ONI INSIGHT

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U.S. Economy Added 228,000 Jobs in March, Far Above Estimates—Forecasters had expected an increase of 140,000, with the unemployment rate unchanged. Unemployment ticked up slightly to 4.2% from 4.1% the month before.

Last month's gains are far ahead of the 117,000 roles added in February. Health care, transportation and warehousing were among the sectors that added roles in, while federal hiring declined amid sweeping cuts to the government's workforce.

The job data released by the Bureau of Labor Statistics is already a snapshot in time. After President Donald Trump's sweeping tariffs announcement April 2 slammed into global markets, the U.S. labor market is likely to enter uncertain terrain.

Signs of economic wobbling last month were picked up elsewhere. According to a separate report released April 3 by the jobs and career consultancy Challenger, Gray & Christmas, Elon Musk's Department of Government Efficiency was responsible for about 216,000 reductions in the federal workforce in March. Full Story
Source: NBCNews.com, 04.04.2025

Consumers are Saving More and Spending Less as Trump's Tariffs Loom —That's according to data released March 28 from the Commerce Department: Americans socked away money into savings, pulled back on discretionary purchases, and, when accounting for inflation, increased their spending ever so slightly after taking a breather in a frigid and post-holiday January. At the same time, inflation data showed minimal progress on the easing of price hikes. But the most comprehensive economic data to date on how prices are changing and how consumers are earning, spending and saving doesn't fully account for the elephant in the room: President Donald Trump's aggressive trade policy. Recently imposed tariffs on auto imports and a slew of other levies waiting in the wings stand to weigh on consumer spending—America's economic engine—and drive prices higher, economists warn.

Economists expected that falling energy prices and stabilizing food prices would help keep the disinflationary trend at hand, and that was indeed the case: Energy prices fell 1.1% for the month while food prices eased just slightly to 1.5% from 1.6%. Forecasts called for the PCE price index to be unchanged from January's preliminary 2.5% rate. However, one critical barometer—the core PCE index, which serves as a gauge of underlying inflation—came in slightly hotter than economists expected. Excluding food and energy prices, which tend to be more volatile, the closely watched core PCE price index rose 0.4% for the month and 2.8% from a year before, accelerating from 2.7% in January.

The Fed last week kept interest rates unchanged, and Chair Jerome Powell indicated that central bankers are waiting for more evidence that inflation is headed toward their 2% target—or that the economy is weakening—before they return to cutting rates.

Powell acknowledged that "it remains seen" how uncertainty swelling around Trump's aggressive economic agenda affects future spending and investment. Full Story Source: CNN, 03.28.2025

Consumer Sentiment Worsens as Inflation Fears Grow, Survey Shows

The deterioration in consumer sentiment was even worse than anticipated in March as worries over inflation intensified, according to a University of Michigan survey released March 28. The final version of the university's closely watched Survey of Consumers showed a reading of 57.0 for the month, down 11.9% from February and 28.2% from a year ago. Economists surveyed by Dow Jones had been expecting 57.9, which was the mid-month level. It was the third consecutive decrease and stretched across party lines and income groups, survey director Joanne Hsu said.

"Consumers continue to worry about the potential for pain amid ongoing economic policy developments," she said.

In addition to worries about the current state of affairs, the survey's index of consumer expectations tumbled to 52.6, down 17.8% from a month ago and 32% for the same period in 2024.

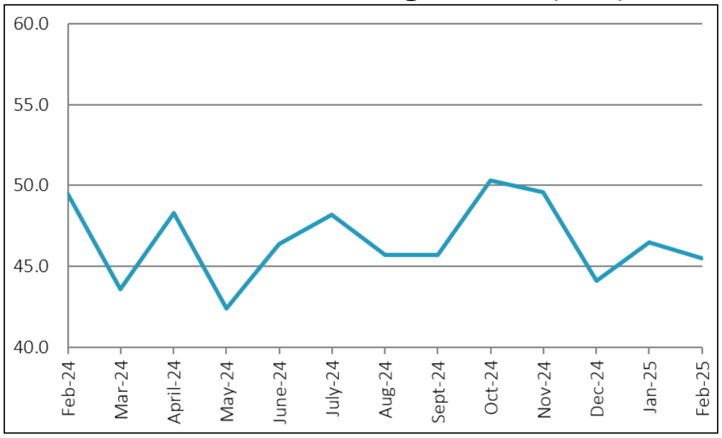
Inflation fears drove much of the downturn. Respondents expect inflation a year from now to run at a 5% rate, up 0.1 percentage point from the mid-month reading, and a 0.7 percentage point acceleration from February. At the five-year horizon, the outlook now is for 4.1%, the first time the survey has had a reading above 4% since February 1993. Economists worry President Donald Trump's tariff plans will spur more inflation, possibly curtailing the Federal Reserve from further interest rate cuts.

