russian e-commerce company OZON and Uruguayan MercadoLibre demonstrated significant revenue growth (+45% and +38% respectively) due to the development of their own logistics and fintech segments. It should be noted that Q4 2024 played a significant role in the positive dynamics of OZON, with a growth of +69%. This was primarily due to an increase in the company's revenue from marketing and information services (+99% in Q4 2024), as well as growth in interest income. An additional driver of MercadoLibre's year-on-year growth was the integration with premium global brands that are now sold on the platform.

The Russian company Yandex should not be overlooked, which also showed high annual revenue growth in 2024 (+37%). The company increased its share in the Russian search market by expanding the use of artificial intelligence, and also increased sales in e-commerce (+41%) and Plus and Entertainment Services segment (+47%).

Chinese Baidu (–1.1%) and Weibo (–0.3%) were the **outsiders** with negative revenue growth for 2024. The companies attribute the negative dynamics of the fourth quarter and the year as a whole to lower revenues from marketing services and advertising. U.S. Match Group, Etsy and eBay, on the other hand, grew at low rates in 2024 (+3%, +2% and +2%, respectively) compared to other platform companies, with Match Group posting negative growth in Q4 2024 (–1%). This was predominantly due to weak consumer demand in the US and Europe, which led to a decline in optional purchases and paid subscriptions, while the e-commerce market favored cheaper counterparts, particularly China's Temu.

Investors' view: Q1 2025

At the beginning of 2025, investors and analysts were generally quite positive about the prospects of global companies with a platform business model — the average share price growth is 5.5%. Companies from developing countries looked more optimistic than from developed countries — among the top 5 leaders in terms of share price growth (over 12%), 4 out of 5 companies are from developing countries.



China's Alibaba (+28.7%) received the highest investor valuation, which was driven by a number of factors: (1) the excitement over the AI model under development — it is expected to outperform DeepSeek, whose sensational release in turn drew investors' attention to Chinese technology companies in general (see “Key Trends and Events” above); (2) cooperation with Apple in the Chinese market; (3) participation of Alibaba co-founder Jack Ma in a symposium organized by the Chinese president Xi Jinping to engage in direct dialogue with the private sector amid growing domestic and foreign economic tensions.

Russian platform companies OZON (+25%), Yandex (+19.9%) and VK (+13.1%) are not lagging behind the Chinese giant. Interest in OZON may be justified by the launch of the process of changing jurisdiction from Cyprus to Russia, which is expected to be completed by the end of 2025. The company is also developing its fintech segment, launching mortgages for commercial real estate, and offering new services such as car leasing. As for Yandex, one of the highlights of the beginning of the year was the announcement of the second dividend payout in the company's history; strong Q4 and 2024 financial results also reinforced the market's optimism about its performance. VK's positive valuations are explained by the registration of the issue of ordinary shares of Skilbox Holding ICAO (VK's educational project), which was perceived by the market as a signal that VK's subsidiary was preparing for an IPO. Another reason for the growth in the value of VK shares at the beginning of the year was the information that the platform in December 2024 surpassed Youtube in terms of audience reach in Russia for the first time. The impact of a low base should also be noted — VK lost 6% of its value in 2024 compared to 2023.

Among the leaders there is also a representative of a developed country — ***South Korean Naver*** (+12%). The growth in the value of the platform's shares began back in November 2024 on the back of a 59% increase in profits in Q3 2024. Investors' confidence is strengthened by the company's active investment policy — in February and March 2025 Naver invested in a number of AI startups, particularly in the areas of e-commerce, autopiloting, video games and 3D modeling.

The **outsider** in Q1 2025 was China's Meituan (–9.5%). It should be noted that this indicator is primarily due to the high base. Due to the growth of the share price in September and October 2024, the growth in Q4 2024 against the previous quarter amounted to 215%. Meituan's core business is food delivery service, where the company has been

under intense competitive pressure over the past 2 years, with Alibaba and JD.com actively capturing food delivery market shares. Due to increasing competition and management's concerns about slowing growth, the company lost about 60% of its capitalization in 2023, with 2024 being a recovery year. Despite the financial performance matching market expectations, investors are still concerned that Meituan may not be able to cope with competition, and information about slowing order growth from the 2024 report only reinforced the market's pessimism.

SOFTWARE

Key trends and events

The main event of the beginning of 2025 was **the release of an AI model by Chinese startup DeepSeek**, which shaped a number of current industry trends. DeepSeek is comparable to the ChatGPT chatbot developed by the American OpenAI. It is noteworthy that the Chinese AI model was developed in a short period of time and using not the most advanced versions of NVIDIA chips due to U.S. restrictions on exports to China. The effectiveness of the model has raised questions about the feasibility of investing in the latest AI accelerators, which are now being actively purchased by software developers and other IT companies developing AI technologies.

The launch in January 2025 of the new DeepSeek R1 model, supposedly designed to be several times cheaper than the cost of competitors, provoked a sharp decline in the share prices of American and European microchip manufacturers. At the same time, the DeepSeek breakthrough increased investor interest in the shares of Chinese technology companies, the value of which began to grow — the Hang Seng Tech Index, which tracks the shares of 30 largest Chinese technology companies listed in Hong Kong, reached a three-year high in February.

Another important feature is the DeepSeek startup's commitment to open code. Open source code allows other companies to freely use DeepSeek's developments, thanks to which, at the end of January, the U.S. Microsoft included the Chinese AI model in the catalogs of the Azure cloud platform and allowed its customers to integrate the solution into their applications. This positioning of the Chinese startup has become an example for other Chinese technology companies that have also started to offer open source models.

