O'NEAL INDUSTRIES

The Insight

June 2024

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Economic News

Economy Added Booming 272,000 Jobs in May, Unemployment at 4%

Hiring accelerated in May as employers added a robust 272,000 jobs despite stubborn inflation, high interest rates and intensifying household financial strains.

The unemployment rate rose from 3.9% to 4%, highest since January 2022, the Labor Department said Friday.

Economists had estimated that 185,000 jobs were added last month, according to a Bloomberg survey.

People wait in line during a job fair in Oregon
Several crosscurrents were poised to affect May's payroll totals. Heavy rains crimped hiring in April and a return to more typical weather patterns last month likely provided a modest boost, says economist Ryan Sweet of Oxford Economics.

Another positive: May had an unusually large number of workdays because of a calendar quirk, lifting employment totals by 50,000 to 80,000, Goldman Sachs wrote in a note to clients. Full Story ***Source: USA TODAY, 06.07.2024***

U.S. Durable Goods See Third Straight Month of Gains

Orders for durable goods rose 0.7% in April, marking the third straight monthly gain, the Commerce Department said May 24. Economists surveyed by the Wall Street Journal had forecast a 0.5% drop in orders for durable goods.

This is the first time that durable goods have risen for three straight months since spring 2023. Excluding transportation, orders were up 0.4%.

Core capital-goods orders, which exclude volatile sectors like transportation and defense, rose 0.3% last month after a 0.1% drop in March. Shipments of these so-called core orders rose 0.4% in April.

Key details: Much of the increase in orders came from the defense sector. Excluding defense, orders were flat in April.

Orders for transportation goods were also strong, rising 1.2% after a 2.5% gain in the prior month. Orders for cars and car parts rose 1.5%. New orders for nondefense aircraft fell 8%. Full Story ***Source: MarketWatch, 05.24.2024***

U.S. Consumer Inflation Eases Slightly to 3.4% in April

U.S. consumer inflation eased slightly last month, according to U.S. government data published May 14, a positive sign for President Joe Biden ahead of November's election. The data supports the Biden administration's messaging that the U.S. economy has turned a corner, as it looks to quell consumers' concerns about the impact of rising prices going into the likely rematch against former president Donald Trump.

The annual consumer price index (CPI) came in at 3.4% in April, down 0.1 percentage point from March, the Labor Department said in a statement. This was in line with the median forecast of economists surveyed by Dow Jones Newswires and The Wall Street Journal.

Monthly inflation came in at 0.3%, slightly below expectations.

The CPI data also helps the U.S. Federal Reserve, which has hiked interest rates to their highest level for 23 years in a bid to bring inflation back down firmly to its long-term target of 2%. It marks the first month of slowing annual data since January, although both the annual and monthly figures remain too high.

"The index for shelter rose in April, as did the index for gasoline," the Labor Department said in a statement. "Combined, these two indexes contributed over 70% of the monthly increase in the index for all items," it added. A widely-watched inflation measure excluding volatile food and energy prices also eased last month, rising at an annual rate of 3.6%, down from 3.8% in March.

The so-called "core" inflation index rose 0.3% in April from a month earlier, according to the Labor Department, also slightly lower than in March. ***Source: Agence France-Presse, 05.15.2024***

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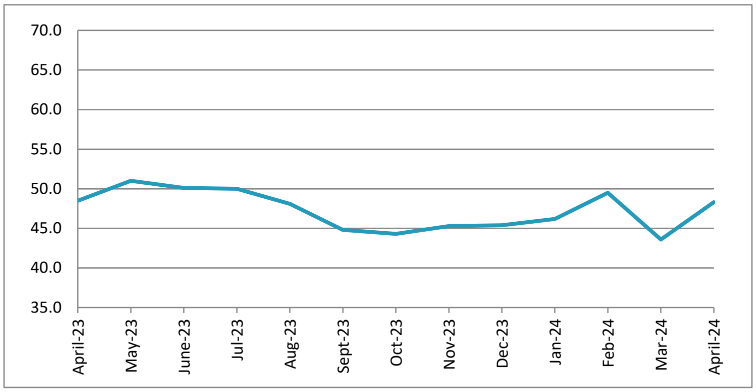
Key Economic Indicators