The report came the same day the Commerce Department said the core inflation rate increased to 2.8% in February, after a 0.4% monthly gain that was the biggest move since January 2024.

The latest results also reflect worries over the labor market, with the level of consumers expecting the unemployment rate to rise at the highest level since 2009. *Source: CNBC, 03.28.2025*

Key Economic Indicators

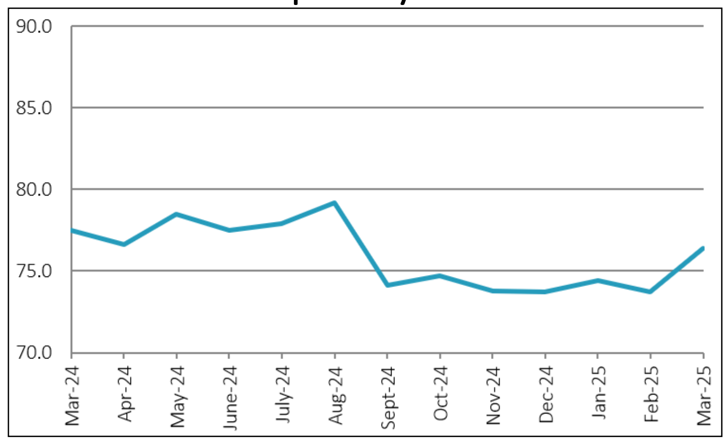
Architecture Billings Index (ABI)



The AIA/Deltek Architecture Billings Index (ABI) score was 45.5 for the month, indicating that a majority of firms are still experiencing declining firm billings. Billings were flat early in the fourth quarter of 2024 but have softened significantly since then. February also marked the first month since the height of the pandemic in 2020 that inquiries into new projects at firms have declined. Inquiries can be as formal as an RFP or RFQ from a potential client, or as informal as a discussion about a potential project, and rarely decline, even during periods of economic softness. The decline this month likely reflects the ongoing uncertainty about the economy at this time.

The AIA/Deltek Architecture Billings Index (ABI) is a diffusion index derived from the monthly Work-on-the-Boards survey, conducted by the AIA Economics & Market Research Group. The ABI serves as a leading economic indicator that leads nonresidential construction activity by approximately 9-12 months. An index score of 50 represents no change in firm billings from the previous month, a score above 50 indicates an increase in firm billings from the previous month, and a score below 50 indicates a decline in firm billings from the previous month.
Source: American Institute for Architects, 03.19.2025

Steel Capability Utilization



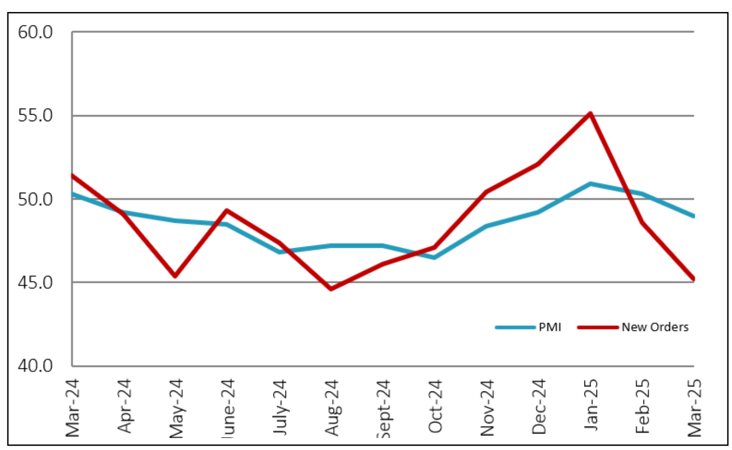
In the week ending on March 29, 2025, domestic raw steel production was 1,697,000 net tons while the capability utilization rate was 76.2%. Production was 1,696,000 net tons in the week ending March 29, 2024, while the capability utilization then was 76.4%. The current week production represents a 0.1% increase from the same period in the previous year. Production for the week ending March 29, 2025, is up 2.6% from the previous week ending March 22, 2025, when production was 1,654,000 net tons and the rate of capability utilization was 74.3%.

