ONI INSIGHT

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The U.S. Economy Added 143,000 Jobs to Start 2025 —Fewer than expected; but the unemployment rate dipped to 4%, according to data released by the Bureau of Labor Statistics.

Economists were projecting the unemployment rate would stay at 4.1% and for the economy to add 170,000 jobs, according to FactSet estimates. Cold and severe weather as well as the wildfires in Los Angeles were expected to be influential factors on January's report, economists told CNN.

The report also provided more clarity on recent labor market trends, indicating that job growth last year was weaker than previously estimated.

The latest benchmark revision—an annual process that squares up estimates—showed there were 589,000 fewer jobs added to the economy in 2024.
Source: CNNBusiness, 02.07.2025

The Fed is Hitting the Pause Button on Rate Cuts, for now—Borrowers hoping for more financial relief from the Federal Reserve may have a wait on their hands, as the central bank is hit the pause button on additional rate cuts at its Jan. 29 meeting.

The Fed held its benchmark rate steady on January 29 at its current range between 4.25% to 4.5%, a move that was forecast by a majority of economists polled by FactSet. Most economists also predict the Fed will hold off on cutting at its March 19 meeting, which means the next rate cut might not occur until the central bank's May 7 meeting, FactSet data shows. The January pause marks an end, at least temporarily, to the Fed's flurry of rate cuts that started in September 2024 which have pushed down the federal funds rate by one percentage point. That's helped trim borrowing costs for credit cards, home equity lines of credit and other debt, providing some respite to inflation-pinched consumers and businesses.

But in December, the Fed had signaled that it expected fewer cuts in 2025 than it had earlier projected, with Fed Chair Jerome Powell pointing to inflation that remains above the central bank's goal of an annual 2% rate. Economists say it's likely the Fed wants to take a wait-and-see approach to the Trump administration's policies such as adding new tariffs and widespread deportations of immigrants, which could both prove inflationary.

"The reason why the Fed isn't jumping the gun at lowering the rates faster and further is that, on one hand, inflation is not gone. They looked carefully at the data, and it is still stubbornly above target, so there is concern if you lower rates further, inflation would tick up again," Erasmus Kersting, a professor of economics at Villanova University, told CBS MoneyWatch.
Full Story *Source: CNBC, 01.29.2025*

Wall Street is Betting on a Strong U.S. Economy in 2025

Revised data released by the University of Michigan on January 24 showed consumer sentiment in the U.S. unexpectedly deteriorated by more than previously estimated in the month of January. The University of Michigan said its consumer sentiment index for January was downwardly revised to 71.1 from the preliminary reading of 73.2. Economists had expected the index to be unrevised.

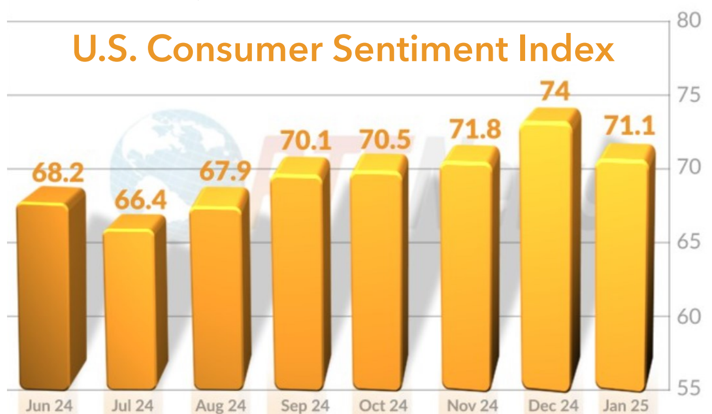
The consumer sentiment index is down from the final December reading of 74.0, marking the first decrease in six months.

"While assessments of personal finances inched up for the fifth consecutive month, all other index components pulled back," said Surveys of Consumers Director Joanne Hsu. "Indeed, sentiment declines were broad based and seen across incomes, wealth, and age groups." She added, "January's data closed on Inauguration Day, and consumers of all political leanings will continue to refine their views as Trump's policies are clarified and implemented."

The bigger than previously estimated decrease by the headline index partly reflected a notable deterioration by consumer expectations. The index of consumer expectations slumped to 69.3 in January from 73.3 in December, tumbling to its lowest level since last July. The current economic conditions index showed a more modest decrease, edging down to 74.0 in January after surging to 75.1 in December.

