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Jobs Report: Employers add 254,000 jobs, blowing past forecast—America's job market picked up in September, employment data from the Bureau of Labor Statistics shows, with U.S. employers adding 254,000 jobs.

The number was higher than the average monthly gain of 203,000 over the previous 12 months, according to the Labor Department. Job growth blew past forecaster estimates and exceeded the revised August tally of 159,000 new positions.

The unemployment rate ticked down to 4.1% in September from 4.2% in August. The job market was expected to show continued cooling in September. New hiring slowed over the summer, after a strong spring, as bad weather other seasonal factors dampened hiring. Full Story *Source: USAToday, 10.04.2024*

Fed Officials Leave Door Open to Another Large Interest-Rate Cut—A handful of Federal Reserve officials on September 23 left open the door to additional large interest-rate cuts, noting that current rates still weigh heavily on the U.S. economy. "Over the next 12 months, we have a long way to come down to get the interest rate to something like neutral to try to hold the conditions where they are," Chicago Fed President Austan Goolsbee said in a moderated Q&A event. Neither Goolsbee nor any of his colleagues said they already favor repeating the half-point cut made by the central bank on September 18, saying incoming data would guide their decision making. The Federal Open Market Committee next meets just after the presidential election, on Nov 6-7.

The Chicago Fed chief said he estimated the central bank's current benchmark interest rate was "hundreds" of basis points above neutral, the level at which policy neither stimulates nor restricts economic growth. The neutral rate cannot be directly measured, only estimated. Federal Reserve Bank of Chicago President Austan Goolsbee spoke September 23 at a Q&A event in Chicago. Goolsbee, who sounded more strident than other officials in calling for lower borrowing costs, emphasized that employment conditions and inflation were each at favorable levels, but wouldn't remain so unless the Fed lowered rates "significantly" in the coming months.

"If you're restrictive for too long, you're not going to be at that sweet spot on the dual mandate for much longer," he said. Goolsbee, Atlanta Fed President Raphael Bostic and Minneapolis' Neel Kashkari all said at the meeting they supported the decision taken by Fed officials last week to lower their benchmark rate by a half percentage point to a range of 4.75% to 5%. In projections also released September 19, the mean estimate of the longer-run neutral rate from Fed officials was 2.9%. The projections also show a wide range of views among officials on where rates should be at the end of 2025.

Bostic, while decidedly more cautious than Goolsbee over how quickly the Fed should cut, also nodded to the room the Fed likely has to lower rates before it might reach neutral. Full Story
Source: Bloomberg, 09.23.2024

OECD Sees Global Growth Stabilizing at 3.2% this Year

Global growth is in the process of stabilizing as the drag from central bank rate hikes fades and falling inflation boosts households' incomes, the OECD said on September 25 marginally raising its outlook for this year. The world economy was projected to grow 3.2% both this and next year, the Organization for Economic Cooperation and Development (OECD) forecast, nudging up its 2024 forecast from 3.1% previously while leaving 2025 unchanged.

As the lagged impact of central bank tightening evaporates, interest rate cuts would boost spending going forward while consumer spending benefitted from lower inflation, the OECD said in an update of its latest economic outlook.

If a recent decline in oil prices persists, global headline inflation could be 0.5 percentage points lower than expected over the coming year, the Paris-based OECD said.

With inflation heading towards central bank targets, the OECD projected that the U.S. Federal Reserve's main interest rate would ease to 3.5% by the end of 2025 from 4.75% — 5% currently and European Central Bank would cut to 2.25% from 3.5% now.

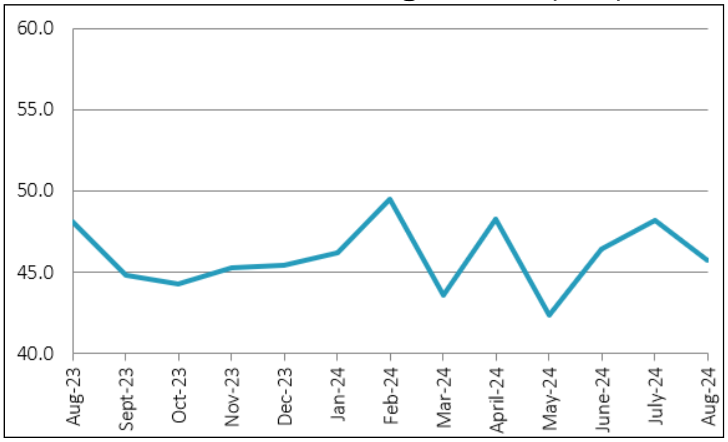
U.S. growth was expected to slow from 2.6% this year to 1.6% in 2025 though interest rate cuts would help cushion the slowdown, the OECD said, trimming its 2025 estimate from a forecast of 1.8% in May. The Chinese economy, the world's second biggest, was seen slowing from 4.9% in 2024 to 4.5% in 2025 as government stimulus spending is offset by flagging consumer demand and a real estate rut.

