ONI INSIGHT

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Jobs report: U.S. economy added just 12,000 jobs in October, impacted by hurricanes, Boeing strike—Job creation in October slowed to its weakest pace since late 2020 as the impacts of storms in the Southeast and a significant labor impasse dented the employment picture.

Nonfarm payrolls increased by 12,000 for the month, down sharply from September and below the Dow Jones estimate for 100,000, the Bureau of Labor Statistics reported November 1. In what had already been expected to be a downbeat report, October posted the smallest gain since December 2020.

The unemployment rate, however, held at 4.1%, in line with expectations. A broader measure of unemployment that includes discouraged workers and those holding part-time jobs for economic reasons also was unchanged at 7.7%. Full Story *Source: USAToday, 10.04.2024*

IMF's view: The global fight against high inflation is 'almost won'—The global war against inflation has largely been won—and at surprisingly little cost to economic growth, the International Monetary Fund declared October 23. In its latest assessment of the global economy, the IMF predicted that worldwide inflation will cool from 6.7% last year to 5.8% this year and to 4.3% in 2025. It estimates that inflation will fall even faster in the world's wealthy countries, from 4.6% last year to 2.6% this year and 2%—the target range for most major central banks—in 2025.

The slowdown in inflation, after years of crushing price increases in the aftermath of the pandemic, led the Federal Reserve and the European Central Bank to cut interest rates this year after they had aggressively raised them to try to tame inflation. "The battle against inflation is almost won," Pierre-Olivier Gourinchas, the IMF's chief economist, told reporters Tuesday. "In most countries, inflation is hovering close to central bank targets."

Inflation had accelerated when the world economy recovered with unexpected speed from the COVID-19 recession, leaving factories, freight yards, ports and businesses overwhelmed with customer orders and creating shortages, delays and higher prices. The high borrowing rates engineered by major central banks, along with the end of supply chain logjams, brought inflation dramatically down from the four-decade highs it hit in mid-2022. And to the surprise of forecasters, the economy—especially the largest, in the U.S.—continued to grow and employers kept hiring despite higher borrowing costs.

"The decline in inflation without a global recession is a major achievement,'' Gourinchas wrote in a blog post that accompanied the IMF's latest World Economic Outlook. The IMF, a 190-nation lending organization, works to promote economic growth and financial stability and reduce global poverty. On Tuesday, besides sketching a milder inflation outlook, it upgraded its economic expectations for the U.S. this year, while lowering its estimates for growth in Europe and China. The IMF left its forecast for global growth unchanged at a relatively lackluster 3.2% for 2024.

The IMF expects the U.S. economy to expand 2.8% this year, down slightly from 2.9% in 2023 but an improvement on the 2.6% it had forecast for 2024 back in July. Growth in the United States has been led by strong consumer spending, fueled by healthy gains in inflation-adjusted wages.

Next year, though, the IMF expects the U.S. economy to decelerate to 2.2% growth. With a new presidential administration and Congress in place, the IMF envisions the nation's job market losing some momentum in 2025 as the government begins seeking to curb huge budget deficits by slowing spending, raising taxes or some combination of both. The IMF expects China's economic growth to slow from 5.2% last year to 4.8% this year and 4.5% in 2025. The world's No. 2 economy has been hobbled by a collapse in its housing market and by weak consumer confidence—problems only partly offset by strong exports. Full Story
Source: AP, 10.23.2024

Import prices fall for second straight month in September, led by drop in cost of fuel

The U.S. import price index fell 0.4% in September, the Labor Department said October 15. This is the second straight monthly decline due to lower fuel prices. Economists surveyed by the Wall Street Journal were expecting a 0.3% decline. Fuel prices fell 7% in September after a 2.9% drop in the prior month. The decline in September is the largest of the year.