Despite market concerns about investments in AI technology development after the success of DeepSeek, companies are still **planning to increase spending** on data center construction and chip purchase. The largest IT companies in the US plan to invest more than $300 billion in AI development in 2025. Intensive development and implementation of AI solutions is also taking place in China, but the participants are mainly platform companies (see chapter “Platform Business”). The European Union, in turn, is funding the construction of gigafactories to train European AI models in order to reduce the gap with the US and China. The European AI Champions Initiative, a group of private investors, is participating in the funding, providing €150 billion in addition to €50 billion in public funds. For investments in data centers, joint ventures (JVs) are also being created, an example of which is Stargate — a JV of the US OpenAI, Oracle, Japan's SoftBank and the UAE state investment company MGX, created to build data centers in the US for OpenAI. It should be noted that in the near future the focus of the main investment flows may shift from data centers and chips, which are responsible for training models, to optimizing the processes of operation of the already trained neural network on the final device.

Since 2024, the trend of new and expanded **strategic partnerships** continues. Some of the highlights of early 2025 include software-airline partnerships — US-based Salesforce and Singapore Airline announced a collaboration on AI-based customer service applications and plan to jointly develop new solutions for the airline industry, UAE's Etihad Airways selected India's Wipro to undertake a major technology upgrade. Wipro was also selected by Dutch multinational dairy cooperative FrieslandCampina to optimize IT operations, and US-based Palo Alto Networks became a provider of cybersecurity services for the UK emergency services. Microsoft's joining the CISPE cloud alliance (see case Microsoft), which for many years accused the company of anti-competitive practices, is worth mentioning separately.

Case. Microsoft joins CISPE

CISPE is a non-profit trade association of European cloud service providers, comprised primarily of non-large cloud providers. Microsoft will become the organization's 39th partner. Interestingly, CISPE has for several years accused Microsoft of anti-competitive practices by charging higher fees for using some of the company's software solutions outside of its Azure cloud.
Nevertheless, Microsoft and the association have a number of common goals, including automating compliance with the new European Data Act, which requires public and private cloud providers to remove barriers when migrating from their own services to competitors' platforms. It is important to note the fact that Microsoft joined the association as a non-voting member, which demonstrates the company's interests in effective partnership rather than in lobbying its own interests.

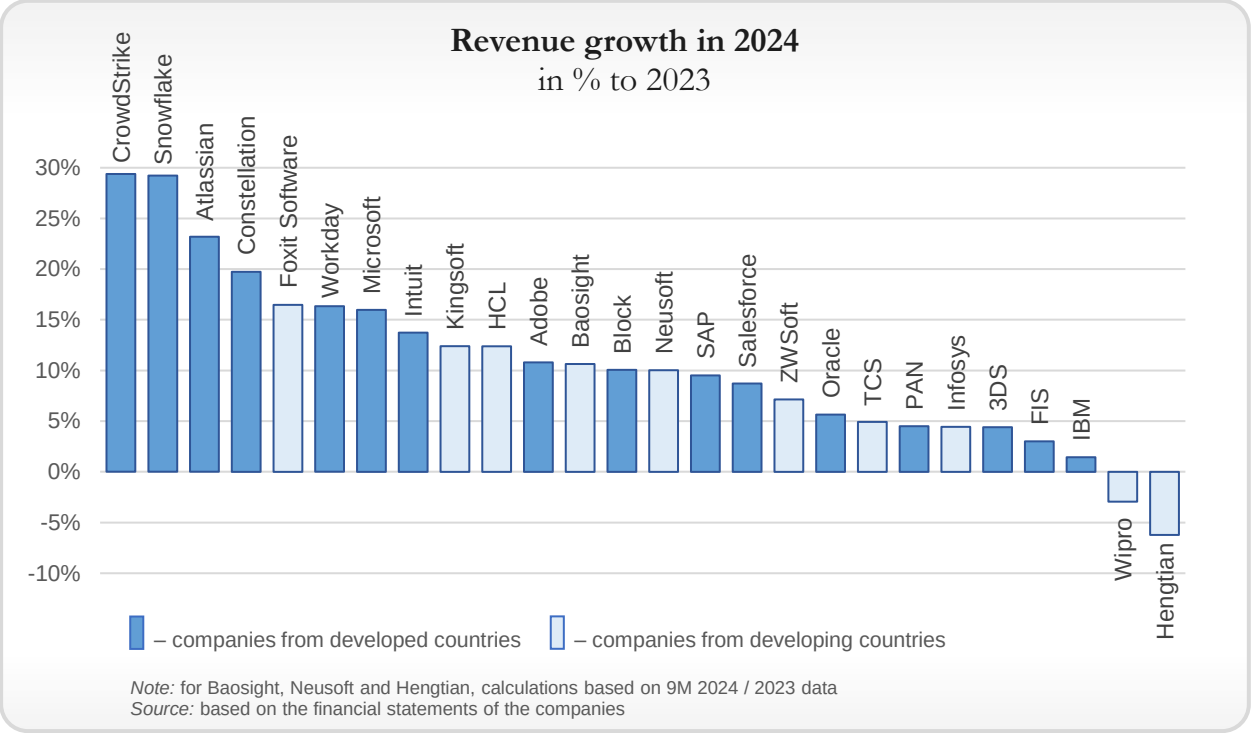
Source: Servernews

Other trends and developments in early 2025 include:

- staff reductions by Salesforce, Workday and IBM as part of their business restructuring strategies to optimize costs and reallocate resources;
- Microsoft's appeal to D. Trump to ease restrictions on supplying chips for training AI models to countries such as India, Switzerland and Israel.

News Feed: Software

Revenue dynamics of the largest companies: 2024



Note: for Baosight, Neusoft and Hengtian, calculations based on 9M 2024 / 2023 data
Source: based on the financial statements of the companies

The largest software vendors successfully completed 2024 — 24 out of 26 companies under review demonstrated revenue growth year-on-year.