Adjusted year-to-date production through March 29, 2025, was 20,868,000 net tons, at a capability utilization rate of 74.5%. That is down 1.3% from the 21,143,000 net tons during the same period last year, when the capability utilization rate was 75.8%.

Steel Capability Utilization is a domestic report based on estimates from companies representing approximately 90% of the Industry's Raw Steel Capability as compiled by the American Iron and Steel Institute.
Source: AISI, 04.01.2025

Purchasing Managers Index (PMI)®

The Manufacturing PMI® registered 49% in March, 1.3 percentage points lower compared to the 50.3% recorded in February. The overall economy continued in expansion for the 59th month after one month of contraction in April 2020. (A Manufacturing PMI® above 42.3%, over a period of time, generally indicates an expansion of the overall economy.) The New Orders Index contracted for the second month in a row following a three-month period of expansion; the figure of 45.2% is 3.4 percentage points lower than the 48.6% recorded in February. The March reading of the Production Index (48.3%) is 2.4 percentage points lower than February's figure of 50.7%. The index dropped back into contraction after two months of expansion, with eight months of contraction before that. The Prices Index surged further into expansion (or 'increasing') territory, registering 69.4%, up 7 percentage points compared to the reading of 62.4% in February. The Backlog of Orders Index registered 44.5%, down 2.3 percentage points compared to the 46.8% recorded in February. The Employment Index registered 44.7%, down 2.9 percentage points from February's figure of 47.6%.



The nine manufacturing industries reporting growth in March — listed in order — are: Textile Mills; Petroleum & Coal Products; Fabricated Metal Products; Primary Metals; Computer & Electronic Products; Nonmetallic Mineral Products; Transportation Equipment; Electrical Equipment, Appliances & Components; and Miscellaneous Manufacturing. The seven industries reporting contraction in March, in order, are: Wood Products; Paper Products; Plastics & Rubber Products; Furniture & Related Products; Chemical Products; Food, Beverage & Tobacco Products; and Machinery.
Source: Institute for Supply Management, 04.01.2025

Industry News

China Admits Rare Earth Rule May End; Will the U.S. Seize the Throne?

A rare earth metals report by none other than a state-backed research institute is not only likely to unsettle the Chinese authorities, it has also come as a bolt out of the blue for the rest of the world. A report by the Chinese Academy of Sciences released a few days ago said China's dominance in the rare earths sector could be nearing the end.

But the disclosure does not stop there. It also outlines how the opening of new mines in Australia, South Africa and other countries, as well as Greenland's Kvanefjeld project, may reshape the rare earths ecosystem in the coming years. This also serves to underline why the U.S. under President Donald Trump is so keen on Greenland. With the publication of this report, some experts believe that the changing scenario will favor the U.S.

A Shock for the Rare Earth Metals Market—The study, which was published in the Chinese Rare Earths journal, is a rare admission of a forthcoming fundamental shift. The CAS team used advanced "agent-based" modeling to simulate demand and mining prospects globally between 2025 and 2040. Though this accurately simulated about 1,000 global deposits and over 140 viable mines, it did not factor in political influences.

Based on the results, the research team concluded that China's roughly 62% share of raw material could drop to about 28% as early as 2035. The primary reasoning is the new emerging sources of rare earth metals. Incidentally, the research team is from the CAS Ganjiang Innovation Academy in Ganzhou in eastern China, one of the world's largest critical metal production centers.

Today, China's dominance of the supply chain for rare earths and other critical metals is near-total. The country sits on about 60% of global reserves and processes about 90% of all rare earth metals. Because of this, Beijing enjoys a near-monopoly in the supply of rare earth materials, which are essential for electric vehicles, electronics and even military equipment.

The U.S., Africa, and Other Global Players—Since China produces about 2/3rd of the world's total rare earth metals supply, the U.S. has been on the lookout for alternatives. A 2024 report by the U.S. Geological Survey said there were about 110 MT of deposits spread around the world. Of this, about 44 MT are in China, another 22 MT are in Brazil, followed by 21 MT in Vietnam, 10 MT in Russia and approximately 7 MT in India.

Now, it seems that Africa may also become a big player in the rare earth supply chain. Led by South Africa's Steenkampskraal mine and other projects in Tanzania, experts predict Africa's share may go up to from about 1% to 7% by 2040. But there is a red flag to consider, as Chinese investments fund many of the African projects, something the U.S. looks at with consternation.