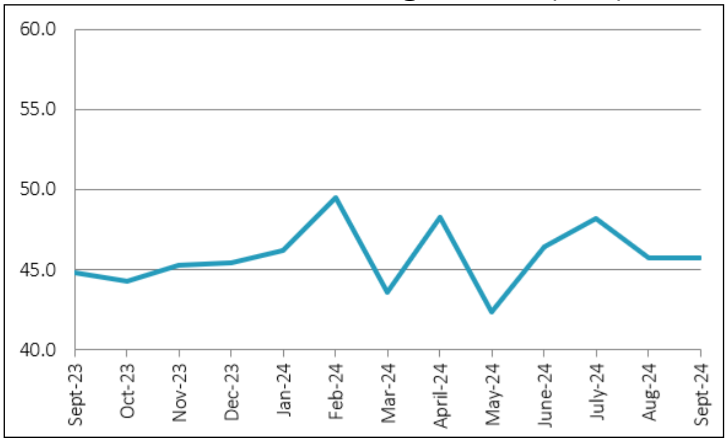
Excluding fuel, import prices ticked up 0.1% last month, the third straight monthly gain, the government said. The gain was led by consumer goods, autos and industrial supplies.

Key details: The cost of imports has fallen 0.1% in the last 12 months that ended in September. It has climbed 1.8% excluding fuel.

Big picture: Despite the divergence between headline import prices and the ex-fuel index, both are evolving at a moderate pace, with no unusually large moves over the past year, said Michael Feroli, chief U.S. economist at JP Morgan. ***Source: MarketWatch, 10.16.2024***

Key Economic Indicators

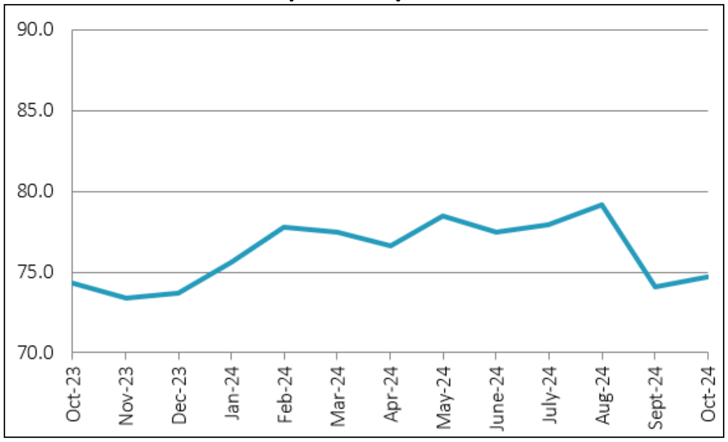
Architecture Billings Index (ABI)



The AIA/Deltek Architecture Billings Index (ABI) score was 45.7 for the month, as the majority of firms continued to report declining billings. Despite recently announced rate cuts by the Federal Reserve, clients are still cautious about future projects. Inquiries into potential new projects continued to increase, but the pace has slowed, and the value of newly signed design contracts at firms decreased for the sixth consecutive month in September, although the pace of that decline has moderated somewhat over the last few months. However, firms continue to report average backlogs of 6.4 months, which remains above pre-pandemic historical averages and is a good indicator of existing work in the pipeline, even if new work coming in has slowed.

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, 10.23.2024

Steel Capability Utilization



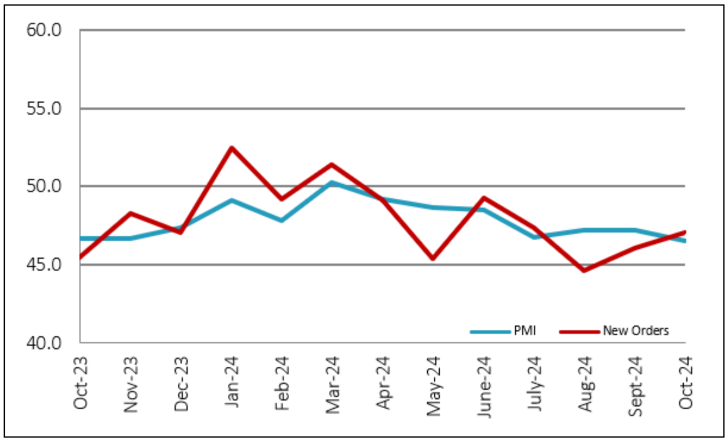
In the week ending on October 26, 2024, domestic raw steel production was 1,660,000 net tons while the capability utilization rate was 74.7%. Production was 1,664,000 net tons in the week ending October 26, 2023, while the capability utilization then was 72.4%. The current week production represents a 0.2% decrease from the same period in the previous year. Production for the week ending October 26, 2024, is up 1.8% from the previous week ending October 19, 2024, when production was 1,631,000 net tons and the rate of capability utilization was 73.4%.