The **leaders were US software companies** CrowdStrike Holdings (+29%), Snowflake (+29%) and Atlassian (+23%). All three companies cite the adoption and expansion of AI solutions as a key success factor in 2024. CrowdStrike's results were also impacted by the acquisition of Israeli startup Flow Security, which develops the industry's only solution for securing cloud data while it is being processed. Snowflake's revenue growth drivers include the development of its data engineering business, active adoption of open data formats, and an expanded partnership with Microsoft. Atlassian has seen steady growth in demand for its services in subscription format. Canadian Constellation Software (+20%) also showed high revenue growth rates, attributing the positive dynamics to an increase in the number of subscriptions sold and acquisitions, including the purchase of the Australian company Auto-IT, a leading provider of dealer management systems for franchised automotive, agricultural, truck and construction equipment.

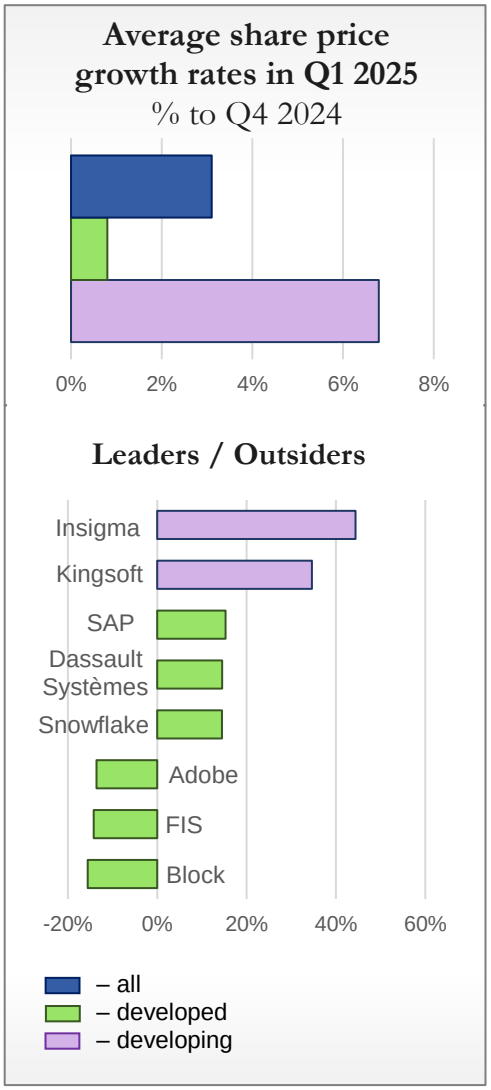
The 2024 **outsiders** were China's Insigma Hengtian Software (–6%) and India's Wipro (–3%). In 9M 2024, Insigma Hengtian Software showed the worst revenue dynamics among the industry leaders (see Issue 4/2024 of the Monitor), which is explained by the company's unsuccessful Q1 2024, when it experienced increased competition, lower demand from the public sector and corporate customers, as well as falling selling prices. Indian Wipro, despite a slight growth in Q4 2024 (+1%), reduced its revenue year-on-year due to high intra-industry competition in the Indian IT services market.

Two American companies — Fidelity National Information and IBM, which, unlike other American software developers, demonstrated low growth rates (+3% and +1%,

respectively), should be separately mentioned. Fidelity's annual figure was influenced by the slowdown in revenue growth from product sales to the banking sector, in particular the refusal of a major client from a license agreement. IBM, in turn, sees a decline in revenue from consulting and infrastructure orders in 2024 due to pressure from macroeconomic factors on customer demand.

Investors' view: Q1 2025

The major players in the global software market generally had a positive market valuation in Q1 2025 — the average increase in share price against Q4 2024 amounted to 3%. Companies from developing countries (+7%) received a more optimistic assessment compared to developed countries (+1%) due to the rapid growth of a number of Chinese software manufacturers.



The **leading positions** in Q1 2025 were taken by ***Chinese companies*** Insigma Hengtian Software (+44%) and Kingsoft Corporation (+35%). The drivers of their value growth in early 2025 include such market factors as: (1) growing investor interest in Chinese IT companies on the back of the success of the DeepSeek AI solution; (2) government pressure on the private sector to prioritize the use of national software. In addition to the fact that both Chinese companies are investing in AI development, Insigma Hengtian Software stands out by investing in computing infrastructure projects in China as part of national development programs, while optimism towards Kingsoft Corporation is further explained by the strong performance of its core businesses such as games, office software and cloud services.

Quotes of ***European software developers*** German SAP (+15.3%) and French Dassault Systèmes (+14.5%) grew noticeably, which was also due to successes in the field of artificial intelligence, generative models and new innovative products. Investor confidence in SAP is based in particular on the innovative new SAP Business Data Cloud solution in partnership with Databricks, announced in February 2025, as well as on a stable cloud order book. Dassault Systèmes, for its part, unveiled a new solution for optimizing the generation of commercial offers based on generative AI in February 2025, as well as a meaningful long-term partnership with the Volkswagen Group, which influenced the positive market valuation.

Investors expressed high expectations in the first quarter of 2025 with regard to one more company — the shares of American Snowflake grew by 14.5%. The main growth in value occurred in the second half of November 2024, after which the price held at the achieved values. The key driver was the partnership with the American Anthropic, specializing in AI developments. The low base also cannot be overlooked — in Q2 and Q3 2024, there was a 25% and 15% decline in Snowflake's share price against the previous period, respectively.

