ONI INSIGHT

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Employers add 143,000 Jobs in January as Unemployment Rate Sits at 4% —Hiring slowed in January as U.S. employers added 143,000 jobs amid the Los Angeles wildfires, frigid weather across much of the nation and uncertainty generated by President Donald Trump's trade and immigration policies.

But payroll gains for the previous two months were revised up by 100,000, depicting an even more robust picture of the labor market at the end of 2024.

Economists had estimated that 170,000 jobs were added last month, according to the median estimate of those surveyed by Bloomberg. Full Story
Source: USAToday, 03.07.2025

Durable Goods Orders Rebounded in January —U.S. monthly manufactured durable goods increased $8.7 billion or 3.1% in January from December, according to an advance report from the U.S. Census Bureau. Released February 27, the report showed that January orders increased to $286 billion. This followed a 1.8% decrease in December. Orders had declined month-to-month in four out of the five previous months. Year-over-year, total durable goods increased 3.1%.

The January increase was driven by transportation equipment—up following two consecutive monthly decreases—which was up 9.8% vs. December. Excluding transportation, new orders were unchanged compared to December. Excluding defense, new orders increased 3.5%. Capital goods increased 12.9% month-to-month. Shipments of manufactured goods—up two consecutive months —increased 0.4% to $288.2 billion month-to-month. This followed a December increase of 0.8%.

January's unfilled order for durable goods in January—up six of the last seven months—increased 0.2% to $1.4 trillion month-to-month. This followed a December decrease of 0.5%. January's inventories for durable goods—up three consecutive months—increased 0.1% to $533 billion month-to-month. This followed a December 0.4% increase.
Full Story *Source: MDM Distribution Intelligence, 02.27.2025*

Potential Impact of Trump Policies Stirring Inflation Concerns at Fed, Minutes Show

President Donald Trump's initial policy proposals raised concern at the Federal Reserve about higher inflation, with firms telling the U.S. central bank they generally expected to raise prices to pass along the cost of import tariffs, policymakers said at a meeting held about a week after Trump's January 20 inauguration. Participants at the U.S. central bank's January 28-29 meeting "generally pointed to the upside risks to the inflation outlook," rather than risks to the job market, according to the minutes from the meeting, which were released on February 19. "In particular, participants cited the possible effects of potential changes in trade and immigration policy, the potential for geopolitical developments to disrupt supply chains, or stronger-than-expected household spending."

While still having faith that price pressures will ease in coming months, "other factors were cited as having the potential to hinder the disinflation process," the minutes said, including the fact that "business contacts in a number of (Fed) districts had indicated that firms would attempt to pass on to consumers higher input costs arising from potential tariffs." Participants also noted that some measures of inflation expectations, a key concern for the Fed, "had increased recently."

In comments to Yahoo Finance after the release of the minutes, Atlanta Fed President Raphael Bostic walked through the tangle of issues the Fed is trying to unravel. Business leaders are telling Fed officials they want to raise prices but are uncertain how consumers will respond; tariffs may add to costs, but steps to deregulate some industries may offset those pressures. At this point, Bostic said, the net result for policymakers is less confidence about what comes next.

"I had an outlook that 2025 would proceed at a very positive level. We'd see solid growth. We'd see inflation continue to move to 2%, we'd see labor markets stay solid," Bostic said. "Now, all this potential change ... means that the confidence bands, the precision of that estimate ... has reduced somewhat and we'll just have to see how things play out." Financial markets were little changed after the release of the minutes, with interest rate futures indicating the Fed's likely first, and perhaps only, rate cut of 2025 would occur in July.

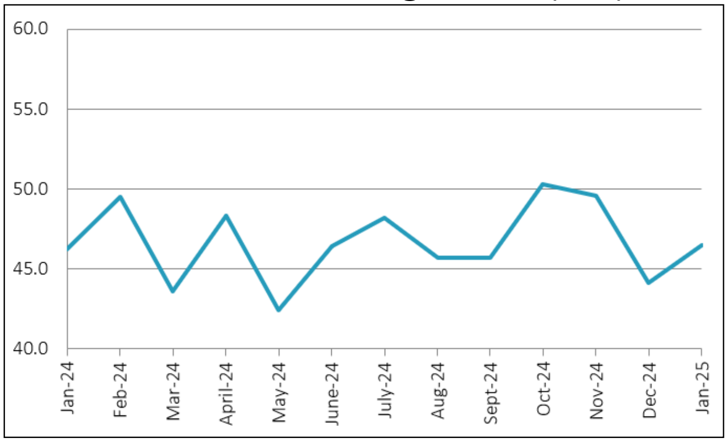
Not Happening Anytime Soon—Policymakers at last month's meeting agreed they should hold interest rates steady until it was clear that inflation, largely stalled since the middle of 2024, would dependably fall to the central bank's 2% target.