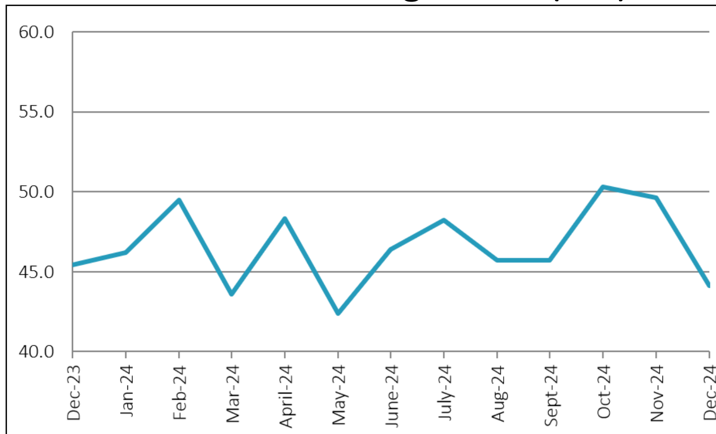
The report also said year-ahead inflation expectations soared to 3.3% in January from 2.8% in December, reaching the highest level since May 2024. Long-run inflation expectations also jumped to 3.2% in January from 3.0% in December.

"Concerns over the future trajectory of inflation were visible throughout the interviews and were tied to beliefs about anticipated policies like tariffs," said Hsu.
Source: RTT News, 01.24.2025



Key Economic Indicators

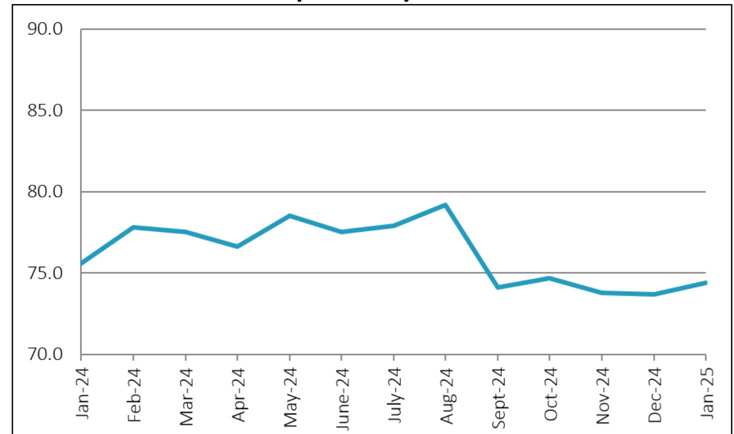
Architecture Billings Index (ABI)



The AIA/Deltek Architecture Billings Index (ABI) score fell to 44.1 for the month as the share of firms reporting a decline in firm billings increased. Firm billings have now decreased for the majority of firms every month except two since October 2022. While not a full-fledged recession, this period of softness and uncertainty has been challenging for many firms. And prospects for future work remain soft as well. Although inquiries into new projects continued to increase at a relatively slow rate, the value of newly signed design contracts decreased further in December as clients remained hesitant to commit to new work. In one brighter spot, backlogs at firms remained steady and strong at 6.5 months in December, so many firms still have work in the pipeline for now.

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, 01.22.2025

Steel Capability Utilization



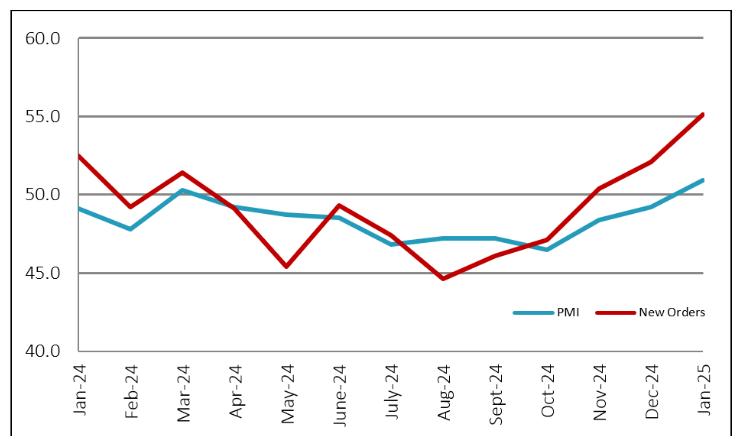
In the week ending on February 1, 2025, domestic raw steel production was 1,656,000 net tons while the capability utilization rate was 74.4%. Production was 1,643,000 net tons, while the capability utilization then was 73.9%. The current week production represents a 0.8% increase from the same period in the previous year. Production for the week ending February 1, 2025, is up 0.9% from the previous week ending January 25, 2025, when production was 1,641,000 net tons and the rate of capability utilization was 73.7%.