Outsiders in Q1 2025 were ***US companies*** Block (–15.6%), Fidelity National Information (FIS) (–14.2%) and Adobe (–13.6%). The US market as a whole is showing signs of increasing investor wariness. In the case of the above three companies, pessimistic forecasts were caused by disappointment in their Q4 2024 earnings reports, while software vendors did not show negative revenue dynamics, but grew slower than market forecasts. And while Block and FIS were negatively valued by the market in February 2025, the decline in Adobe's stock price began as early as December 2024, after the company ended its fiscal year in November. In addition to the mismatch between market expectations and performance, investors were concerned about Block's bet on debt financing costs. FIS published a growth forecast for financial performance for Q1 2025 and 2025 as a whole, which also came in below moderate market expectations, adding downward pressure to its share price, while Adobe's annual report shows that its return on investment in AI is falling short of current expectations — leading investors to question the speed of the software maker's future development.

TELECOMMUNICATIONS SECTOR

Key trends and events

Partnerships with satellite companies and the development of satellite communications, which is actively developing during 2024, are intensifying in both developed and developing countries.

One of the results of the meeting between the heads of India and the United States in February 2025 was the agreement that India's largest telecommunications operators, Reliance Jio and Bharti Airtel, would enter into agreements with the U.S. SpaceX to cooperate in the deployment of Starlink satellite communications services in India. The agreements were signed in March 2025. In the United States, British Vodafone, American Verizon, and German Deutsche Telekom have joined the competition for the deployment of satellite communication technologies. In January 2025, US satellite provider AST SpaceMobile and Vodafone reported the successful execution of a video call between two unmodified smartphones using satellite communications; in the same month, Deutsche Telekom, acting through the provider T-Mobile, launched a text messaging service in test mode; in March, Verizon announced the ability to send text messages using satellite communications. Satellite communications technologies are also relevant in developing countries with low network coverage — African telecommunications holding MTN Group announced a test voice call from satellite to phone in Africa using satellite communications provider Lynk Global (see case MTN Group).

Case: MTN Group is actively developing the use of satellite technology in Africa

MTN Group, based in South Africa, and US-based low-orbit satellite provider Lynk Global received authorization in November 2024 to use radio frequencies for a test call using satellite technology. In Q1 2025, the companies made Africa's first satellite-enabled phone call, a potential solution for providing communications coverage in remote and rural areas. The call confirmed the feasibility of integrating MTN Group's communications infrastructure with Lynk Global's satellites. However, MTN Group is not the only company developing in this area. British operator Vodafone has also signed an agreement with Amazon to develop satellite communications technology in Africa based on the communications infrastructure of mobile operator Vodacom.

Source: Reuters

Telecom operators continue to integrate AI technologies into their operations and products. At the Mobile World Congress held in Barcelona in early March 2025, China Mobile announced its “AI+Network” strategy aimed at utilizing AI technologies in the company's services, improving the operation and efficiency of mobile networks. The Chinese company intends to become one of the industry leaders in the implementation of artificial intelligence. US-based Verizon launched its GenAI assistant — AI assistant for small businesses in the US, which has text-based answering features, helps automate customer interactions and improve customer service. India's Reliance Jio, together with electronics and equipment manufacturers Nokia, Cisco and AMD, is developing an open

AI platform for telecommunications networks, the goal of which is to optimize the processes taking place in the network space and improve the smoothness and reliability of networks.

Commercialization and deployment of 5G technologies in services. Telecommunications corporations are developing new sales models and opportunities to utilize 5G technologies. Qatar's operator Ooredoo, in partnership with Finland's Nokia, is working to upgrade its core infrastructure to the 5G standalone (SA) standard to not only achieve continuous 5G network coverage, but also to introduce new network utilization and AI technologies. Spain's Telefonica is working with Amazon Web Services and Nokia to develop a hybrid cloud infrastructure with 5G SA implementation. The project involves the deployment of a 5G cloud network core based on Amazon's server hardware, which expands the commercialization of 5G technology in the format of various 5G cloud network connectivity services. The French company Orange is developing the world's first Network as a Service model, which offers customers 5G SA network rental services at minimal cost. The model implies the possibility not only to lease a dedicated network, but also to expand its capacity depending on the customer's needs.

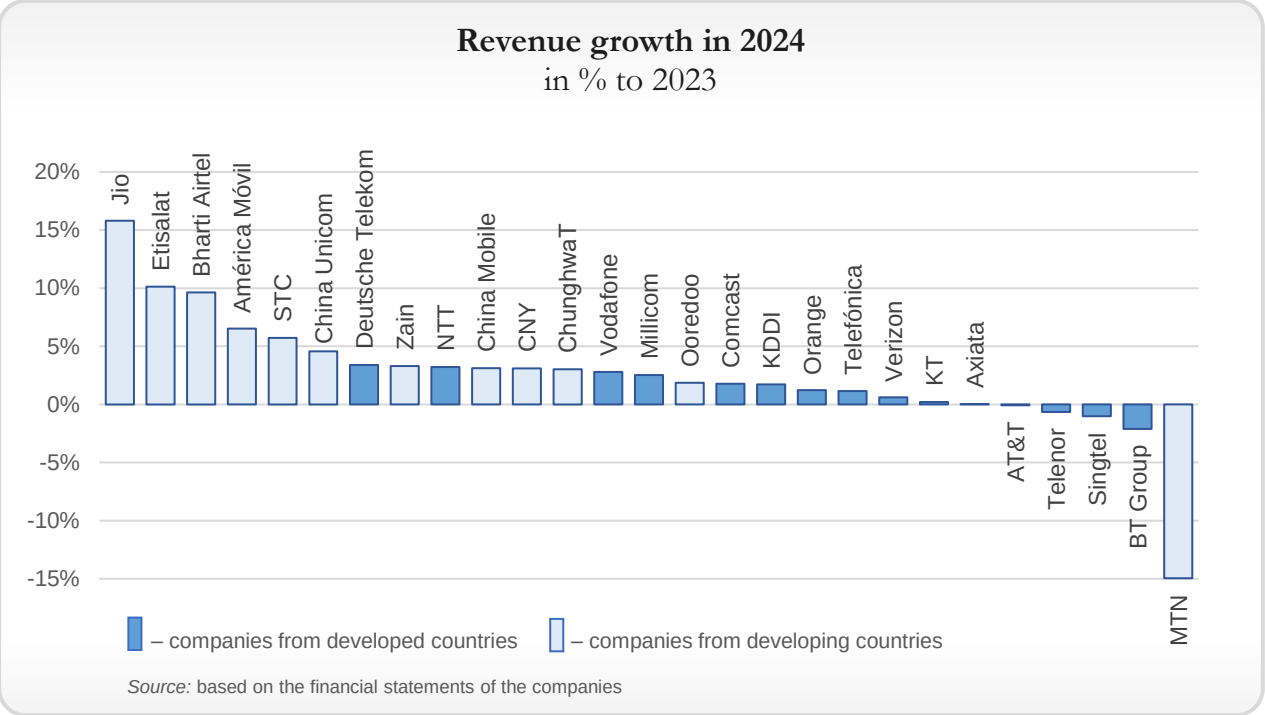
Mergers and acquisitions in the telecommunications industry to expand the market and optimize costs.