Adjusted year-to-date production through October 26, 2024, was 72,729,000 net tons, at a capability utilization rate of 76.4%. That is down 1.7% from the 74,002,000 net tons during the same period last year, when the capability utilization rate was 76.4%.

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, 10.26.2024

Purchasing Managers Index (PMI)®

The Manufacturing PMI® registered 46.5% in October, 0.7 percentage point lower compared to the 47.2% recorded in September. This is the lowest Manufacturing PMI® reading in 2024. The overall economy continued in expansion for the 54th month after one month of contraction in April 2020. (A Manufacturing PMI® above 42.5%, over a period of time, generally indicates an expansion of the overall economy.) The New Orders Index remained in contraction territory, registering 47.1%, 1 percentage point higher than the 46.1% recorded in September. The October reading of the Production Index (46.2%) is 3.6 percentage points lower than September's figure of 49.8%. The Prices Index returned to expansion (or 'increasing') territory, registering 54.8%, up 6.5 percentage points compared to the reading of 48.3% in September. The Backlog of Orders Index registered 42.3%, down 1.8 percentage points compared to the 44.1% recorded in September. The Employment Index registered 44.4%, up 0.5 percentage point from September's figure of 43.9%.



The five manufacturing industries reporting growth in October: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Computer & Electronic Products; and Miscellaneous Manufacturing. The 11 industries reporting contraction in October are: Textile Mills; Printing & Related Support Activities; Transportation Equipment; Chemical Products; Electrical Equipment, Appliances & Components; Machinery; Primary Metals; Nonmetallic Mineral Products; Plastics & Rubber Products; Fabricated Metal Products; and Paper Products.
Source: Institute for Supply Management, 11.01.2024

Industry News

FRA awards more than $2.4B in rail improvement grants

The Federal Railroad Administration (FRA) recently awarded 122 rail improvement projects in 41 states and Washington, D.C., more than $2.4 billion in Consolidated Rail Infrastructure and Safety Improvements (CRISI) Program grants. The program funds rail safety and service improvements such as replacing or rehabilitating aging bridges, upgrading track, adding modern locomotives to fleets, and expanding rail connections at ports.

"Under the Biden-Harris Administration and through the Bipartisan Infrastructure Law, FRA is investing more than ever in communities nationwide, reversing a half-century of federal underinvestment in America's rail network and delivering the world-class rail our citizens deserve," FRA Administrator Amit Bose said. "Today's CRISI grants will enhance rail safety, better connect towns, cities, and ports, introduce more environmentally friendly locomotives, support the current rail workforce, and provide workforce development opportunities essential to the future of our industry and the national economy."

Awardees include:

- Illinois was awarded more than $157 million for the Springfield Rail Improvements Project Final Usable Segment: Phase VIb: North Grand Ave. and IIIc: Multimodal Transportation Center Project.
- North Carolina was awarded more than $105.5 million for the North Carolina Railroad Company Carolinian and Piedmont Passenger and Freight Improvements Project.
- Michigan was awarded more than $67 million for RECHARGED – Realizing Environmental Changes Happening Around Railroads Generating Equitable Development.

Source: Transportation Today News, 10.30.2024

U.S. Government wants feedback on how to increase product and material circularity

The U.S. Department of Energy's (DOE) Office of Energy Efficiency and Renewable Energy (EERE) has issued a request for information (RFI) that seeks input from stakeholders on a draft strategic framework regarding circularity for secure and sustainable products and materials. Members of industry, research laboratories, and other stakeholders are all encouraged to respond.

Current EERE focus areas include materials with a large energy and emissions footprint, including steel and aluminum, construction materials, and plastics.