Adjusted year-to-date production through February 1, 2025, was 7,534,000 net tons, at a capability utilization rate of 74.0%. That is up 1.0% from the 7,461,000 net tons during the same period last year, when the capability utilization rate was 73.3%.

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, 01.31.2025

Purchasing Managers Index (PMI)®

The U.S. manufacturing sector expanded for first time in January after 26 months of contraction, as the Manufacturing PMI® registered 50.9%, 1.7 percentage points higher compared to the seasonally adjusted 49.2% reported in December. "The PMI® has increased for three consecutive months, with the most recent bump finally returning the manufacturing sector to expansion. Of the five subindexes that directly factor into the Manufacturing PMI®, four (New Orders, Production, Employment and Supplier Deliveries) were in expansion territory, compared to three in December. The Employment Index expanded in January after seven months in contraction, and the New Orders Index moved further into expansion.



The eight manufacturing industries reporting growth in January, listed in order: Textile Mills; Primary Metals; Petroleum & Coal Products; Chemical Products; Machinery; Transportation Equipment; Plastics & Rubber Products; and Electrical Equipment, Appliances & Components. The eight industries reporting contraction in January are: Nonmetallic Mineral Products; Miscellaneous Manufacturing; Wood Products; Fabricated Metal Products; Furniture & Related Products; Computer & Electronic Products; Paper Products; and Food, Beverage & Tobacco Products.
Source: Institute for Supply Management, 02.01.2025

Industry News

Businesses are Less Worried About Their Supply Chains in Q1, but Concerns Remain

Companies expect less risk to their supply chains at the beginning of 2025 when compared to Q4 2024, but not by much. The Lehigh Business Supply Chain Risk Management Index (LRMI) collects survey data each quarter to gauge whether businesses expect supply chain risks to increase (≥ 51), remain the same (50) or decrease (≤ 49) for 10 categories in the upcoming quarter. The average across the categories dropped from 67.48 in Q4 to 66.18 for Q1.

"We anticipate that this area, for the foreseeable future, will be constantly increasing. We are in the midst of data and cyber warfare among nation states, corporations and other powerful entities. Securing data and building strong relationships with partners is key right now," writes another respondent. Despite this risk claiming the top spot for early 2025, supply chain professionals are less worried than they were in early 2024, following a number of high-profile cyberattacks at companies like Clorox and Boeing.

With a reading of 74.16, changing government policies is also a primary concern surrounding supply chains. However, much like cybersecurity risks, the Q1 index for Government Intervention Risk is lower than what was reported in the second half of 2024. Interestingly, survey comments cite the incoming administration and its tariff proposals as a reason for optimism and pessimism.

"Risk will decrease due to expected deregulation under the new administration," writes one respondent, while another writes, "We expect an increase in risk as the impact of promised tariff policy changes could be significant. Potential deportation and immigration policy changes could further impact the overall labor shortage."

Speaking of tariffs, they seem to have caused an uptick in Supplier Risk concerns, which jumped two spots from the previous quarter and moved from 67.05 to 74.16 in Q1 2025. One respondent says tariffs with stretch supplier capabilities as companies adjust to new conditions. Supplier diversification and good relationships with suppliers are mentioned as important mitigating factors to a volatile environment, and respondents who tout these advantages say they expect no change in risk. Still, businesses are skeptical that consumers will be open to accepting substitutes for products or components no longer available.

"Some raw materials are sourced outside the U.S. and may be subject to unknown tariff decisions. I don't feel there will be checks and balances to rein in hasty decisions," writes one respondent.

The impact of the presidential election cannot be overstated, which is clearly demonstrated by number four risk this quarter, Economic Risk. Before November, fear for the national and global economies was the highest it has been since early 2023, but the Q4 2024 index of 77.91 dropped sharply to 67.98 for this quarter. Another reason for the dramatic decline could be attributed to significant interest rate cuts from late last year, which were largely celebrated by manufacturers at the time.

However, we're not out of the woods yet, as many unknowns still signal potential areas of concern. Respondents largely echo the circumstances listed in the previous risks, mentioning labor shortages, promised tariffs and mass deportation as possible reasons for worry.