The eurozone would help make up for slower growth in the two biggest economies next year with the 20-nation bloc's growth forecast to nearly double from 0.7% growth this year to 1.3% as incomes grow faster than inflation.

The OECD hiked its outlook for the U.K. economy amid high wage growth, projecting the U.K. economy expanding by 1.1% in 2024 and 1.2% in 2025, up from May forecasts for 0.4% this year and 1% next year. *Source: Reuters, 09.25.2024*

Key Economic Indicators

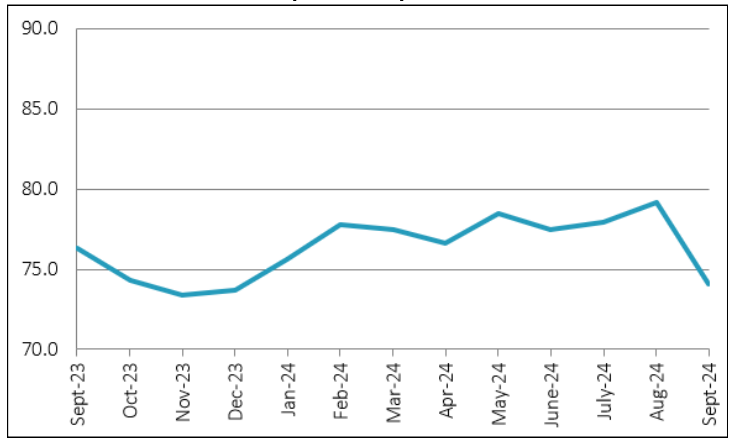
Architecture Billings Index (ABI)



Three-quarters of firm leaders are at least somewhat confident that business conditions will improve over the next 12–18 months. Architecture firm billings remained sluggish in August, as the AIA/Deltek Architecture Billings Index (ABI) score declined to 45.7. It has now been nearly two years since firms saw sustained growth. However, clients are still expressing interest in new projects, as inquiries into work have continued to increase during that period. However, those inquiries remain challenging to convert to actual new projects in the pipeline, as the value of newly signed design contracts declined for the fifth consecutive month in August.

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, 09.18.2024

Steel Capability Utilization

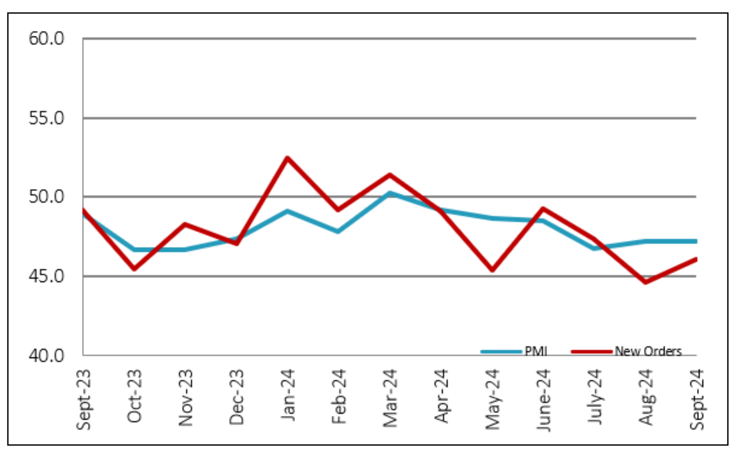


In the week ending on September 28, 2024, domestic raw steel production was 1,646,000 net tons while the capability utilization rate was 74.1%. Production was 1,691,000 net tons in the week ending September 28, 2023, while the capability utilization then was 74.4%. The current week production represents a 2.7% decrease from the same period in the previous year. Production for the week ending September 28, 2024 is down 3.6% from the previous week ending September 21, 2024 when production was 1,707,000 net tons and the rate of capability utilization was 76.9%.