The report also stated that Brazil's Serra Verde and other projects related to heavy rare earths like dysprosium could meet about 13% of the global supply by 2040. However, there are caveats, such as environmental regulations. The CAS report adds that the neodymium-rich Mount Weld mine in Australia and the Olympic Dam mines, which produce copper and uranium as byproducts, are building U.S.-allied refining networks to bypass China.

New Discoveries by China and the U.S.—In January of this year, Beijing disclosed it had found a huge rare earth deposit in the southwestern province of Yunnan. According to reports quoting China's Geological Survey, the 1.5 million ton deposit contains medium and heavy rare earths, including over 470,000 tons of elements like praseodymium and neodymium. At the time of the announcement, experts said that the discovery would only further consolidate China's prominence as the global rare earth leader.

China Tariffs—On the opposite side of the world, U.S. researchers announced in late 2024 that they had identified a domestic treasure trove of critical minerals in the country's coal ash deposits. The report also claimed that coal ash, a byproduct from burning coal for energy typically written off as industrial waste, could hold about 11 MT of rare earth elements, or about eight times more than known domestic rare earth reserves.

This discovery, made by a team from The University of Texas at Austin, reveals a whopping U.S. $8.4 billion worth of rare earths. The report led some experts to opine that harnessing these reserves could dramatically alter the supply chain dynamics for rare earth metals and reduce U.S. dependence on imports.
Source: MetalMiner, 03.27.2025

U.S. Factory Orders Grew in February

American factories received a greater value of new orders for their goods in February, logging a second straight month of gains. Factory orders grew by 0.6% to $594 billion in February, the Commerce Department said April 2. Analysts surveyed by The Wall Street Journal had expected a 0.5% increase. In January factory orders were up by a revised 1.8%.

Shipments in February rose by 0.7% to $596.8 billion for a fourth consecutive month of growth.

Unfilled orders rose by 0.1% to $1.402.7 trillion. Inventories increased by 0.1% to $864.9 billion.
Source: Dow Jones, 04.02.2025

Industry News

Lutnick Fields Rival U.S. Steel Bids by Nippon Steel, Activist

U.S. Commerce Secretary Howard Lutnick has emerged as a key player in determining the future of US Steel Corp., holding back-to-back meetings with rival bidders for the American steelmaker week of March 24. Nippon Steel Corp., which is fighting to rescue its friendly deal for US Steel, has offered to invest an additional $7 billion if the Japanese company completes its $14.1 billion takeover, according to people familiar with the proceedings, who asked not to be identified because discussions are private. Lutnick has also met with Ancora Holdings Group, an activist shareholder with a 1% stake in US Steel that aims to oust the company's board and install a new chief executive officer. Ancora has said it will invest $6 billion to $7 billion in the Pittsburgh-based company if the Nippon Steel deal fails, according to people familiar with the proceedings.

The White House meetings mark the latest twist in the battle to determine the fate of an iconic U.S. steelmaker that was formed in 1901 when J. Pierpont Morgan merged a collection of assets with Andrew Carnegie's Carnegie Steel Co. President Donald Trump has repeatedly said he wants US Steel to stay in American hands. Trump's move to make Lutnick the point person in his administration to find a solution for US Steel underscores his desire to be a dealmaker. The White House and Commerce Department didn't respond to requests for comment. US Steel didn't respond to a request for comment. Nippon Steel and Ancora declined to comment.

Lutnick has taken meetings with Nippon Steel Vice President Takahiro Mori and US Steel CEO David Burritt since Trump made him the main White House person handling the US Steel file, according to people familiar with the decision. Mori is expected to meet Lutnick again April 1 and may sweeten the offer it made last week, according to a person familiar with the meeting.

Semafor previously reported on Mori's plan to meet with Lutnick April 1 and that Nippon Steel offered as much as $7 billion to invest in US Steel mills as part of discussions with the administration. Nippon Steel may sweeten its offer made last week, according to a person familiar with the discussions. The situation remains fluid, the people said, and it's unclear whether any of this will ultimately change Trump's mind.

Lutnick has also met top executives from Ancora, whose plans include installing long-time commodities executive Alan Kestenbaum as US Steel's CEO. The Cleveland, Ohio-based hedge fund would need to convince existing shareholders of its plan to replace the current CEO and company's board, and show it can come up with the billions of dollars it's vowing to commit. Despite that, the plan has gained traction among powerful United Steelworkers union members that run the majority of the American company's mills.