Spanish Telefonica is reducing its presence in the Latin American market due to high operating costs and plans to focus on the European market. Thus, in Q1 2025, Telefonica sold assets in Colombia to Milicomm Spain for $400 million and announced the sale of the division in Argentina to the local company Telecom Argentina. Britain's Vodafone finalized the sale of assets in Italy to Swedish operator Swisscom. Britain's BT Group will sell its B2B business in Ireland to Speed Fibre Group, a local telecom infrastructure investment company, for €22 million to optimize its cost structure. The business to be sold includes infrastructure, over 400 customers and associated support teams.

US pressure on China has also affected the telecommunications sector. In March, the U.S. Federal Communications Commission began investigating Chinese companies including Huawei Technology, ZTE, Hangzhou Hikvision, China Mobile, China Telecom and others to determine whether they were trying to circumvent U.S. restrictions. That same month, U.S. House leaders called on China's largest telecommunications companies China Mobile, China Telecom and China Unicom to clarify their ties to the Chinese military and government, citing national security risks posed by their operations in the United States. The lawmakers expressed concern that Chinese telecom giants could abuse their access to U.S. data through cloud and Internet services, potentially sharing it with the Chinese government.

News Feed: Telecommunications sector

Revenue dynamics of the largest companies: 2024



Source: based on the financial statements of the companies

The vast majority of the world's largest telecom operators increased their revenue in 2024, despite low growth rates and market saturation. The maximum growth rates were demonstrated by companies from developing countries, whose growth potential in their domestiv markets has not yet been fully exhausted. Revenue growth in companies from developed countries ranges from –2% to +3%.

Three companies — India's Reliance Jio (+16%) and Bharti Airtel Limited (+10%), and Etisalat from the UAE (+10%) — were the industry **leaders** in 2024. ***Indian companies*** showed strong growth due to the development of the domestic market, they are successfully implementing infrastructure projects for the installation of submarine optical cables, deployment of 4G and 5G network base stations and integration of satellite communications technologies. Q4 2024 was the most successful for Etisalat, in which the company was able to increase its revenue by 20% due to the indexation of tariffs for telecom services, placing it among the top three companies in terms of revenue growth in 2024.

Among those close to the leaders in terms of revenue dynamics achieved in 2024 is the Mexican operator America Movil (+7%), which showed strong results in the second half of the year (+10% in Q3 2024 and +18% in Q4 2024) and had an overall successful year, despite the negative impact of the exchange rate.

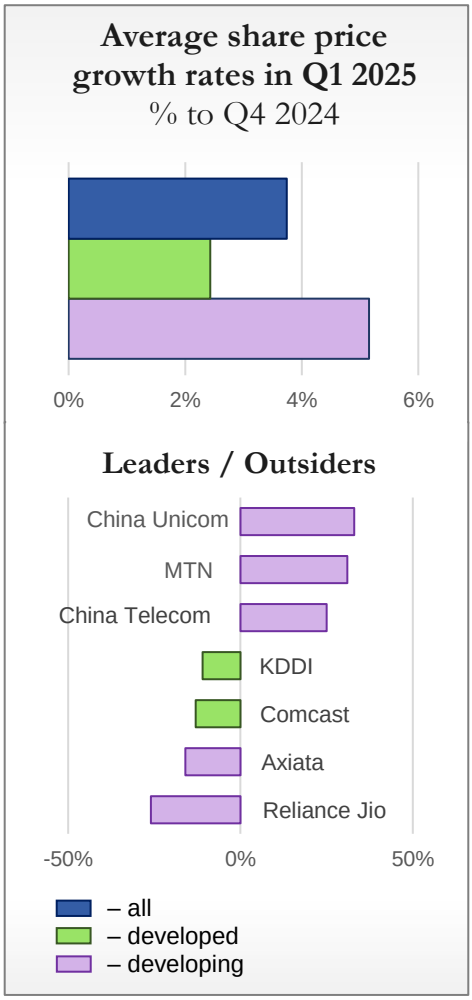
MTN Group, a South African company, was the key industry **outsider**, demonstrating negative revenue growth rates throughout the year. Operating in the markets of developing African countries, the telecommunications holding company faces a number of difficulties, including unstable political and economic situation, devaluation of national currencies, and armed conflicts, all of which have a significant impact on the company's

operations and are the reason for a 15% decline in revenue by the end of 2024. Despite this, the company's management announced that it has overcome the difficult period and expects the situation in the domestic markets of African countries to improve.

