HSE UNIVERSITY / FACULTY OF WORLD ECONOMY AND INTERNATIONAL AFFAIRS

GLOBAL BUSINESS MONITOR

INDUSTRIAL AND REGIONAL TRENDS

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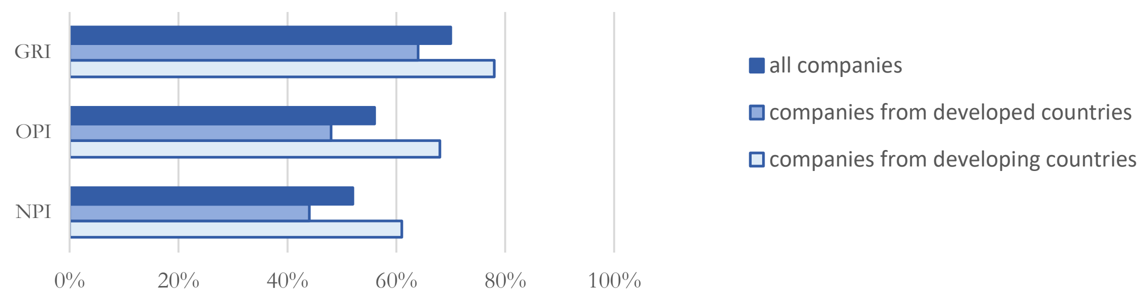
Companies from developing countries continue to outperform corporations from the developed ones in most sectors of the global economy, except for three segments of the ICT sector, which are software, IT-hardware and platform business. The key drivers of industrial trends are (1) sanctions and geopolitical tensions (increased imports of equipment and accelerated development of the IT industry in China, relocation of electronics production from China to India and other countries, new transportation routes); (2) the AI boom (capacity expansion and subsidies in the semiconductor industry, new products in electronics and IT-hardware, partnerships in software); (3) intense competition from Chinese manufacturers (the brewing crisis in the European automotive industry, the curtailment of projects and introduction of protective measures in the global steel industry).

Indices of global activity, 1H 2024



Note. The indices are based on the financial statements of 266 companies, including 148 companies from developed countries and 118 from developing countries. GRI / OPI / NPI — Indices of Global Revenue / Operating Profit / Net Profit are calculated as the share of companies that increased revenue / operating profit / net profit compared to the same period of the previous year, in the total number of companies. The Indices are valued from 0% to 100%. An index above 50% indicates positive dynamics, with more than half of the companies managing to increase revenue / operating profit / net profit.

The world's largest corporations showed positive dynamics at the end of the first half of 2024, which is illustrated by the **Global Revenue and Profit Indices** exceeding 50%, with the Global Revenue Index increasing by 8 p.p. compared to Q1 2024 and amounting to 70%. Emerging market companies continue to outperform corporations from developed word in terms of growth and performance in the vast majority of industries, except for two segments of the information and communications sector which are software and platform businesses. In the IT-hardware industry, despite high index levels, emerging market corporations are also still far from leading positions due to their small international presence and ensuring growth from the current strong demand in the Chinese market.

The most high-profile event in the **global automotive industry** was the news that Volkswagen may close its plants in Germany in order to improve its financial situation. Experts share their opinion on the emergence of an industrial crisis in Europe, where regulators are struggling to protect their market from Chinese electric vehicles.

In the **iron and steel industry**, protective measures against Chinese steel are being introduced more intensively. This external pressure is being realized by China at all levels and is translating into a transformation of the industry. Low demand in key regional markets and an oversupply of Chinese steel is leading to project curtailment and restructuring of companies around the world, but Russia is a striking exception to the general downturn.

In the **transport and logistics sector** the development and exploration of new transportation routes is taking place due to international crises on the one hand and growing interest in Latin American markets on the other. This sector has also been characterized by an increase in demand for air cargo transportation as a result of increased demand for cross-border e-commerce from Asia, disruptions in maritime transportation due to the situation in the Red Sea and growing demand for general cargo, in particular semiconductors and pharmaceuticals.

The **pharmaceutical industry** is experiencing a period of reduced operating, commercial and management costs, resulting from the increased development of non-covidian areas (oncology, diabetes, psoriasis, etc.) following the end of the COVID-19 pandemic. At the same time, the battle for supremacy in the field of obesity drugs is gaining momentum, and the “oncology race” is attracting new entrants.

The **global semiconductor industry** continues to expand and increase production capacity as a result of the AI boom. The US and Europe continue to subsidize the development of domestic industry, while China is increasing imports and domestic production due to sanctions.

Strong demand for AI continues to drive new product development in the **consumer electronics industry**. Despite this, end-market demand remains generally weak, which is reflected in the expected decline in sales and revenue by manufacturers.

Artificial intelligence is having a key impact on the development of the **industrial IT hardware industry**. Under the influence of AI, as well as due to Western sanctions against China, which caused high current demand and purchases by Chinese manufacturers, sales of server equipment, lithography scanners and several other products are growing. The telecommunication equipment segment continues to decline due to weak demand, which has led to staff reductions and vertical integrations by key manufacturers.

The world's largest **software companies** more intensively enter into strategic cooperation both with each other and with the industries in which they act as providers of technology solutions and services. The trend towards cybersecurity is intensifying in the industry, with new and improved products offered by a number of leading companies, including Russia's Kaspersky Lab.

In the **platform business**, watchdogs continue to actively interfere in the activities of companies. Platform players use strategic partnerships as a key development tool, and amid uncertainty and rising costs in the global transportation and logistics sector, they are increasingly investing in logistics infrastructure and developing their own transportation and storage channels.

In the **telecommunications sector**, developing countries remain active in the elaboration of 5G networks despite macroeconomic uncertainty, weak growth in major markets and excessive component inventories. In the context of a weak market, operators in different regions of the world are starting to take restructuring measures or consolidate assets. The cybersecurity trend has also intensified in the industry.

Oil, gas and refining companies continue to pursue a green agenda through CO2 capture and storage, hydrogen and renewable energy projects, which have recently slowed down due to unprofitability, and companies in the industry are switching to liquefied natural gas (LNG). Africa is attracting more investment, however it goes only to selected regions, and in the Gulf of Mexico two major hurricanes have led to a significant reduction in oil and gas production.

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