The uncertainty surrounding Trump's plans has added to their reluctance to reduce rates any further.

"It's clear from the minutes that rate cuts are not happening anytime soon, and the Fed will likely wait for some of the dust to settle on tariffs before providing better forward guidance," said Ryan Sweet, chief U.S. economist at Oxford Economics.
Full Story *Source: Reuters, 02.19.2025*

Key Economic Indicators

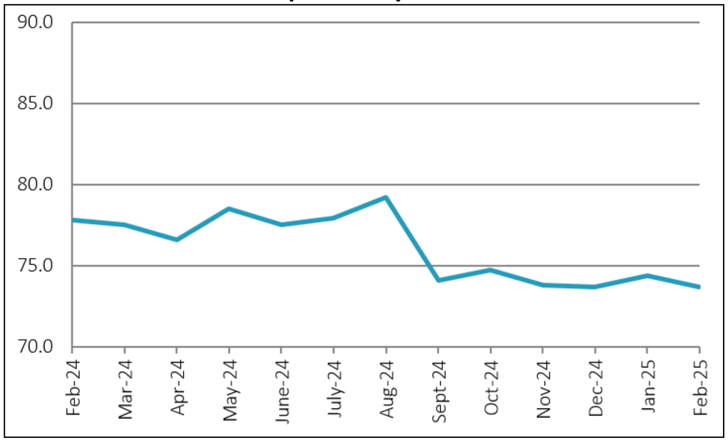
Architecture Billings Index (ABI)



The AIA/Deltek Architecture Billings Index (ABI) score was 45.6 for the month, slightly above the December score. This means that while a majority of firms still saw their billings decrease in January, the share of firms experiencing that decrease was slightly smaller than in December. Inquiries into new projects continued to grow at the same slow pace as in recent months, but the value of newly signed design contracts declined for the eleventh consecutive month as clients remained cautious about committing to new projects during the ongoing economic uncertainty. (Note every January, the seasonal adjustment factors for all ABI data series are revised, leading to revisions in recent historical data.)

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, 02.19.2025

Steel Capability Utilization



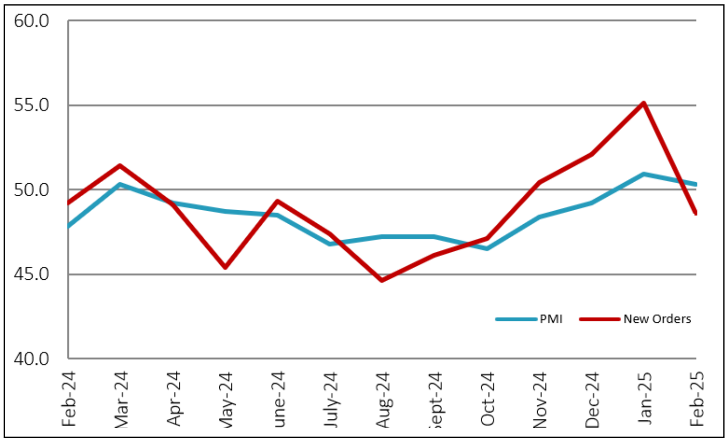
In the week ending on March 1, 2025, domestic raw steel production was 1,641,000 net tons while the capability utilization rate was 73.7%. Production was 1,721,000 net tons in the week ending March 1, 2024, while the capability utilization then was 77.5%. The current week production represents a 4.6% decrease from the same period in the previous year. Production for the week ending March 1, 2025 is down 1.1% from the previous week ending February 22, 2025 when production was 1,659,000 net tons and the rate of capability utilization was 74.5%.

Adjusted year-to-date production through March 1, 2025 was 14,179,000 net tons, at a capability utilization rate of 74.3%. That is down 1.3% from the 14,359,000 net tons during the same period last year, when the capability utilization rate was 75.4%.

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, 03.01.2025

Purchasing Managers Index (PMI)®

The Manufacturing PMI® registered 50.3% in February, 0.6 percentage point lower compared to the 50.9% recorded in January. The overall economy continued in expansion for the 58th 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 dropped back into contraction territory after expanding for three months, registering 48.6%, 6.5 percentage points lower than the 55.1% recorded in January. The February reading of the Production Index (50.7%) is 1.8 percentage points lower than January's figure of 52.5%. The index expanded for the second month in a row after eight months in contraction. The Prices Index surged further into expansion (or 'increasing') territory, registering 62.4%, up 7.5 percentage points compared to the reading of 54.9% in January. The Backlog of Orders Index registered 46.8%, up 1.9 percentage points compared to the 44.9% recorded in January. The Employment Index registered 47.6%, down 2.7 percentage points from January's figure of 50.3%.