Architecture Billings Index (ABI)

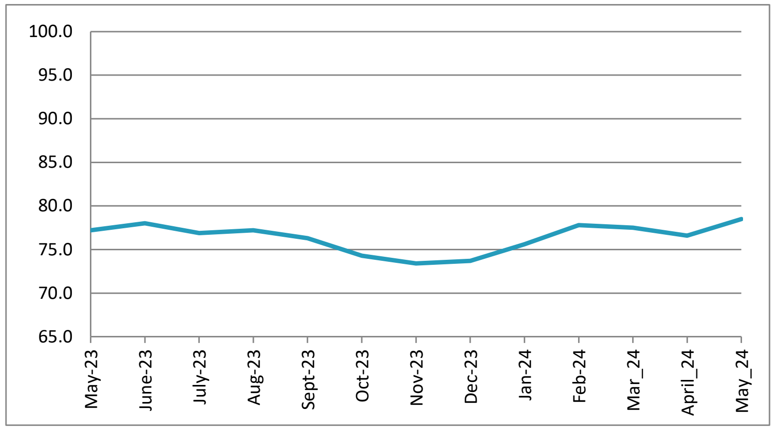


The AIA/Deltek Architecture Billings Index (ABI) score of 48.3 for the month. The score rose from 43.6 in March but still indicates that billings continue to decline at most architecture firms. While the value of newly signed design contracts dipped slightly in April, there remains interest from clients as inquiries into new projects continue to increase.

“These findings indicate that while there is still caution among clients, there are also positive signs with increasing inquiries into new projects,” said Kermit Baker, PhD, AIA Chief Economist. “Continued high interest rates make it difficult for some projects to move forward, but there is ongoing interest in pursuing these projects once conditions improve. In the meantime, design activity is expected to remain sluggish.”

Architecture firm billings continued to decline at firms in all regions of the country, with firms located in the Midwest and South reporting the sharpest declines. Business conditions also remain soft at firms of all specializations, with the weakest conditions continuing at firms with a multifamily residential specialization. ***Source: AIA, 05.22.2024***

Steel Capability Utilization

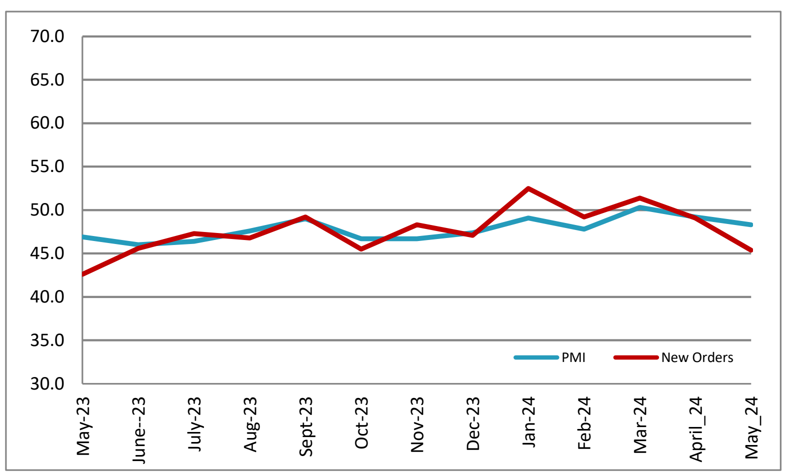


In the week ending on June 1, 2024, domestic raw steel production was 1,743,000 net tons while the capability utilization rate was 78.5%. Production was 1,752,000 net tons in the week ending June 1, 2023 while the capability utilization then was 77.8%. The current week production represents a 0.5% decrease from the same period in the previous year. Production for the week ending June 1, 2024 is up 0.5% from the previous week ending May 25, 2024 when production was 1,735,000 net tons and the rate of capability utilization was 78.1%.

Adjusted year-to-date production through June 1, 2024 was 37,180,000 net tons, at a capability utilization rate of 76.6%. That is down 2.6 % from the 38,164,000 net tons during the same period last year, when the capability utilization rate was 77.9%.