The union-run mills have been a flash point since Nippon Steel announced its $55-a-share cash deal in December 2023, with union leadership opposing the bid. The takeover offer by a foreign company became a political lightning rod during an election year, with Biden and Trump fighting to gain support in Pennsylvania, a key battleground state and the heart of the American steel industry. Ancora is offering to invest in existing US Steel assets, with a specific focus on the union-run mills in Pennsylvania, Illinois and Indiana, according to people familiar. Its plan also includes a promise to build an electric-arc furnace at Gary, Indiana. That offer is contingent on Trump leaving alone former U.S. President Joe Biden's executive decision in January to block the takeover, and letting the deal expire in June.
Source: Bloomberg, 04.01.2025

Image: Adobe Stock

Industry News

Public Projects Boost Construction Spending to $1.26T High

Civil outlays in February fueled a record month for expenditures, but interest rates and tariff concerns continue to slow private growth. Nonresidential construction spending increased 0.3% in February to a seasonally adjusted annual rate of $1.26 trillion, the highest level on record, according to an Associated Builders and Contractors analysis of U.S. Census Bureau data released April 1. Spending rose in nine of the 16 nonresidential subcategories, led by a surge in highway and street construction, which accounted for over 40% of the overall monthly gain, said Anirban Basu, ABC chief economist. Private nonresidential spending increased 0.4% during the month, while public spending jumped 0.2%.Despite the record-setting total, growth remains uneven across project types, as contractors face high interest rates and trade policy uncertainty, said Basu.

Although spending may be at an all-time high, recent hiring practices by contractors suggest they expect fewer opportunities in the near term, said Ken Simonson, chief economist at the Associated General Contractors of America. Hiring and job openings both dropped in February, potentially a foreshadowing of a construction slowdown, he said. “Construction spending rebounded in February, following widespread severe weather that may have slowed projects in January,” said Simonson. “Investment remains positive compared to a year ago but the growth rate for all major categories has cooled, while contractors have trimmed hiring and slashed job openings.”

Simonson also said the record spending number doesn’t necessarily indicate a high-water mark. “I expect substantial additional spending on highway and rail projects, and possibly broadband internet buildout in poorly connected areas,” Simonson said. “There has been rapid growth in water, wastewater, and airport construction, so it is hard to tell if this has peaked yet.” But despite the new monthly high, the pace of growth tells a different story, said Basu.

For example, public nonresidential construction spending jumped 6.1% compared to last February. Meanwhile, private nonresidential spending hasn’t been able to match broader economic metrics.

“Unfortunately, private sector spending has not kept pace and is up just 2.5% since last February, a rate of increase slower than economywide inflation,” said Basu in the release. “The mix of high interest rates, tight lending standards and unprecedented uncertainty regarding trade policy will continue to weigh on private sector construction in the coming months.”

Source: ConstructionDive, 04.01.2025

Trade

Trump Announces Sweeping New Tariffs to Promote U.S. Manufacturing, Risking Inflation and Trade Wars

President Donald Trump announced far-reaching new tariffs on nearly all U.S. trading partners — a 34% tax on imports from China and 20% on the European Union, among others — that threaten to dismantle much of the architecture of the global economy and trigger broader trade wars. Trump, in a Rose Garden announcement on April 2, said he was placing elevated tariff rates on dozens of nations that run meaningful trade surpluses with the U.S., while imposing a 10% baseline tax on imports from all countries in response to what he called an economic emergency. The president, who said the tariffs were designed to boost domestic manufacturing, used aggressive rhetoric to describe a global trade system that the U.S. helped to build after World War II, saying “our country has been looted, pillaged, raped and plundered” by other nations.

The action amounts to a historic tax hike that could push the global order to a breaking point. It kickstarts what could be a painful transition for many Americans as middle-class essentials such as housing, autos and clothing are expected to become more costly, while disrupting the alliances built to ensure peace and economic stability.

Trump said he was acting to bring in hundreds of billions in new revenue to the U.S. government and restore fairness to global trade. “Taxpayers have been ripped off for more than 50 years,” he said. “But it is not going to happen anymore.” Trump declared a national economic emergency to levy the tariffs. He has promised that factory jobs will return to the U.S. as a result of the taxes, but his policies risk a sudden economic slowdown as consumers and businesses could face sharp price hikes.