The 10 manufacturing industries reporting growth in February are: Petroleum & Coal Products; Miscellaneous Manufacturing; Primary Metals; Wood Products; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Chemical Products; Plastics & Rubber Products; Fabricated Metal Products; and Transportation Equipment. The five industries reporting contraction in February are: Furniture & Related Products; Textile Mills; Nonmetallic Mineral Products; Computer & Electronic Products; and Machinery. *Source: Institute for Supply Management, 03.01.2025*

Industry News

U.S. Dockworkers Approve 6-Year Contract, Averting a Strike

Dockworkers on the U.S. East and Gulf coasts overwhelmingly approved a six-year contract February 25, averting the threat of a strike that could have crippled the economy. The yes vote was expected after the leadership of the International Longshoremen's Association union reached a tentative contract agreement in January with the U.S. Maritime Alliance of ports and shipping companies. The alliance approved the contract last month, and on February 25 rank-and-file members voted for it with nearly 99% in favor, the union said in a statement.

The contract calls for a 62% pay hike over six years that would lift hourly wages at the top of the union pay scale from $39 an hour to $63 an hour. ILA President Harold Daggett, who served as the union's chief negotiator, was quoted in the statement as saying the agreement is "the 'gold standard' for dockworker unions globally." He remarked that it was a difficult contract to negotiate and even required a three-day strike last fall, but "We now have labor peace for the next six years."

The union and the alliance also reached a truce on the most contentious labor issue on America's docks: automation. The union worries that machines—especially semi-automated cranes—will replace human workers. Port operators and shipping companies argue that U.S. ports are falling behind more automated ones such as those in Rotterdam, Dubai and Singapore.

The new contract gives ports more leeway to introduce modernizing technology. But they have to hire new workers when they do, and full automation is off the table.

"The pending contract opens the door a little more for advanced technology and automation," Brian Lynch, leader of the transportation sector at the consulting firm EY Americas, said before the vote. "The door's cracked a bit."

The union went on the three-day strike in October but suspended it to allow for more talks. A prolonged shutdown at 14 ports stretching from Boston to Houston could have delayed shipments to American factories and retailers and driven up costs. The two sides are expected to meet the week of March 10 to sign the agreement, after which it would go into effect.
Source: AP, 02.26.2024

Image: Adobe Stock

Industry News

Small Business Optimism Declines but Remains Above Historic Average

The National Federation of Independent Businesses (NFIB) Small Business Optimism Index fell 2.3 points in January to 102.8. Despite optimism falling, it was the third consecutive month above the 51-year average of 98. Of the 10 components included in the index, one increased, seven decreased and two stayed the same. After declining the past two months, the Uncertainty Index jumped 14 points to 100, the third highest reading of the index.

Inflation and labor quality were cited as the top concerns for many small business owners in January, with 18% reporting them as their most important problems.

Although inflation remains a top concern, the last time the index was this low was November 2021, suggesting higher input and labor costs concerns eased in January.

In January, 35% of small business owners reported jobs they could not fill, unchanged from December. Reports of too few unskilled applicants declined, but shortages of skilled applicants remain, particularly in manufacturing, transportation and construction.

A net 33% of small business owners reported raising compensation, up 4% from December. Profitability remained under pressure, with a net negative 25% reporting positive profit trends, one point less negative than December. Of those reporting lower profits, 34% claimed weaker sales, while 17% cited ordinary seasonal adjustments. A net 26% of small business owners planned price hikes in January, down two points from December. Just 3% reported their last loan was harder to get than previous attempts, and a net 3% of owners reported paying a higher rate on their most recent loan.

The outlook for general business conditions stalled slightly, slipping five points to 47. Small business owners, while still broadly optimistic, are still responding to the uncertainty of the Trump 2.0 transition. In particular, the continuation of the 2017 tax cuts and deregulation will be the key policy areas of concern for the small business community in 2025.
Source: NAM, 02.17.2025

Half a Million New Construction Workers Needed in 2026

The overall talent market might be shifting to favor employers, but that isn't true in every industry. The construction sector will need to draw in about half a million new workers next year, reports Florian Martin of the Houston Business Journal.

The numbers—The construction sector will need 499,000 new workers in 2026, up from 439,000 this year, according to a report from the Associated Builders and Contractors. Brian Miller, executive vice president of the Building Industry Association of Northern Kentucky, called workforce development "the No. 1 problem in our industry."

Why—The ABC expects lower interest rates will result in an increase in construction activity next year, it said. While numerous programs have tried to attract more people to trade jobs for years, the number of new workers hasn't kept up with demand.

What to do about it—The solution might lie with individual construction companies themselves, rather than third-party workforce-development programs, said Michael Richter, CEO of Associated Builders and Contractors of Greater Houston. Companies will need to broaden their perspectives.

Overheard—"One of the biggest mistakes that I've seen contractors make is, they feel like if they train and really develop their people, somebody is going to steal them," Richter said.