Broken down by districts, here’s production for the week ending June 1, 2024 in thousands of net tons: North East: 136; Great Lakes: 551; Midwest: 208; Southern: 779 and Western: 69 for a total of 1743.***Source: AISI, 06.01.2024***

Purchasing Managers Index (PMI)®



The Manufacturing PMI® registered 48.7% in May, down 0.5 percentage points from the 49.2% recorded in April. The overall economy continued in expansion for the 49th month after one month of contraction in April 2020. The New Orders Index remained in contraction territory, registering 45.4%, 3.7 percentage points lower than the 49.1% recorded in April. The May reading of the Production Index (50.2 %) is 1.1 percentage points lower than April’s figure of 51.3%. The Prices Index registered 57%, down 3.9 percentage points compared to the reading of 60.9% in April. The Backlog of Orders Index registered 42.4%, down 3 percentage points compared to the 45.4% recorded in April. The Employment Index registered 51.1%, up 2.5 percentage points from April’s figure of 48.6%. The Supplier Deliveries Index figure of 48.9% equaled the reading recorded in April. The Inventories Index registered 47.9 %, down 0.3 percentage point compared to April’s reading of 48.2%.The New Export Orders Index reading of 50.6% is 1.9 percentage points higher than the 48.7% registered in April. The Imports Index continued in expansion territory, registering 51.1%, 0.8 percentage point lower than the 51.9% reported in April. During its current five-month streak in expansion, the Imports Index has averaged 51.8%. The seven manufacturing industries reporting growth in May — in order — are: Printing & Related Support Activities; Petroleum & Coal Products; Paper Products; Textile Mills; Primary Metals; Fabricated Metal Products; and Chemical Products. The seven industries reporting contraction in May — in the following order — are: Wood Products; Plastics & Rubber Products; Machinery; Computer & Electronic Products; Furniture & Related Products; Transportation Equipment; and Food, Beverage & Tobacco Products. ***Source: ISM, 06.01.2024***

Steel Imports Rise in April

The U.S. imported 2.1 million net tons of steel in April, up 4.5% compared with March, the American Iron and Steel Institute reported. Total steel imports of 2.8 million tons were up 11.3% compared with the prior month.

For the first four months of the year, net imports were up 2.2% and total imports were up 4.5% compared with 2023. Finished steel import market share was an estimated 24% in March, slightly above the 23% for the full year.

Key steel products with a significant import increase in April compared with March were wire rods, up 62%; blooms, billets and slabs, up 38%; tin plate, up 37%; and cold-rolled sheets, up 23%.

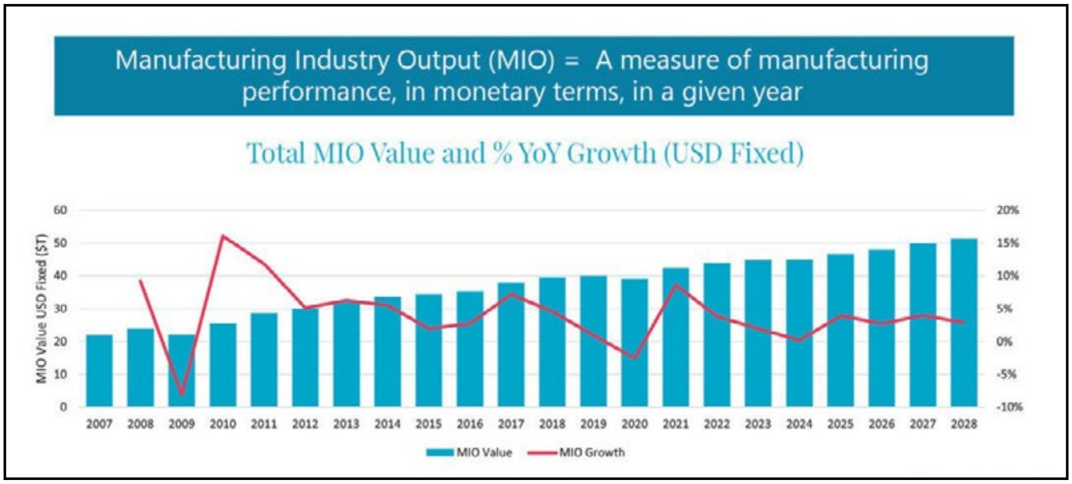
In April, the largest suppliers were Canada at 587,000 net tons, down % from March; Mexico at 423,000, up 48%; Brazil at 386,000, down 2%; and Vietnam at 145,000, up 66%. ***Source: MetalCenterNews, 05.24.2024***