Investors' view: Q1 2025

The prospects of the telecom sector in Q1 2025 were assessed by investors quite optimistically, if we take into account the weak growth rates of the industry — the average growth in the value of the world's largest telecom operators amounted to +4%, while companies from developing countries grew at a higher rate.

China Unicom (+33%) and China Telecom (+25%), as well as South Africa's MTN Group (+31%) were the **leaders** of the growth in value. Shares of Chinese companies hit an all-time high on the back of the launch of the DeepSeek chatbot, which increased investor interest in the Chinese information technology sector as a whole — operators started deploying DeepSeek on their server infrastructure. In addition, analysts expect lower costs and improved financial performance of the companies due to the receipt of financial support for infrastructure development in the field of data centers and 5G communications. The positive outlook for MTN Group, the 2024 outsider in terms of revenue dynamics with its 15% decline, is related to the company's statements about overcoming the crisis period, as well as cost optimization through cooperation with other African operators and testing of satellite communication technologies.



Indian Reliance Jio (–26%) turned out to be an **outsider** with a strong drop in share value in Q1 2025. On the one hand, the impairment is explained by a high base as a result of the company's value growth in the second half of 2024, on the other hand, by insufficiently strong results compared to its direct competitor, India's Bharti Airtel, in certain segments in the year-end quarter.

Shares of Malaysian Axiata Group (–16%), American Comcast (–13%) and Japanese KDDI (–11%) fell. Axiata Group disappointed investors with a lack of revenue growth through 2024 and the merger of its Indonesia unit with local telecom provider Smartfren, as a result of which it is transferring to the latter a 13.1% stake of its asset in the country. The pessimism about Comcast is due to a shrinking base of cable broadband customers, which the company announced in the last quarter of 2024. According to analysts' reports, Comcast is losing competition to online streaming services that are gaining ground in the

market. Shares of Japan's KDDI declined after it released its financial statements for the first 9 months of the fiscal year (lasting from April to March), showing a decline in profits compared to the same period in 2023.

TRANSPORT AND LOGISTICS

Key trends and events

As in all major sectors of the global economy, the key driver of changes in the global transport and logistics sector in Q1 2025 was the **duties introduced by U.S. President D. Trump**. They led to the following trends:

- ***Growth of container imports from China to the U.S. in anticipation of the announced tariffs coming into effect.*** In January 2025, the volume of container imports to the U.S., about 40% of which falls on China, reached a record level, increasing by 9% compared to January 2024. At the same time, the container turnover of the world's largest port of Shanghai in January reached a mark of 5 million TEU per month, also updating the record.
- ***Uncertainty in trans-Pacific container shipping rates***, which initially rose due to increased imports into the U.S. but began falling in mid-March amid uncertainty in importers' strategies for further supply chain arrangements.
- ***The air cargo segment is preparing for serious challenges*** in the wake of D. Trump's executive order to revoke the duty exemption for low-cost e-commerce shipments from China, Mexico and Canada. The exemption was enjoyed by the e-commerce sector, which accounts for one-fifth of airfreight volume in the U.S. and more than 50 percent of airfreight volume from Asia. Chinese platforms can now shift from sending single parcels to large bulk shipments by changing air transportation to sea transportation, undermining air cargo carriers.

The US-China standoff, including another round of trade war between the countries, during which the PRC announced an increase in import duties on goods from the US to 84% effective April 10, 2025, as a retaliatory measure to a similar duty increase by the US president on goods from China, has been supplemented in the transport and logistics sector by a number of developments:

- ***Imposition of additional fees on vessels built in China entering U.S. ports.*** The proposed fees could affect up to 80% of container ships and make the logistics of U.S. imports more expensive in all directions. The main purpose of the proposed measures is to limit China's dominance in the global shipbuilding industry and partially cover the costs of expanding the American shipbuilding industry, to which D. Trump plans to provide tax incentives and large-scale investments. Industry players are actively opposing the new port fees.
- The January 2025 ***inclusion of two Chinese companies***, shipping operator Cosco Shipping and the world's largest container equipment manufacturer China International Marine Containers***, on the U.S. Department of Defense's sanctions list*** for alleged ties to the PRC military.
- ***The U.S. has signaled intentions to regain control of the Panama Canal***, which is under Chinese influence. The U.S. and Panama have signed a Memorandum of

Understanding on joint security activities and are also planning a framework agreement on priority and free passage through the Panama Canal for U.S. ships and support vessels. These arrangements are aimed at ending Chinese influence, which owns the canal's port assets. China, in turn, plans to review the sale by Hong Kong-based CK Hutchison of two Panama Canal ports to a U.S. consortium.

The fleet expansion and business diversification that shipping companies have been undertaking since the end of the pandemic, which allowed them to generate huge profits (see Issue 2/2024 of the Monitor), continues as carriers invest revenues generated by the rise in freight rates caused by the Red Sea crisis. Korea's HMM is buying the largest tanker operator SK Shipping; Taiwan's Evergreen Marine placed an order in March with South Korea's Hanwha Ocean shipyard to build 6 of the world's largest container ships at a record price; Denmark's Maersk has acquired Panama Canal Railway Company, which operates a railroad along the Panama Canal; and Switzerland's MSC is in talks to buy 80% of Hong Kong terminal operator Hutchison, the world's sixth largest container terminal network. France's CMA CGM was the most active buyer of ships on the secondary market in the first months of 2025; the company has also ordered 12 container ships from China's CSSC Jiangnan Shipyard and will build 12 LNG-fueled container ships at Korea's HD Hyundai Heavy Industries (see case CMA CGM)

Case. CMA CGM may overtake Maersk in the ranking of the largest container lines

French container corporation CMA CGM will build 12 LNG-powered container ships at Korean shipyard HD Hyundai Heavy Industries, and has also signed a contract to build 12 container ships at Chinese shipyard CSSC Jiangnan. The vessels are scheduled to be delivered between 2028 and 2029. CMA CGM is now the third largest container carrier with a fleet capacity of 3.84 million TEU. If all the vessels ordered by CMA CGM are commissioned, the French carrier could overtake Maersk in the ranking of the largest container lines.