Adjusted year-to-date production through September 28, 2024, was 66,212,000 net tons, at a capability utilization rate of 76.7%. That is down 1.7% from the 67,325,000 net tons during the same period last year, when the capability utilization rate was 76.9%.

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, 09.28.2024

Purchasing Managers Index (PMI)®



The Manufacturing PMI® registered 47.2% in September, matching the figure recorded in August. The overall economy continued in expansion for the 53rd 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 46.1%, 1.5 percentage points higher than the 44.6% recorded in August. The September reading of the Production Index (49.8%) is 5 percentage points higher than August's figure of 44.8%. The Prices Index went into contraction (or 'decreasing') territory for the first time this year, registering 48.3%, down 5.7 percentage points compared to the reading of 54% in August. The Backlog of Orders Index registered 44.1%, up 0.5 percentage point compared to the 43.6% recorded in August. The Employment Index registered 43.9%, down 2.1 percentage points from August's figure of 46%.

The five manufacturing industries reporting growth in September are: Petroleum & Coal Products; Food, Beverage & Tobacco Products; Textile Mills; Furniture & Related Products; and Miscellaneous Manufacturing. The 13 industries reporting contraction in September in the following order: Printing & Related Support Activities; Plastics & Rubber Products; Wood Products; Apparel, Leather & Allied Products; Primary Metals; Transportation Equipment; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Paper Products; Machinery; Chemical Products; Fabricated Metal Products; and Computer & Electronic Products.
Source: Institute for Supply Management, 10.01.2024

Industry News

Striking Port Workers to Return to Work Friday as Negotiators Reach an Agreement on Wages

Striking members of the International Longshoremen's Association (ILA) will be back to work on October 4, the union announced October 3, as it reached a tentative deal with the management group representing shipping lines, terminal operators and port authorities.

The agreement amounts to a $4-per-hour raise for each year of the six-year contract, a source with knowledge of the negotiations told CNN. That amounts to a first year raise of just over 10% of the current contract's top pay of $39 an hour. With the five subsequent pay hikes it would raise wages by 62% over the life of the contract.

Spencer Platt | Getty Images News

The union agreed to extend the contract it had with the U.S. Maritime Alliance, the management group known as USMX. That deal, which had expired at the end of Monday, will be now extended until January 15 and have the union members back on the job while the final details are worked out in a full agreement that will need to be ratified by the rank-and-file.

In a statement, President Joe Biden praised the tentative wage deal. "Today's tentative agreement on a record wage and an extension of the collective bargaining process represents critical progress towards a strong contract," he said. "I congratulate the dockworkers from the ILA, who deserve a strong contract after sacrificing so much to keep our ports open during the pandemic. And I applaud the port operators and carriers who are members of the U.S. Maritime Alliance for working hard and putting a strong offer on the table."

Vice President Kamala Harris also applauded the agreement, saying in a statement: "This is about fairness — and our economy works best when workers share in record profits. Dockworkers deserve a fair share for their hard work getting essential goods out to communities across America."

Acting Secretary of Labor Julie Su was onsite in North Bergen, New Jersey, meeting with both parties as the talks entered their final stages, according to a source familiar with the matter. Su helped broker a deal between West Coast port workers represented by the International Longshore & Warehouse Union and the Pacific Maritime Association in 2023, which resulted in a 32% pay increase over the life of the five-year contract.

The 50,000 members of the union working at ports from Maine to Texas have been on strike since early Tuesday morning, halting the flow of the majority of containerized imports into the U.S., along with many of the exports, disrupting the sales of American businesses overseas.

A presidential push—A tentative deal would still need to be ratified by the rank-and-file ILA members before it can take effect. But with ships stuck at sea unable to come into US ports to unload and load goods, the union has agreed to have workers return to work on October 4.

Bloomberg | Getty Images

Still, should the members vote against the deal, the strike might start once again. And such a rejection of a tentative labor deal is not unheard of.

Just last month, the International Association of Machinists (IAM) and jet maker Boeing (BA) reached a tentative deal that union leaders recommended their 33,000 members accept. The leadership even described it as the best deal they had ever negotiated with the company. But union members voted nearly unanimously to reject it and have remained on strike since September 13. The port strike was still in its early days, but it would have had broad ramifications for the U.S. economy the longer it continued.

Bryan R. Smith | Afp | Getty Images

Surging profits—For weeks, business groups had been calling on the Biden administration to order strikers back to work. The work stoppage threatened the supply of everything from bananas to liquor to European luxury cars, all with the busy holiday shopping season less than two months away. And those shortages could have resulted in upward pressure on prices.