- The framework, available at this link, identifies opportunities and challenges to use circularity to decarbonize industry, secure supply chains, benefit communities, and create jobs.

Specifically, EERE wants feedback on:

- How to prioritize research and development and technology advancement to target highest impact opportunities for decarbonization, supply chain security, community benefits, and manufacturing competitiveness;
- Significant opportunities, challenges, and enablers to increase products and materials circularity;
- Opportunities to connect to business models and the policy landscape to accelerate the deployment of advanced technologies for greater impact; and
- Data and analysis that informs prioritization and measurement of progress.

Responses to the request for information must be submitted electronically to CircularEconomyRFI@ee.doe.gov no later than 5 p.m. ET on Dec. 16, 2024.

In its RFI, the DOE argued the "linear way the United States and the world has traditionally approached extracting resources, manufacturing products, and then discarding them is environmentally destructive and economically irresponsible" and that "advancing products and materials circularity … helps the United States improve material efficiency, increase supply chain security and resilience, and reduce energy demand related to raw material extraction and manufacturing processes."
Source: MSCI, 10.18.2024

Industry News

Aluminum market sees mixed headwinds

Aluminum prices continued to rise throughout September, with a 5.31% increase. By October 4, the uptrend found at least a short-term peak as the price of aluminum hit its highest level since June, followed by a modest decline. As with other base metals, the combined headwinds of September's rate cut, China's stimulus announcement and the since-resolved port strike boosted bullish sentiment for Aluminum during the month. Investment funds, whose large positions offer strong influence over price, built up long positions during September following a pullback after prices peaked in late May. Data from the LME showed long bets from investment funds rose nearly 28% from September 6 to October 4. This support gave prices enough momentum to break above their late August high.

By mid-October, momentum appeared to slow. As the luster of September's bullish headwinds wore off, funds began to pull back long positions, albeit slightly, once again. Meanwhile, the port strike was resolved after only three days and had little impact on market conditions. Meanwhile, China's September stimulus package, while significant, was met with concern that it was too small to shift conditions meaningfully. Markets expected another large package to follow, but that did not occur. Instead, China outlined loose plans for more stimulus in an October 12 press conference, but neglected to inform markets of the size of forthcoming support. As a result, prices began to stagnate, slipping 0.61% during the first two weeks of Q4.

Distributors showed little worry that even a protracted port strike would lead to shortages. Although it would have likely offered support to prices, the U.S. carried a significant supply glut by the end of Q3, enough to insulate the market from the loss of imports. By late September, oversupply led to reports of steep discounts on material, with pricing on fabs falling to pre-pandemic lows. Demand conditions appeared to exacerbate bearish conditions, although oversupply remains the leading driver for domestic aluminum prices. One source characterized U.S. demand as "slow, but not crazy slow."

While potentially short-lived, the timing of the suspension hit an already tight market. Australia, another leading supplier, faced other disruptions during the year, including Alcoa's closure of its Kwinana refinery and the force majeure at Rio Tinto's Queensland refineries. Although it may help boost market sentiment, sky-high alumina prices do not necessarily mean aluminum prices will follow, as conditions at the bottom of the supply chain matter far less than conditions at the top. With the global market largely oversupplied, alumina disruptions may increase prices for primary producers, but appear unlikely to affect prices at the end-use level.

Biggest Aluminum Price Moves

- European commercial 1050 aluminum sheet prices witnessed the largest increase of the overall index, surging 17.07% to $3,680 per metric ton as of October 1.
- Chinese primary cash aluminum prices remained bullish, with a 5.85% increase to $2,904 per metric ton.
- Indian primary cash aluminum prices rose 4.85% to $2.84 per kilogram.
- The Korean 3003 aluminum coil premium over 1050 sheet fell 3.34% to $4.03 per kilogram.
- Korean commercial 1050 aluminum sheet prices fell 3.38% to $4.00 per kilogram.