Source: safety4sea.com

Increasing tensions in the Red Sea. The Red Sea crisis, which was a key industry driver in 2024, showed signs of easing at the beginning of Q1 2025, but tensions escalated at the end of the quarter. At the end of January, the Houthis released the crew of the Galaxy Leader vessel, whose seizure in November 2023 started the crisis, and amid a truce between Israel and Hamas announced a revised position on ship transit in the Red Sea — no international merchant vessels other than Israeli ones would be attacked for the duration of the truce. However, in the second half of March, U.S. ships were banned from transiting the Red Sea and the Arabian Sea. This happened after D. Trump announced the beginning of military action against the Houthis.

India plans to become a major player in the container transportation market. The government is setting up a national container carrier, Bharat Container Line, with a fleet of 100 container ships operating initially on Asian and Middle Eastern routes (see case India). India has also announced a $3 billion Maritime Development Fund aimed at expanding domestic shipbuilding and port infrastructure abroad. The main objective of these plans, which analysts view with some skepticism due to their ambitious nature and

long lead times, is not only to reduce dependence on foreign carriers for Indian companies' foreign trade activities, but also to expand the country's influence in maritime transportation. Danish Maersk has already volunteered to take part in India's initiatives, announcing plans to invest $5 billion in Indian projects, particularly in port assets, warehousing and terminal infrastructure

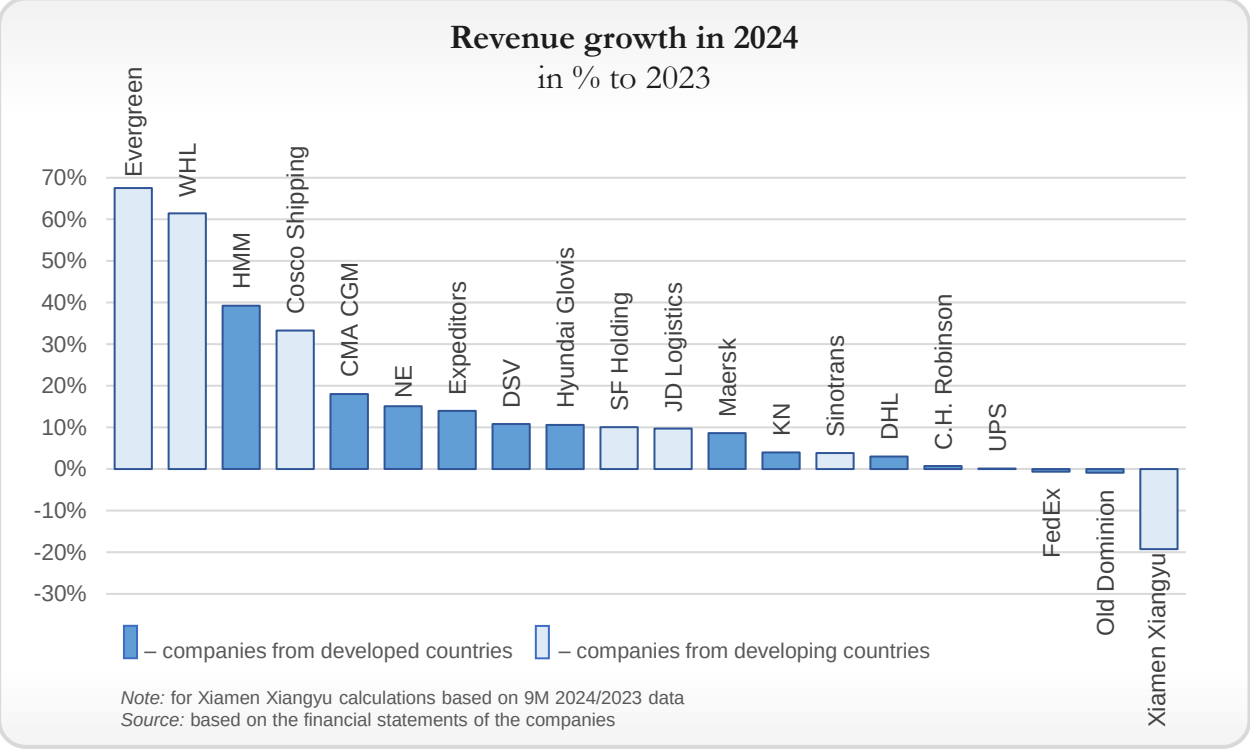
Case. India creates national container line

India has announced plans to launch a new liner operator, Bharat Container Line, emphasizing its growing global ambitions. Around $3 billion is being earmarked for the plan.
About 100 container ships will be purchased and chartered for the new carrier. The Federation of Indian Export Organizations is calling for the use of exclusively Indian-flagged vessels on key routes to make Indian goods more competitive in international markets. This will save India $50 billion a year and will also significantly reduce pressure from foreign carriers on medium and small businesses.