Trump was fulfilling a key campaign promise as he imposed what he called “reciprocal” tariffs on trade partners, acting without Congress under the 1977 International Emergency Powers Act. But his action April 2 could jeopardize Trump’s voter mandate in last year’s election to combat inflation. Several Republican senators, particularly from farm and border states, have questioned the wisdom of the tariffs. U.S. stock market futures

Continued...

Trade

Trump Announces Sweeping New Tariffs to Promote U.S. Manufacturing, Risking Inflation and Trade Wars

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sold off sharply overnight in anticipation of the economy weakening, after having already dropped since the start of this year.

"With today's announcement, U.S. tariffs will approach levels not seen since the Smoot-Hawley Tariff Act of 1930, which incited a global trade war and deepened the Great Depression," said Scott Lincicome and Colin Grabow of the Cato Institute, a libertarian think tank. The president's higher rates would hit foreign entities that sell more goods to the U.S. than they buy. The administration essentially calculated its tariff rates to raise revenues equal in size to the trade imbalances with those nations. Trump then halved that rate in an act that he described as "very kind."

The White House says the tariffs and other trade imbalances led to an $1.2 trillion imbalance last year. Administration officials suggested it could take an extended set of actions by other countries to bring down the new tariffs their imports now face, and retaliatory tariffs by those countries could make the situation worse.

Olu Sonola, head of U.S. economic research at Fitch Ratings, said the average tariff rate charged by the U.S. would increase to roughly 22% from 2.5% in 2024. "Many countries will likely end up in a recession," Sonola said. "You can throw most forecasts out the door, if this tariff rate stays on for an extended period of time."

The new tariffs will come on top of recent announcements of 25% taxes on auto imports; levies against China, Canada and Mexico; and expanded trade penalties on steel and aluminum. Trump has also imposed tariffs on countries that import oil from Venezuela and he plans separate import taxes on pharmaceutical drugs, lumber, copper and computer chips. Canada and Mexico would not face higher rates on what they're already being charged by Trump in what he says is an effort to stop illegal immigration and drug smuggling. As of now, goods that comply with the USMCA North American trade pact would be excluded from those tariffs. But the 20% charged on imports from China due to its role in fentanyl production would largely be added to the 34% announced by Trump. The specific products that Trump is tariffing, such as autos, would be exempt from the tariffs unveiled April 2, as would products such as pharmaceutical drugs that he plans to tariff at a later date.

Threats of Backlash—None of the warning signs about a falling stock market or consumer sentiment turning morose have caused the administration to publicly second-guess its strategy, despite the risk of political backlash. Senior administration officials, who insisted on anonymity to preview the new tariffs with reporters ahead of Trump's speech, said the taxes would raise hundreds of billions of dollars annually in revenues. They said the 10% baseline rate existed to help ensure compliance, while the higher rates were based on the trade deficits run with other nations and then halved to reach the numbers that Trump presented in the Rose Garden.

The 10% rate would be collected starting April 5 and the higher rates would be collected beginning April 9.

Trump removed the tariff exemptions on imports from China worth $800 or less. He plans to remove the exemptions other nations have on imports worth $800 or less once the federal government certifies that is has the staffing and resources in place. Based on the possibility of broad tariffs that have been floated by some White House aides, most outside analyses by banks and think tanks see an economy tarnished by higher prices and stagnating growth. Trump would be applying these tariffs on his own; he has ways of doing so without congressional approval. That makes it easy for Democratic lawmakers and policymakers to criticize the administration if the uncertainty expressed by businesses and declining consumer sentiment are signs of trouble to come.

Rep. Suzan DelBene, D-Wash., said the tariffs are "part of the chaos and dysfunction" being generated across the Trump administration. The chair of the Democratic Congressional Campaign Committee stressed that Trump should not have the sole authority to raise taxes as he intends without getting lawmakers' approval, saying that Republicans so far have been "blindly loyal." "The president shouldn't be able to do that," DelBene said. "This is a massive tax increase on American families, and it's without a vote in Congress. ... President Trump promised on the campaign trail that he would lower costs on day one. Now he says he doesn't care if prices go up — he's broken his promise."

Even Republicans who trust Trump's instincts have acknowledged that the tariffs could disrupt an economy with an otherwise healthy 4.1 % unemployment rate. "We'll see how it all develops," said House Speaker Mike Johnson, R-La. "It may be rocky in the beginning. But I think that this will make sense for Americans and help all Americans."

Full Story *Source: AP, 04.02.2025*