But Biden had refused to use powers he has under the Taft-Hartley Act to block or end the strike, saying he would not interfere with the collective bargaining process. Biden, Harris and Secretary of Transportation Pete Buttigieg had all called on the USMX to negotiate a deal with the ILA that fairly shared its record profits with members. [Full Story]

Source: CNN 10.04.2024

Industry News

Biden Administration Announces Global Critical Minerals Program

On the sidelines of the 79th United Nations General Assembly in New York City, President Biden administration officials and ally countries announced a new plan to finance critical mineral projects. The goal of the project is to counter China's dominance in producing and selling the raw materials that are needed for a clean energy transition.

"The energy transition is at risk," Undersecretary of State Jose Fernandez said. "We need more production capacity for critical minerals that need to come online — many of these supply chains for critical minerals are concentrated in one or two countries and also lack resilience."

The Minerals Security Partnership, which, along with the U.S., includes the European Union and 13 other nations, already seen a dozen projects to completion in the past two years and has approximately 30 more in its pipeline. The newly announced partnership is expected to help promote cooperation and co-financing for these endeavors. In the U.S., meanwhile, lawmakers have introduced multiple pieces of legislation to bolster the supply chains needed to compete with China on the critical minerals front.

Read more about the Biden administration's work on critical minerals here. ***Source: MSCI, 09.29.2024***

China's Factory Activity Shrank for a Fifth Straight Month

China's factory activity shrank for a fifth straight month and the services sector slowed sharply in September, suggesting Beijing will need even more stimulus to hit its 2024 growth target with only three months left in the year. The National Bureau of Statistics (NBS) Purchasing Managers' Index (PMI) released on September 30 nudged up to 49.8 in September from 49.1 in August, still below the 50-mark separating growth from contraction but beating a median forecast of 49.5 in a Reuters poll. The reading was the highest in five months.

The chart has 4-line charts showing China's NBS manufacturing PMI, NBS non-manufacturing PMI, Caixin manufacturing PMI and Caixin services PMI from Aug. 2022 to Aug. 2024. However, paired with a downbeat private-sector Caixin survey and weak service PMIs, the data showed China's factory and consumer activity remains a pain point for policymakers who acknowledged the economy faces "new problems" and have called for more forceful stimulus.

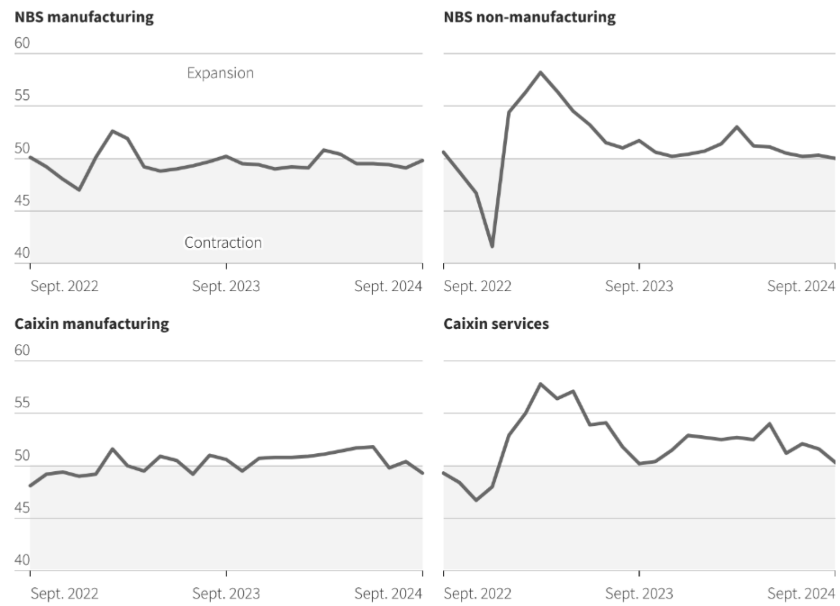
Economists say while the PMIs showed some bright spots for manufacturing, the bigger question now is on whether last week's big policy announcements, which include loosened property curbs in China's biggest cities, would be enough to kickstart a recovery. "From a macro perspective these policies are not that important, as these cities account for a small share of national property market," said Zhiwei Zhang, chief economist at Pinpoint Asset Management. "The key policy to address the macro challenge remains to be fiscal." The central bank and top financial regulator on Sunday night unveiled more sweeping measures to aid the housing market, including directives for banks to lower mortgage rates for existing home loans before October 31.

