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Economic News

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The U.S. Economy added 213,000 Jobs in June despite mounting trade tensions with China —Economists had expected a gain of about 200,000. Revisions to reports for April and May added 37,000 jobs to previous totals. The unemployment rate rose to 4.0%, from 3.8%. Average hourly earnings rose by 0.2% after growing by 0.3% in May. The year-over-year gain is now 2.7%. Full Story
Source: NYTimes, 07.06.18

Trade-War Tracker: Here are the new Levies, Imposed and Threatened—As rhetoric on global trade ratchets higher, here's a look at what new tariffs have been imposed and what has been threatened this year. View List

The context of these tariffs is the trade deficit the U.S. runs, which totaled $568 billion in 2017. The Trump administration maintains that the size of that gap is due to unfair trade agreements. Critics point out that U.S. consumers are the beneficiaries of this gap.

President Trump first announced his intention to impose steel and aluminum tariffs on March 1, and the Dow Jones Industrial Average has lost about 1% since that announcement.
Source: MarketWatch, 07.06.18

Drop in May Orders for U.S. Capital Goods Follows April Jump—Orders placed with U.S. factories for business equipment cooled unexpectedly in May after an upwardly revised April jump that was the largest this year, indicating resilient demand, Commerce Department figures showed June 27.

Highlights of Durable Goods (May)—Non-military capital goods orders excluding aircraft fell 0.2% (est. 0.5% gain) after surging 2.3% the prior month (prev. 1%); figure is proxy for business investment.

Shipments of those goods, used to calculate gross domestic product, dipped 0.1% (est. 0.3% increase) after a revised 1% increase (prev. 0.9%).

Bookings for all durable goods, or items meant to last at least three years, fell 0.6% (est. 1% decline) following a revised 1% decrease.

Key Takeaways—While the figures are typically volatile, the latest data signal the underlying trend in business investment remains firm in the face of uncertainty related to U.S. tariffs. Orders for machinery and communications equipment increased in May.

Growth in business spending, which is getting a boost from lower corporate taxes, will be an additional source of support for the projected pickup in second-quarter economic growth primarily driven by consumer purchases.

Higher input costs, and uncertainty related to escalating threats of tit-for-tat tariffs between the U.S. and its trade partners, however, represent risks to the outlook. Total bookings were beset by a slump in transportation equipment. Orders for motor vehicles slumped 4.2% in May, the biggest decrease since January 2015.

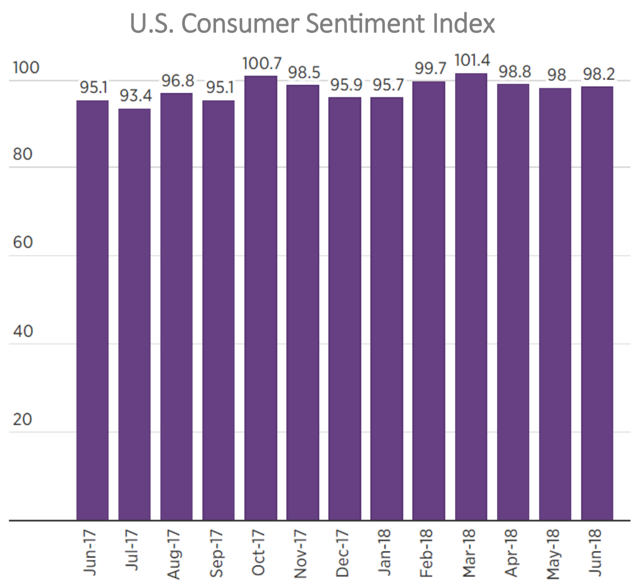
Aircraft orders also depressed total bookings. Boeing Co., the Chicago-based aerospace company, said it received 43 orders for aircraft in May, down from 78 the prior month.
Source: Bloomberg, 06.28.18

Consumer Sentiment Gains Slightly in June, But Falls Below Expectations

U.S. consumer sentiment rose slightly in the final reading of June, hampered by fears of rising trade tensions. The index increased to 98.2, below an expected 99.2 by economists surveyed by Thomson Reuters.

Chief Economist for The University of Michigan's survey Richard Curtin said one-in-four consumers spontaneously cited the potential negative impact of tariffs on the domestic economy. Curtin said the primary concerns were a downpace in economic growth and rising inflation. "While tariffs may have a direct impact on only a very small portion of overall GDP, the negative impact could quickly generalize and produce a widespread decline in consumer confidence," Curtin said.