The following are the 10 risk types in order from highest to lowest risk index score for Q1 2025:

- Cybersecurity and Data Risk: 76.97
- Government Intervention Risk: 74.16
- Supplier Risk: 74.16
- Economic Risk: 67.98
- Technological or Competitive Risk: 66.29
- Transportation Disruption Risk: 64.04
- Environmental Risk: 61.80
- Customer Risk: 61.24
- Operational Risk: 57.87
- Quality Risk: 57.30

Source: IndustryWeek, 01.14.2025

Adobe Stock

Industry News

Supreme Court Clarifies Employer Burden of Proof for Showing Exempt Status

On January 15, the Supreme Court of the United States (SCOTUS) issued a unanimous 9-0 ruling in a case concerning the Fair Labor Standards Act (FSLA) and an employer's responsibilities regarding federal minimum wage and overtime law. In EMD Sales, Inc. v. Carrera, the Supreme Court determined employers need only to meet a "preponderance of the evidence" standard when demonstrating an outside sales employee is exempt from federal minimum wage and overtime requirements.

In short, the ruling lowers the burden for employers to prove FSLA exemptions.

As legal experts at Squire Patton Boggs explained, the decision "does not change the applicable exemptions under the FLSA. Instead, it only clarifies the evidentiary burden imposed on an employer to prove a FLSA exemption applies." The law firm advised that "employers who classify employees as FLSA-exempt should take appropriate steps to ensure they would be able to demonstrate—by a preponderance of evidence—that they properly classified each employee who is not paid minimum wage or overtime compensation by ensuring that they have appropriate and sufficient records of their payment on a salary basis and of the nature of the duties the employee performs."

Heard by SCOTUS in November 2024, this case involved three salespeople for E.M.D. Sales, a food product distribution company, who sued the organization for failing to pay overtime. E.M.D. argued the employees qualified for the "outside salesman" FLSA exemption.

In an amicus brief submitted to SCOTUS, the National Association of Wholesaler-Distributors, and the International Foodservice Distributors Association (IFDA) argued the preponderance of the evidence standard aligns with the operational realities of that industry while supporting fair labor practices. The brief provided significant background on who outside salespeople are, why they are important to businesses, and the difficulty of tracking their hours for overtime purposes. Read the SCOTUS decision at this link.
Source: MSCI, 01.17.2025

Dockworkers and Port Operators Strike Labor Deal, Again Dodging Strike

East and Gulf Coast port operators late on January 8 struck an agreement with a dockworkers union, resolving a labor dispute that had threatened to halt shipments for a second time in three months. The two sides—the International Longshoremen's Association and the U.S. Maritime Alliance—announced in a joint statement that they had reached a tentative deal on a new six-year contract that averts a strike that would have started January 15. "This agreement protects current ILA jobs and establishes a framework for implementing technologies that will create more jobs while modernizing East and Gulf coasts ports – making them safer and more efficient, and creating the capacity they need to keep our supply chains strong," the two parties said in their statement.

It comes after members of the ILA had ended a three-day walkout in October after reaching a tentative deal with the USMX that initially suspended the strike until January 15. While resolving issues over pay, job security issues remained, with the union looking for guarantees that ports wouldn't use technology to replace workers. The ILA argued against using more automation at the ports, saying the USMX was looking to cut their labor costs and boost profits. For their part, port operators and shipping companies argued that the U.S. is falling behind automated ports like those in Dubai, Rotterdam and Singapore.

The stakes were high for the U.S. economy. Ports on the East and Gulf coasts handle more than half the nation's traffic in shipping containers, the steel boxes at the center of world trade, which carry everything from smartphones to fresh fruit to automobiles. Under the existing contract with the Maritime Alliance, the highest-paid dockworkers making $39 an hour, or $81,000 a year. The top hourly wage would rise to more than $60 an hour under the deal tentatively struck in October.

A 2019-2020 report by the Waterfront Commission, which oversees New York Harbor, found that a third of the longshoremen based there made $200,000 or more annually including overtime pay. That didn't include workers' share of royalties on the cargo that moves through the ports, payments that can come to thousands of dollars a year.

The 10 largest U.S. ports all use some kind of automation technology to move cargo, according to a 2024 Government Accountability Office report. These include automated gates, which let trucks and containers move through cargo terminals with limited worker interaction; so-called port community systems, which are digital platforms that automatically streamline logistics and supply-chain data; and technologies used in "internet-of-things" systems, such as RFID, GPS and cameras, to operate equipment and track containers.

Only three domestic ports—Long Beach Container Terminal in Long Beach, Calif., and TraPac and APM Terminal Pier 400 in Los Angeles—are fully automated. At fully automated ports, both horizontal and vertical container movement is handled by machines. Other technologies put to use at automated ports include AI-powered sensors, so-called digital twins—or identical, digital replicas of ports—and blockchain to automate the recording of transactions and track container locations.