Upside—In reality, Richter said, such efforts benefit the overall labor pool—including for the employer doing the training—whether the worker stays or not. A good training program can also be a huge reputational benefit, said Jeff Rashall, vice president of construction at Burns & McDonnell Inc.

Fork in the road—If construction companies pivot to offer more training to onboard more talent into the industry, they may well find a receptive cohort of potential workers. High-school graduates today are increasingly focused on immediate outcomes—and whether those outcomes are worth the cost—when deciding whether and where to seek further education. An alternative to a four-year degree that leads directly to a job might appeal to a new graduate weighing those options.

Immigration—Something that could work against workforce gains, however, is the new Trump administration's mass deportations and efforts to curb immigration into the U.S. The American Immigration Council estimates that 13.7% of construction workers in the U.S. are undocumented immigrants, a higher share than in any other industry.
Source: Houston Business Journal, 02.17.2025

Trade

Tariffs on Nearly all Products from Mexico and Canada will Likely get Delayed

Commerce Secretary Howard Lutnick said March 6 that President Donald Trump will likely announce later in the day a one-month tariff delay on all products that are covered by the USMCA free trade treaty, a significant walk back of the administration's signature economic plan that has rattled markets, businesses and consumers.

In an interview with CNBC, Lutnick said tariffs on all treaty-compliant products from Mexico and Canada, most of which were hit with a 25% tariff, will probably be paused. They will now go into effect on April 2 unless Mexico and Canada show significant progress in fighting what the Trump administration has called an epidemic of fentanyl crossing the border to the U.S.

Stocks, which fell sharply to start the day of the announcement, remained lower after Lutnick's announcement but pared some of their losses. The Dow was down about 100 points, or 0.3%. The broader S&P 500 fell 0.6% and the tech-heavy Nasdaq was 0.7% lower.

The market is in the red during Trump's presidency in part because of the uncertainty the administration's trade policy has caused. The Nasdaq has fallen 6.4% since Trump took office, and the S&P 500 is down more than 3%. Businesses have paused hiring, consumer confidence has plunged and investors have shifted out of stocks and into safe havens like government bonds.

Trump in his joint address to Congress March 4 night acknowledged that tariffs are unpopular and could cause some pain, particularly by raising prices on an already inflation-weary American public. In one of his more vulnerable moments during the speech, Trump pleaded for patience, asking farmers who could be hurt by retaliatory tariffs to "bear with me" and said "there will be a little disturbance."

Susano Cordoba, right, sells peanuts to truck drivers lining up to cross the border into the U.S. as tariffs against Mexico go into effect, March 4, 2025, in Tijuana, Mexico. The back and forth on tariffs alone is causing confusion. Trump has routinely threatened or briefly put in place tariffs only to announce delays or pauses, leaving Corporate America unclear on how to invest and whether to hire.

Trump campaigned on steep tariffs on Day One. Instead, he signed several executive actions on his first day in office ordering his administration to investigate whether to pursue tariffs on a wide range of goods. In a signing ceremony, Trump announced that 25% tariffs on Canada and Mexico would be coming February 1.

But those tariffs were delayed—first by a few days and then by a month after both countries sent delegations to negotiate on illegal border crossings and fentanyl.

Promised tariffs on China went into place February 4—but not at the 60% level Trump had promised in December. The 10% tariffs came with a surprising twist: The elimination of the de minimis exclusion, a loophole that allows goods valued at less than $800 to come over the border duty-free. Those packages are numerous and onerous for customs officials to scan for tariffs.

The next day, the U.S. Postal Service stopped all package deliveries from China from entering the U.S. because it was unable to abide by the new trade policy. But hours later, the de minimis exclusion was back on—temporarily—until the Commerce Department could determine how to police it.

Then, Trump promised a "big one," as he called it: reciprocal tariffs—matching foreign countries' tariffs dollar for dollar. Instead, the plan, as it were, which Trump announced in the Oval Office on February 13 to much fanfare, consisted of a vaguely worded memo that offered few concrete details and no real timeframe for those tariffs to kick in. Eventually the timeframe—April 2—became clearer, but the tariffs that would be applied and the countries that would be subjected to the reciprocal tariffs remain somewhat of a mystery. Trump has floated autos, copper, microchips, pharmaceuticals and lumber, but specifics remain sparse.

Trump also announced steel and aluminum tariffs that are set to go into place March 12. But they don't represent a significant increase over what was already in place.

After the latest tariffs on Mexico and Canada went into effect March 4, stocks fell sharply. Trump—who has long fixated on how his policies perform in the markets—and his team were paying close attention to the market, a source familiar with the discussions told CNN. On March 5, Trump paused the tariffs on autos coming from Mexico and Canada for a month.

And now today, it looks like they're all off. Until at least April 2. Maybe.
Source: CNBC, 03.06.2025