Analysts expect the stimulus and a reported new 2 trillion yuan ($285.20 billion) bond package should be enough to deliver growth in line Beijing's growth target of around 5%, but the country still needs to tackle issues of weak demand and an increasingly hostile global trade environment. Full Story

Source: Reuters, 09.30.2024

China's Purchasing Managers' Index (PMI)

China's factory activity in September shrank for a fifth straight month while the services sector slowed, an official survey showed. Caixin services PMI also dropped to 50.3 from 51.6 in August.



Note: Purchasing Managers' Index (PMI) is an index complied through the results of the monthly survey of purchasing managers in enterprises and shows whether market conditions are expanding staying the same, or contracting.

The chart has 4 line charts showing China's NBS manufacturing PMI, NBS non-manufacturing PMI, Caixin manufacturing PMI and Caixin services PMI from Aug. 2022 to Aug. 2024.

Trade

U.S. Senators Ask President Biden to Reimpose Steel Tariffs on Mexico

A bipartisan group of senators has sent a letter to President Joe Biden asking that his administration reinstate Section 232 tariffs on Mexican steel in order to guard against Chinese circumvention. "Allowing Chinese firms—which routinely benefit from slave labor, stolen intellectual property, and massive state subsidies—to circumvent American trade enforcement and exploit our free trade agreements threatens American production," the letter said. "Our leaders must work diligently to replace Chinese production with American production, and that of our trading partners."

Sen. Marco Rubio (R-Fla.) initiated the letter, which also was signed by Sen. Mike Braun (R-Ind.), Sen. Sherrod Brown (D-Ohio), and Sen. Bob Casey (D-Penn.).

A year after imposing Section 232 penalties on steel imports from all countries, the Trump administration waived them for Canadian and Mexican shipments as long as those two countries maintained imports at historical levels. In the case of a surge, the agreement provided the importing country, in this case the U.S., the ability to impose duties of 25% for steel and 10% for aluminum.

The senators' letter noted imports of Mexican steel "are now surging far in excess of historical levels of trade," soaring "to around 500% over the 2015-2017 baseline. The letter further states that Mexican shipments "may rise to 700% this year."
Source: MSCI, 09.22.2024

China, U.S. to Hold Talks on Economic and Trade Issues, Xinhua Reports

Chinese Commerce Minister Wang Wentao and his U.S. counterpart will hold a call in the near future on trade and economic ties, China's state-run Xinhua news agency reported on October 1, citing people familiar with the matter. They will exchange views on bilateral economic and trade relations and key issues of mutual concern, including restrictions on electric vehicles (EVs), Xinhua reported.

During a two-day working group meeting in Beijing last month with a U.S. delegation, Chinese officials expressed "grave" concerns about additional U.S. tariffs, investment restrictions, and Russia-related sanctions.

A new round of U.S. tariffs on $18 billion of Chinese goods including EVs, EV batteries and solar panels took effect in late September, with lithium-ion batteries bearing the brunt of the levies by value. The U.S. imports nearly zero Chinese EVs. The tariffs were imposed after a review by the Office of the U.S. Trade Representative of levies that had been previously introduced by former U.S. President Donald Trump in 2018.

The Biden administration said the tariffs were aimed at bolstering protections for strategic domestic industries from China's state-driven excess production capacity. Beijing has vowed retaliation.

China has long accused the U.S. of containing its economic development and suppressing its technological advancement out of what it says is sheer paranoia. But Beijing has remained open to talks and negotiations, especially given the prospect of Trump returning to the White House.

Trump has said he would consider imposing more tariffs of 60% or more on Chinese goods should he be elected as president again in November. "In state-to-state relations, the No.1 and overarching question is: are we rivals, or partners?" said Xie Feng, China's ambassador to the U.S., at a reception on September 30, the eve of China's National Day.

"China's success does not have to mean a failure of the U.S," Xie added.

A production line at a lithium battery manufacturing plant for automotive use in Tangshan in northern China's Hebei province. Photo: Xinhua.

China's relations with the European Union have also come under renewed strain as Brussels accuses Beijing of flooding the European market with EVs that it says are backed by unfair Chinese industrial policies and subsidies. The EU is slated to cast a vote on introducing definitive levies on China-made EVs this month. ***Source: Reuters, 10.01.2024***