In 2023, the Center for Innovation in Transport in Barcelona, Spain, found "no clear evidence confirming that automated terminals outperform conventional ones," though the research firm conceded that technological advances could change things in the future. ***Source: CBSNews, 01.09.2025***

Trade

China Counters With Tariffs on U.S. Products. It will also Investigate Google.

China announced retaliatory tariffs on select American imports and an antitrust investigation into Google on February 4, just minutes after a sweeping levy on Chinese products imposed by U.S. President Donald Trump took effect. American tariffs on imports from Canada and Mexico were also set to go into effect February 4 before Trump agreed to a 30-day pause, as the two countries acted to address his concerns about border security and drug trafficking. Trump planned to talk with Chinese President Xi Jinping in the coming days. "It is being scheduled and will happen very soon," White House Press Secretary Karoline Leavitt said.

This isn't the first round of tit-for-tat actions between the two countries. China and the U.S. engaged in an escalating trade war in 2018, when Trump repeatedly raised tariffs on Chinese goods and China responded each time. This time, analysts said, China is much better prepared, announcing a slew of measures that go beyond tariffs and cut across different sectors of the U.S. economy. The government is also more wary of upsetting its own fragile and heavily trade-dependent economy. "It's aiming for finding measures that maximize the impact and also minimize the risk that the Chinese economy may face," said Gary Ng, a senior economist at Natixis Corporate and Investment Banking in Hong Kong. "At the same time ... China is trying to increase its bargaining chips."

John Gong, a professor at the University of International Business and Economics in Beijing, called the response a "measured" one. "I don't think they want the trade war escalating," he said. "And they see this example from Canada and Mexico and probably they are hoping for the same thing."

Counter-tariffs—China said it would implement a 15% tariff on coal and liquefied natural gas products as well as a 10% tariff on crude oil, agricultural machinery and large-engine cars imported from the U.S. The tariffs would take effect on February 10. "The U.S.'s unilateral tariff increase seriously violates the rules of the World Trade Organization," China's State Council Tariff Commission said in a statement. "It is not only unhelpful in solving its own problems, but also damages normal economic and trade cooperation between China and the U.S." The impact on U.S. exports may be limited. Though the U.S. is the biggest exporter of liquid natural gas globally, it does not export much to China. In 2023, the U.S. exported 173,247 million cubic feet of LNG to China, about 2.3% of its total natural gas exports, according to the U.S. Energy Information Administration.

China imported less than 110,000 vehicles from the U.S. last year, though auto market analyst Lei Xing thinks the tariffs will be painful for GM, which is adding the Chevrolet Tahoe and GMC Yukon to its China line-up, and for Ford, which exports the Mustang and F-150 Raptor pickup.

The response from China appears calculated and measured, said Stephen Dover, chief market strategist and head of the Franklin Templeton Institute, a financial research firm. However, he said, the world is bracing for further impact. "A risk is that this is the beginning of a tit-for-tat trade war, which could result in lower GDP growth everywhere, higher U.S. inflation, a stronger dollar and upside pressure on U.S. interest rates," Dover said.

Further export controls on critical minerals—China announced export controls on several elements critical to the production of modern high-tech products. The measure took effect upon announcement on February 4. They include tungsten, tellurium, bismuth, molybdenum and indium, many of which are designated as critical minerals by the U.S. Geological Survey, meaning they are essential to U.S. economic or national security that have supply chains vulnerable to disruption. The export controls are in addition to ones China placed in December on key elements such as gallium.

"They have a much more developed export control regime," Philip Luck, an economist at the Center for Strategic and International Studies and former State Department official, said at a panel discussion on February 3. "We depend on them for a lot of critical minerals: gallium, germanium, graphite, a host of others," he said. "They could put some significant harm on our economy."

Going after Google—China's State Administration for Market Regulation said Tuesday it is investigating Google on suspicion of violating antitrust laws. The announcement did not mention the tariffs but came just minutes after Trump's 10% tariffs on China were to take effect. It is unclear how the probe will affect Google's operations. The company has long faced complaints from Chinese smartphone makers over its business practices surrounding the Android operating system, Gong said.

Overall, Google has a smaller presence in China than many markets, with its search engine blocked like many other Western platforms. Google exited the Chinese market in 2010, after refusing to comply with censorship requests from the Chinese government and following a series of cyberattacks on the company. Google did not immediately comment. Full Story

Source: AP, 02.04.2025