Source: Metal Miner, 10.17.2024

Adobe Stock

Trade

Elevated China steel exports set to persist, threaten to worsen trade friction

Chinese steelmakers, already exporting at near-decade high volumes, are set to keep pushing out shipments in 2025 to manage overcapacity and soft domestic demand, industry insiders and analysts say, threatening to worsen mounting trade frictions. As local consumption remains suppressed by a weakened property sector, this year the world's dominant producer of the alloy is on track to export more than 100 million metric tons, the most since 2016. In the first three quarters, exports rose 21.2% to 80.71 million tons, customs data showed on October 18. China hit a record 112.4 million tons of steel exports in 2015, with the volumes shipped in 2016 coming right below that. For 2025, China is likely to export roughly 90 million to 100 million tons, according to forecasts from five analysts who cite rising global demand amid easing monetary cycles and the price competitiveness of Chinese steel.

China's biggest listed steelmaker Baoshan Iron & Steel Co, a unit of top global steelmaker China Baowu Steel Group, exported a record of 5.84 million tons of steel products in 2023, up 46.6% annually, and in late August said it targeted shipments of over 6 million tons for this year and more than 10 million tons annually by 2028.

It did not break out an export forecast for 2025. Officials at two other top Chinese steelmakers told Reuters they planned to increase exports in 2025, declining to give details, and an analyst briefed on the situation said another seven steel mills have similar plans. All three declined to be identified as they were not authorized to speak to media. "The low cost of Chinese steel, and the rising demand from (Southeast Asia), MENA (the Middle East and North Africa) and India will pose upside risks for China's steel exports in 2025 and beyond," said Lawrence Zhang, principal consultant for steel and raw materials market at Wood Mackenzie.

The World Steel Association on Monday predicted a 1.2% rebound in global demand to 1.77 billion tons in 2025 following three years of decline.

Tariff Tensions—China's surging steel exports have sparked complaints from an increasing number of countries. Some, including Turkey and Indonesia, have imposed anti-dumping duties, arguing that a flood of cheap Chinese steel hurts local manufacturers. Some 28 trade remedy cases have been brought this year against Chinese steel products, compared with just eight over the previous three years, data from the state-backed China Trade Remedies Information showed. "This trend (of complaints) will continue and intensify in 2025," Wood Mackenzie's Zhang said. Full Story ***Source: USNews, 10.18.2024***

Biden-Harris administration open tariff exclusion process

The exclusions come as some manufacturers scramble to find alternative suppliers outside China. The Office of the U.S. Trade Representative opened the process on October 21 for manufacturers to request that certain machinery be excluded from upcoming Section 301 tariff hikes. The exclusions would protect some domestic manufacturers from upcoming tariff hikes aimed at goods made in China, including electric vehicles, batteries, critical minerals, semiconductors and solar cells. The final tariff structure includes 14 product categories that cover thousands of items. The exclusion process covers specific machinery used in domestic manufacturing, particularly for solar manufacturing. This includes "machines used to physically alter a good in the manufacturing process," according to the USTR's Sept. 18 notice in the Federal Register. The deadline to submit exclusion requests to the USTR is March 31, 2025.

Domestic manufacturing covered under the exclusion includes a variety of functions under chapters 84 and 85 of the Harmonized Tariff Schedule of the United States, including things like industrial robots, machinery, and apparatus for filtering or purifying water and some printing machinery.

"The limited scope of the exclusion process strikes a balance between mitigating U.S. companies' costs in expanding domestic production capacity while maintaining the appropriate amount of leverage with China," the agency said in its notice.

The Biden administration finalized the tariff hike structure last month. The first increases went into effect Sept. 27, with the next tariff hikes coming at the start of 2025 and 2026.

Many manufacturers are scrambling to find new suppliers for critical minerals and other battery materials, many of which currently come from China and will be subject to the new tariffs. Fourteen solar manufacturing exclusions for wafer and cell production are also included in the finalized tariff structure. Officials opted not to include five exclusions for solar module manufacturing equipment. "Available information indicates that there is sufficient availability of the products covered by the exclusions outside of China, such that the exclusions are not warranted and could harm alternative sourcing currently available," the agency stated.
Source: SupplyChainDive, 10.21.2024