Source: telsglobal.ru, freightwaves.com

News Feed: Transportation and logistics

Revenue dynamics of the largest companies: 2024



Note: for Xiamen Xiangyu calculations based on 9M 2024/2023 data
Source: based on the financial statements of the companies

2024 was a very successful year for the global transport and logistics sector — 17 of the 20 largest companies in the industry increased their revenues, with the number of positively growing operators increasing throughout the year (in Q1 2024, 9 out of 20 companies showed positive dynamics, by the end of the first half of the year their number increased to 15, and by the end of 9 months of 2024 to 16 companies). The highest rates of

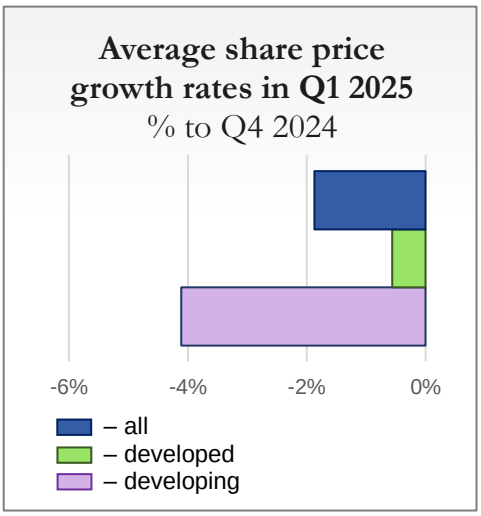
growth of sea carriers' revenues were due to the enormous growth of freight rates, for example, the revenues of several major Asian shipping companies increased by more than one third.

The **leaders** in terms of revenue growth in 2024 were Taiwan's Evergreen Marine (+68%) and Wan Hai Lines (+61%), Korea's HMM (+39%) and China's Cosco Shipping (+33%). In addition to higher freight rates as a result of ships being diverted to the Cape of Good Hope route due to the crisis in the Red Sea, carriers also benefited from higher volumes on trans-Pacific routes to the United States. All companies expanded their fleets during the year to cover tonnage shortfalls resulting from lengthened routes. In addition to industry-wide factors, Evergreen notes the impact on 2024 revenue of proceeds from the sale of two U.S. assets and cost optimization activities. Wan Hai Lines has expanded operations, including through the acquisition of Vietnam's Port Da Nang JSC. HMM notes the effect of increased cargo traffic between the U.S. and China amid controversy between the countries, as well as the expansion of its global network by adding routes in India and South America. The most successful quarter for the company was Q4 2024, with revenue up 53%. Cosco Shipping cites strong consumer demand in the U.S. as additional factor that contributed to the growth in shipping volumes, as well as optimization of the route network within the Ocean Alliance, of which it is a member.

The **outsider** of the year was China's Xiamen Xiangyu, whose revenue fell by 19% in 9M 2024, as its logistics operations are closely linked to servicing other, not always profitable lines of company's business (wholesale trade, tourism, infrastructure, etc.). Two ***U.S.*** ground transportation ***companies*** — Old Dominion Freight Line and FedEx — showed a minimal, but still 1% drop in revenue. Both companies faced a decline in business activity globally and in the U.S. market, which reduced demand for their services. FedEx also lost a key customer, the U.S. Postal Service, which signed a new contract with another U.S. carrier, UPS.

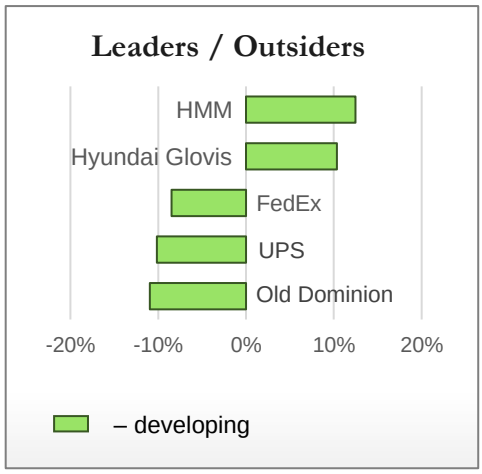
Investors' view: Q1 2025

Investors' expectations regarding the global transport and logistics sector are restrained. Uncertainty in the level of demand for transportation in general and on individual routes in particular due to the unfolding protectionism and trade wars in all sectors of the world economy initiated by D. Trump has already begun to affect the share prices of the largest carriers. Only 5 out of 19 analyzed companies grew in price. Nevertheless, investors' forecasts are cautiously optimistic due to the diversification of routes and digitalization of supply chains, which



smoothed out the negative sentiment — the average drop in the share price of the largest companies in the industry was 2%.

The largest South Korean shipping operators — HMM (+12%) and Hyundai Glovis (+10%) — **led the growth**. Hyundai Glovis' share price was positively impacted by the signing of contracts with Hyundai Motor and Kia for car shipping worth about 6.7 trillion won for five years (the contract came into effect on December 31, 2024). The stock rose amid analysts' expectations that Hyundai Glovis will maintain a low debt burden and improve profitability over the next 1-2 years due to steady demand from group affiliates and conservative financial management. HMM's quotations rose as a result of strong financial performance — the company's operating profit for the year 2024 increased sixfold.



The **outsiders** of the quarter were large ***American*** logistics operators not involved in the segment of sea transportation, which is thriving due to the crisis in the Red Sea — UPS (–10%), Old Dominion Freight Line (–10%) and FedEx (–8%). The key factor of decline for three companies was the probability of recession in the U.S. economy due to the tariffs imposed by D. Trump, additional individual role was played by corporate decisions and performance results. The decline in the value of UPS shares occurred at the end of January 2025 and was caused, among other things, by the company's intention to reduce cooperation with Amazon, weak financial results in Q4 2024 and lower revenue forecasts for 2025. Shares of Old Dominion Freight Line began their main decline in March amid a weak domestic market and falling demand for freight transportation from the industry. FedEx also disappointed investors with weak 2024 earnings results.

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This Issue was translated with the support of AI and reviewed by the project manager