After "Sluggish" 2024, Global Manufacturing Could See Strong 2025 - 2028

Although the global manufacturing economy is on track for "sluggish" growth of just an 0.6% annual expansion in 2024, that picture is forecasted to brighten considerably in 2025, according to a report from the industrial automation research firm Interact Analysis. Manufacturing output is expected to recover in 2025 and maintain a steady rate through to 2028, despite seeing a slight dip in the growth rate in 2026, the firm said in its latest Manufacturing Industry Output Tracker (MIO).

While most territories see optimistic signs of future growth, the global measure of manufacturing production could be hindered by a stuttering economy in China. The report includes a slight downward revision for China compared with the previous edition; from 2.8% to 2.4%. China as "the factory of the world" is responsible for almost half of the total manufacturing market value, so any further reductions in the country's forecast could well lead to a small contraction in the global MIO figure for 2024.

In the meantime, all four major European manufacturing economies are currently in a downward cycle, and sentiment for the year remains gloomy. But that trend may be flipped by positive signals from the U.S., which may well start to manifest in other regions later in the year, Interact Analysis said. That's because consumer resilience—coupled with the slow fall of inflation and interest rates—is pushing up spending worldwide, and the U.S. manufacturing economy in particular is strengthening.



The semiconductor industry has also bounced back from a low point in 2023, boosting outlook for parts of South-Asia heavily reliant on the market sector, including Taiwan, Singapore, and South Korea. Dwindling order books and the impact of the higher cost of living have constrained global demand, but there are signs of recovery in consumer spending and post-Covid supply chain problems have eased considerably.

"The global outlook for manufacturing output is mixed to say the least," Adrian Lloyd, CEO at Interact Analysis, said in a release. "Our projections are holding but there are no clear signs of where recovery will come from and how strong it will be. As a result, we will be watching closely to see how constrained consumer spending in China, a strengthening U.S. economy, and global events will affect conditions." ***Source: DCVelocity, 05.29.2024***

U.S. Overhauls Electric Grid to Make Way for More Renewables

The U.S. Federal Energy Regulatory Commission on May 13 approved the first major electric transmission policy update in over a decade that aims to speed up new interregional lines to move more clean energy to meet growing demand amid the explosion of electric vehicles, data centers and artificial intelligence. Approved in a 2-1 vote, the new rule is also the first time the FERC has ever squarely addressed the need for long-term transmission planning, playing a key role in helping meet the Biden administration's goal of decarbonizing the economy by 2050 and making the grid more resilient to more frequent climate-fueled extreme weather events.

"This rule cannot come fast enough," FERC Chairman Willie Phillips, who voted for the final rule. "There is an urgent need to act to ensure the reliability and the affordability of our grid." "We are at a transformational moment for the electric grid with phenomenal load growth," he added, citing the surge in domestic manufacturing, proliferation of data centers, and the surge in extreme weather events that have pushed the country's ageing infrastructure to its limits.

FERC has been working for nearly two years on the rule to reform how new electric transmission gets approved and paid for, with new requirements for moving electricity across states and covering the costs of new projects. FERC said that reforms to transmission planning received over 30,000 pages of comments, creating the largest public record ever considered by the commission. The final rule requires transmission owners to conduct 20-year plans assessing regional electric transmission needs that would need to be revisited every five years.

It also requires transmission project participants to submit plans for how to split costs between states and companies; weigh seven specific benefits during the review process to determine whether transmission proposals will meet long-term needs cost effectively and gives operators the ability to re-evaluate projects that face cost-overruns or delays. Before applicants submit plans, they would be required to hold a six-month engagement period with state agencies. It also asks operators to identify opportunities to modify existing transmission facilities instead of replacing them when needed, a process known as "right-sizing" and to hold public meetings during the regional transmission planning cycle.

BEYOND FERC'S MANDATE?