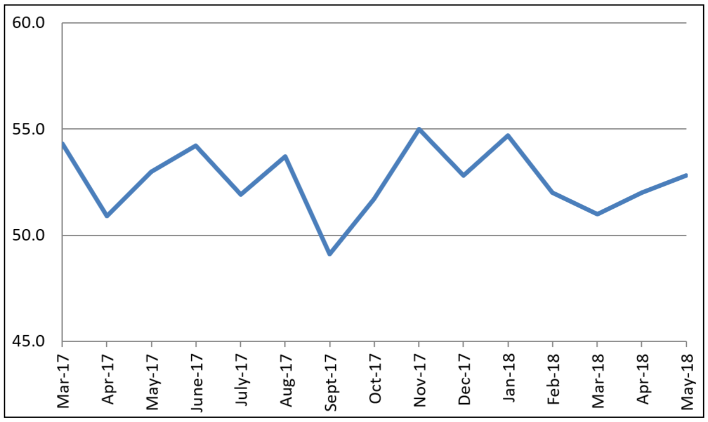
Still, consumers expected declines in the unemployment rate and higher wage gains in the year ahead. The index hit 98 in May, slumping since March when it reached its highest level since 2004 with a reading of 101.4. *Source: CNBC, 07.02.18*



Source: University of Michigan

Key Economic Indicators

Architecture Billings Index

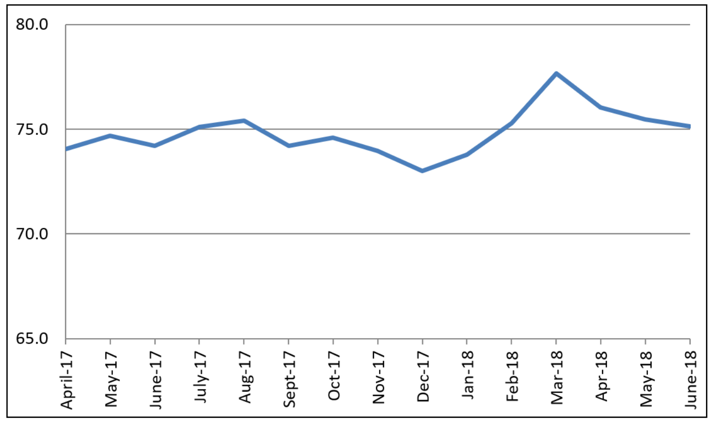


Architecture firm billings grew in May, marking the eighth consecutive month of solid growth, according to a new report today from The American Institute of Architects (AIA).

Overall, the AIA's Architecture Billings Index (ABI) score for May was 52.8, which shows that demand for services from architecture firms continues to be healthy. The ABI also indicated that business conditions remain strong at firms located in the South and West, while growth in billings was modest at firms in the Northeast and Midwest.

The **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, 06.20.18

Steel Capability Utilization

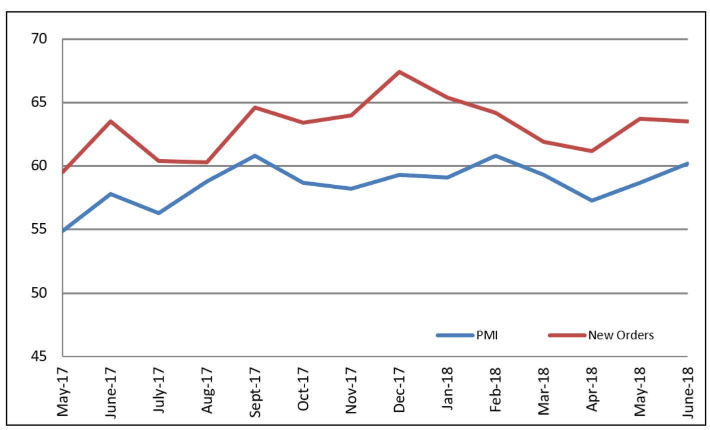


In the week ending on June 30, 2018, domestic raw steel production was 1,781,000 net tons while the capability utilization rate was 76.0%. Production was 1,747,000 net tons in the week ending June 30, 2017 while the capability utilization then was 74.9%. The current week production represents a 1.9% increase from the same period in the previous year. Production for the week ending June 30, 2018 is up 0.5% from the previous week ending June 23, 2018 when production was 1,772,000 net tons and the rate of capability utilization was 75.6%.

Adjusted year-to-date production through June 30, 2018 was 45,614,000 net tons, at a capability utilization rate of 75.5%. That is up 1.7% from the 44,839,000 net tons during the same period last year, when the capability utilization rate was 74.4%.

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, 06.30.18*

Purchasing Managers Index®



The June PMI® registered 60.2%, an increase of 1.5 percentage points from the May reading of 58.7%. The New Orders Index registered 63.5%, a decrease of 0.2 percentage point from the May reading of 63.7%. The Production Index registered 62.3%, a 0.8 percentage point increase compared to the May reading of 61.5%. The Employment Index registered 56%, a decrease of 0.3 percentage point from the May reading of 56.3%. The Supplier Deliveries Index registered 68.2%, a 6.2 percentage point increase from the May reading of 62%. The Inventories Index registered 50.8%, an increase of 0.6 percentage point from the May reading of 50.2%. The Prices Index registered 76.8% in June, a 2.7 percentage point decrease from the May reading of 79.5%, indicating higher raw materials prices for the 28th consecutive month.