President Joe Biden's administration has a goal of a carbon-free power sector by 2035, in order to fight climate change. To meet that target, the country needs to more than double regional transmission capacity and expand interregional transmission capacity more than fivefold, a U.S. Department of Energy study said in November. Boosted by tax incentives in Biden's 2022 Inflation Reduction Act (IRA), the queue of power generation projects awaiting a connection to the electric grid is currently around 2,600 gigawatts, twice the amount of generation of the current U.S. power plant fleet, as the grid struggles to integrate new wind, solar and battery power.

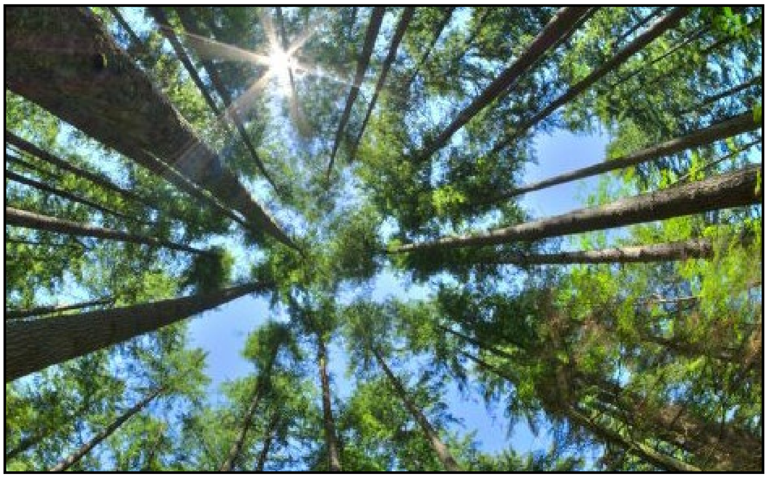
FERC Commissioner Mark Christie, who opposed the final transmission planning rule, said in his dissenting remarks that the commission rushed through the process and attempted to impose a major policy shift that favors renewables that went beyond FERC's mandate.

"This rule is a pretext to enact a sweeping policy agenda that Congress never passed," Christie said. "A policy that is intended to facilitate a massive transfer of wealth from consumers to for-profit, special interests, particularly generation developers - primarily wind and solar transmission developers and influential powerful corporations with preferences as to the types of power they want to purchase."

Republican Senator John Barrasso of Wyoming said it could make some states "foot the bill" to bring more renewable energy online and "force customers – often in rural states – to pay for new transmission lines even when those lines don't provide any meaningful benefit to them." All three commissioners also approved on Monday a separate but related order that would give FERC backstop siting authority to approve permits for interstate transmission projects that have been rejected or not acted upon by states. That order also codified a code of conduct for project participants to engage with communities, conduct early outreach with Native American tribes and issue an environmental justice resource report.

"FERC's backstop siting rule will help ensure that no one state can veto transmission lines that are in the general interest of the nation," said Cullen Howe, a senior advocate with the Natural Resources Defense Council. ***Source: Reuters, 05.14.2024***

Steel Groups Oppose Proposed Timber Bill



In a joint letter to Congress, the American Institute of Steel Construction, American Iron and Steel Institute and Steel Manufacturers Association outlined their firm opposition to the proposed Mass Timber Federal Buildings Act, urging members of Congress to reject the anti-competitive bill. The bill, which was introduced by U.S. Senators Jeff Merkley (D-Ore.) and James Risch (R-Idaho), would give favorable treatment to the mass timber industry in the awarding of federal and military construction projects – at the expense of other building material competitors, including steel.

The letter from steel industry leaders raised substantive concerns about the potential ramifications of this legislation on fair competition, taxpayer value and sustainability practices within the construction sector. "While we support the exploration and development of innovative building materials, this bill, and similar efforts create an unfair contracting preference and would ultimately hinder rather than promote responsible construction practices," the letter said. The letter is addressed to U.S. Representatives Rick Crawford (AR-1) and Frank Mrvan (IN-1), chairman and vice chairman of the Congressional Steel Caucus, respectively, and outlines several critical issues with S4149.

Mandated Contracting Preferences: The proposed mandate for contracting preferences favoring wood products would disrupt the competitive bidding process and undermine taxpayer value by neglecting cost-effectiveness and project suitability considerations. Full Story ***Source: MetalCenterNews, 05.24.2024***

At Halfway Mark, Majority of Infrastructure Law Funds Yet to Be Spent

Halfway through the five-year Infrastructure Investment and Jobs Act, less than half — 38% — of the funding has been announced, according to the White House. That's a 13.5% increase in the past 6 months, an indication that the process is ramping up but still lags.

To date, $454 billion of the IIJA's $1.2 trillion has been announced for a range of projects like the Brent Spence Bridge between Cincinnati and Covington, Kentucky. Announced funding, captured from agency press releases, is preliminary and non-binding, whereas awarded funding represents actual obligations, per the White House. Half of the IIJA's funding, or $550 billion, goes to new initiatives.

The White House also released an updated map of the more than 56,000 projects and awards that are identified or now underway at 4,500-plus localities around the country. That's up 40% from 40,000 projects six months ago.

Insight:
The IIJA and other federal funding has buoyed the infrastructure sector amid slowdowns elsewhere in the building industry in recent years. Infrastructure spending continues to build in 2024 as $1.8 trillion in federal grants, loans, tax credits and other financial incentives seep into the economy, according to analysis from S&P Global, a financial information provider.

The largest portion of IIJA money is designated for road and bridge construction, according to White House data analyzed by CNBC, followed by rail, broadband, power and water projects. So far, improvements have launched on 165,000 miles of roads and more than 9,400 bridge repair projects are underway thanks to the IIJA, according to the White House.

However, inflation has sapped the buying power of the law, according to S&P. Elevated prices for materials, wage increases and continued skilled trades worker shortages have resulted in the funding carrying less bang-for-the-infrastructure buck than what policymakers envisioned.

Many of the country's infrastructure systems suffer from long standing underinvestment, according to the American Society of Civil Engineers. ASCE gave U.S. infrastructure a "C minus" on its most recent report card, with roads, bridges, airports, and water systems rated in "poor" to "mediocre" condition. Many need updates to withstand the impact of more frequent and intense extreme weather due to climate change.

The goal of the IIJA is to start to address these repair and resilience gaps, and recent Biden administration investments have kept the state of infrastructure from getting worse, an ASCE study released in May found. Full Story
Source:ConstructionDive, 05.28.2024

United States Issues Preliminary Findings in Aluminum Extrusions Case

The U.S. Department of Commerce has issued preliminary findings in antidumping duty (ADD) and countervailing duty (CVD) investigations regarding aluminum extrusions imported from 14 countries, including China and Mexico.

As experts at the law firm Husch Blackwell explained, the affirmative preliminary dumping margins range from 0% for an individual exporter in Italy to rates that exceed 600% for an exporter in Turkey. The penalties went into effect May 7, 2024.

In its decision, the department noted that it examined a wide range of products, including components, subassemblies, and various finished products. It also outlined several exclusions that were based on technical specifications, including a distinct list of items applicable only if they are manufactured in China.

The Commerce Department is expected to issue its final determination in this matter around July 15, 2024, but that date could be extended until late September, Husch Blackwell said. After that, if the International Trade Commission makes an affirmative final determination of injury, antidumping and countervailing duty orders will be issued.

Click here to read more about the investigation regarding products from China. Click here to read the notice for products from Mexico. ***Source: MSCI, 05.14.2024***

International Trade Commission Provides Info on Metals Producer Emissions Submissions and New AD, CVD Regulations

Last year, the Office of the U.S. Trade Representative tasked the U.S. International Trade Commission (ITC) with conducting an investigation into, and issuing a public report on, the greenhouse gas (GHG) emissions intensity of U.S.-produced steel and aluminum. In April, the ITC released its final questionnaire regarding the information that U.S. steel and aluminum producers needed to provide to the government. Firms were required to submit responses to the company-level questionnaire by April 22, 2024. They are to report the facility-level questionnaire by June 8, 2024.

Here is an ITC presentation that provides more information about these submissions. Review that document here.

The ITC also recently released an updated "frequently asked questions" document to help guide companies in completing this requirement.

The ITC defines the needed emissions data as:

- Scope 1: Direct emissions from the facility's owned or controlled sources.
- Scope 2: Indirect emissions from the generation of the facility's purchased energy, including electricity, steam, heat, or cooling.
- Certain Scope 3 emissions: Emissions associated with material and resource inputs for the production of steel and aluminum.