Of the 18 manufacturing industries, 17 reported growth in June, in the following order: Textile Mills; Wood Products; Nonmetallic Mineral Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Paper Products; Transportation Equipment; Furniture & Related Products; Machinery; Primary Metals; Miscellaneous Manufacturing; Chemical Products; Petroleum & Coal Products; and Plastics & Rubber Products. No industry reported a decrease in June compared to May. *Source: Institute for Supply Management, 07.02.18*

Industry News

NAM Q2 Survey Shows All-Time Record for Optimism

The National Association of Manufacturers (NAM) released the results of the Manufacturers' Outlook Survey for the second quarter of 2018, which shows that 95.1% of manufacturers have a positive outlook for their companies—an all-time record in the survey's 20-year history—following enactment of the Tax Cuts and Jobs Act.

The release of the survey results coincided with the six-month anniversary of tax reform, and follows a May survey that shows manufacturers are increasing wages, hiring, and capital investments in the wake of tax reform. Highlights from the Q2 survey include:

- Optimism among manufacturers registered its highest level ever recorded (95.1 percent) in the 20-year history of the survey;
- Optimism among medium-sized manufacturers registered its highest level ever recorded (95.8%) in the 20-year history of the survey;
- All-time highs for projected employment growth and capital spending;
- Projected wage growth registered its fastest pace in 17 years; and
- Projected sales growth kept pace at its second-highest reading in survey history.

"This record optimism is no accident. It is fueled by the game-changing tax reform passed six months ago," said NAM President and CEO Jay Timmons. "Last year, manufacturers promised that we would deliver for our people and our communities if tax reform became law. Congress and the president delivered, and now manufacturers are keeping our promise: hiring new workers, raising wages, improving benefits, buying equipment and expanding right here in the U.S. The best part is, with manufacturers' record-setting confidence and plans to keep hiring and growing, more good news is yet to come."

Conducted by NAM Chief Economist Chad Moutray, the Manufacturers' Outlook Survey has surveyed the association's membership of 14,000 large and small manufacturers on a quarterly basis for the past 20 years to gain insight into their economic outlook, hiring and investment decisions and business concerns.
The NAM releases these results to the public each quarter.
Source: NAM, 06.20.18

Trump Proposes Hitting Oil Refiners With Boosted Biofuel Quotas

Ethanol producers and farm-state leaders blasted a Trump administration proposal that would force refiners to blend more biofuel into petroleum next year, arguing the modest planned increase is undercut by EPA waivers exempting refineries from the mandate. Under the Environmental Protection Agency proposal released June 26, refiners would have to blend 19.88 billion gallons of biofuels next year, a 3.1% increase over current quotas. The EPA is proposing to maintain a 15 billion gallon quota for conventional renewable fuels such as corn-based ethanol, the maximum allowed under federal law.
The proposed 2019 target for advanced biofuels would be 4.88 billion gallons, including at least 381 million gallons of cellulosic renewable fuel, such as ethanol made from switchgrass. The EPA also outlined a potential 2.43 billion gallon quota for biodiesel in 2020, a 15.7% increase from the 2.1 billion gallons required in 2019. But that failed to satisfy agricultural leaders, who say the proposed increases are an illusion as long as the EPA keeps exempting small refineries from the mandates. Under federal law, small facilities facing a "disproportionate economic hardship" can win waivers from the annual biofuel blending requirements.

"This is a status quo proposal for ethanol, and the status quo is bad," said Monte Shaw, executive director of the Renewable Fuels Association. As long as the EPA "is granting small refinery exemptions left and right," Shaw said, "the ethanol number isn't worth the paper it's written on."

The EPA proposal doesn't include a previously drafted plan that would require larger refineries to use more biofuel to make up for smaller refineries' exemptions. Agency officials briefly considered incorporating an additional 1.5 billion gallons of biofuel requirements into the proposed quotas with the aim of making up for potential exemptions granted to small refineries. Because that would have meant redistributing the biofuel burden to larger, non-exempted refineries, oil industry leaders complained, and in response, the EPA jettisoned the plan, at least for now.

For more than a decade, a law known as the Renewable Fuel Standard has compelled refiners to use renewable fuel, with the EPA required to set the precise annual quotas. The new proposal keeps the EPA on track to finalize renewable fuel quotas by Nov. 30, a deadline under federal law. "I've traveled to numerous states and heard firsthand about the importance of the RFS to farmers and local communities across the country," EPA Administrator Scott Pruitt said in a news release. "Issuing the proposed rule on time meets Congress's statutory deadlines, which the previous administration failed to do, and provides regulatory certainty to all impacted stakeholders."