Companies with questions about this matter should contact sa.emissions@usitic.gov.

In related news: the ITC also recently held a webinar on updated antidumping (AD) and countervailing duty (CVD) regulations. In March 2024, the U.S. Department of Commerce updated these rules to improve and strengthen the administration and enforcement of several areas of the AD and CVD laws. ***Source: MSCI, 05.20.2024***

Biden Announces New Tariffs on Imports of Chinese Goods, Including Electric Vehicles

President Biden will slap tariffs on $18 billion of imports of goods from China including electric vehicles, semiconductors, and medical products to protect U.S. workers and companies in the strategic sectors and punish China for unfair trade practices. He will also keep in place the tariffs that former President Donald Trump had placed on more than $300 billion of imports from China.

U.S. Trade Representative Katherine Tai told Morning Edition that China heavily subsidizes its electric vehicle industry, leading to prices so low that American manufacturers could "really be crushed by what has been produced by these anti-competitive practices in Beijing."

The move comes as Biden pushes forward to implement three pieces of legislation that contain hundreds of billions of subsidies to boost the domestic manufacturing and clean energy sectors — and ahead of a presidential election where trade and jobs will again be an issue.

"We know China's unfair practices have harmed communities in Michigan and Pennsylvania and around the country that are now having the opportunity to come back due to President Biden's investment agenda," Lael Brainard, Biden's top economic adviser, told reporters.

Here's a list of the new tariffs

Most of the new tariffs cover items that the Biden administration has sought to have made in America through investments in the Inflation Reduction Act, the CHIPS and Science Act and the Bipartisan Infrastructure Law.

Some increases will take place this year. They include tariffs of:

- 100% on electric vehicles, up from 25%
- 50% on solar cells, up from 25%
- 50% on syringes and needles, up from zero
- 25% on lithium-ion batteries for electric vehicles, and battery parts, up from 7.5%
- 25% on certain critical minerals, up from zero
- 25% on steel and aluminum products, up from a range of zero to 7.5%
- 25% on respirators and face masks, up from zero to 7.5%
- 25% on cranes used to unload container ships, up from 0%

China makes cheap electric vehicles. Why can't American shoppers buy them?

Other hikes will be phased in, including:

- 50% on semiconductors, up from 25%, by 2025
- 25% on other Lithium Ion batteries, by 2026
- 25% on natural graphite and permanent magnets, up from zero, by 2026
- 25% on rubber medical and surgical gloves, up from 7.5%, by 2026

The White House says this is different from Trump's approach

Trump had made tariffs on China one of his signature policy moves when he was in the White House. At first, some Democrats warned this could really hurt the economy — and that American consumers would pay the price. Biden's team began reviewing those tariffs when he took office, and now has decided to keep them in place — though it is working on an exclusion process for machinery used by domestic manufacturers, particular in the solar industry.

"One of the challenges is once tariffs have been imposed, it is quite difficult politically to reduce them — because the affected industry tends to get used to them, like them, operate with them as baked into their plans," said Michael Froman, who was U.S. Trade Representative during the Obama administration.

The White House has tried to distinguish its strategy from Trump's approach. It points to comments made by Trump in rallies and interviews that he would broaden tariffs on all imported goods, including targeting Chinese cars, if he wins the election — something that they said would hike consumer prices. Biden's strategy is a "smarter approach," Tai told Morning Edition.

China expresses 'strong dissatisfaction'

The White House has downplayed the risk that the new tariffs could spark retaliation from China, saying that the issues have been discussed during meetings of top U.S. and Chinese officials, and were unlikely to come as a surprise. China's commerce ministry said Beijing "firmly opposes" the decision and said the review process had been "abused" for domestic political reasons. "China expresses its strong dissatisfaction," it said.

The decision to raise tariffs is a violation of Biden's promises "not to seek to suppress China or curb its development" or decouple from China, the ministry said. It said the action was out of step with the spirit of consensus reached between Biden and Chinese leader Xi Jinping, and, "will seriously affect the atmosphere around bilateral cooperation." "China will take resolute measures to defend its rights and interests," it said. ***Source:NPR, 05.14.2024***