President Donald Trump has been struggling to strike a balance on biofuel policy, bridging the competing interests of Midwestern farmers and the oil industry. For months, the White House has led negotiations over broader possible biofuel policy changes. Some independent oil refiners have asked the Trump administration to ease the biofuel mandate, complaining about the cost of tradable credits known as Renewable Identification Numbers, or RINs, that are used to show they have fulfilled annual blending quotas. Full Story ***Source: Bloomberg 06.26.18***

Industry News

U.S. Pulls Trigger on China Tariffs; China Retaliates as Trade Furor Mounts

U.S. President Donald Trump fired the biggest shot yet in the global trade war by imposing tariffs on $34 billion of Chinese imports. China retaliated. Duties on Chinese goods started at 12:01 a.m. July 6 in Washington, just after midday in China. Another $16 billion of goods could follow in two weeks, Trump earlier told reporters, before suggesting the final total could eventually reach $550 billion, a figure that exceeds all of U.S. goods imports from China in 2017.

U.S. customs officials will begin collecting an additional 25% tariff on imports from China of goods ranging from farming plows to semiconductors and airplane parts. China has said it would respond by imposing higher levies on an equivalent amount of goods ranging from American soybeans to automobiles, which may in turn prompt Trump to raise trade barriers even higher.

China's tariff actions in response took effect at 12:01 p.m. in Beijing, state news agency Xinhua reported, citing an unidentified official from the General Administration of Customs.

"The U.S. has violated WTO rules and ignited the largest trade war in economic history," China's Commerce Ministry said in a earlier statement. "Such tariffs are typical trade bullying, and this action threatens global supply chains and value chains, stalls the global economic recovery, triggers global market turmoil, and will hurt more innocent multinational companies, enterprises and consumers."

European stocks gained after a rally in Asian shares buoyed sentiment, even as China put in place its response to well-telegraphed U.S. trade tariffs. Havens headed lower.

No Obvious End to Conflict—The riskiest economic gamble of Trump's presidency could spread as it enters a new and dangerous phase by imposing direct costs on companies and consumers globally. It's the first time the U.S. has imposed tariffs aimed just at Chinese goods and follows months of accusations that Beijing stole American intellectual property and unfairly swelled America's trade deficit.

"Clearly the first salvos have been exchanged and in that sense, the trade war has started. There is no obvious end to this," said Louis Kuijs, chief Asia economist at Oxford Economics.
Full Story ***Source: IndustryWeek, 07.06.18***

The Full List of 229 U.S. Products Targeted by Canada's Retaliatory Tariffs

Canada is not backing down from the trade fight started by Donald Trump. The U.S.'s northern neighbor and close ally on Friday imposed tariffs on $12.6 billion worth of U.S. products. The move, which the Canadian government had announced in May, is in response to Trump's controversial steel and aluminum tariffs on Canada, Mexico, and the European Union. The Canadian taxes, whose value matches the U.S. tariffs dollar-for-dollar, kick in on July 1.

The list of targeted products includes steel and aluminum, as well as an assortment of other goods such as strawberry jam, printed or illustrated postcards, sleeping bags, and ballpoint pens. The selection is likely not random; both Mexico and the EU carefully crafted their retaliatory tariffs to inflict the most pain on the U.S., while not hurting their own consumers.
Here is Canada's list. ***Source: Quartz, 06.29.18***

Product	Duty	HTS Code
Ingots	25%	7206.10.00
Other primary forms	25%	7206.90.00
Containing by weight less than 0.25% of carbon: Of rectangular (including square) cross-section, the width measuring less than twice the thickness	25%	7207.11.00
Containing by weight less than 0.25% of carbon: Other, of rectangular (other than square) cross-section	25%	7207.12.00
Containing by weight less than 0.25% of carbon: Other	25%	7207.19.00
Containing by weight 0.25% or more of carbon	25%	7207.20.00
In coils, not further worked than hot-rolled, with patterns in relief	25%	7208.10.00
Other, in coils, not further worked than hot-rolled, pickled: Of a thickness of 4.75 mm or more	25%	7208.25.00
Other, in coils, not further worked than hot-rolled, pickled: Of a thickness of 3 mm or more but less than 4.75 mm	25%	7208.26.00
Other, in coils, not further worked than hot-rolled, pickled: Of a thickness of less than 3 mm	25%	7208.27.00
Other, in coils, not further worked than hot-rolled: Of a thickness exceeding 10 mm	25%	7208.36.00
Other, in coils, not further worked than hot-rolled: Of a thickness of 4.75 mm or more, but not exceeding 10 mm	25%	7208.37.00

View List