ECONOMIC NEWS

The state of the facts on U.S. economy, jobs, taxes and more

Here are some key measures of the economy's performance in 2018 to remember.

The economy grew at its fastest rate in 13 years.

GDP growth for 2018 is estimated to be near 3 percent—the target that the president's economic team has set as a benchmark for success

Job creation has been strong by nearly any metric.

Employers added 2.4 million jobs in 2018, the strongest pace for hiring since 2015.

The unemployment rates for African-Americans and Latinos, while near record lows, rose slightly in recent months, to 7.1 percent and 4.9 percent, respectively. The black unemployment rate is double the rate for white Americans.

Wage growth is picking up.

Through January, average hourly wages grew 3.2 percent from a year ago. They rose an even stronger 3.4 percent for non-managers, who represent the large majority of the U.S. workforce.

The 2018 tax cuts were big, though not the biggest ever.

The 2017 tax cuts were the second-largest in U.S. history—or less, depending on how you measure size.

Stocks are up nearly 20 percent since Mr. Trump's inauguration.

Since Mr. Trump's inauguration, stocks are up nearly 20 percent. That's better than in the first two years of President Clinton and both Presidents Bush, but trails the first two years of President Obama.

U.S. trade deficit with China surges,

The U.S. trade deficit with China -- a major bone of contention for Mr. Trump -- surged to a record $323.3 billion in 2018, according to Chinese data (U.S. data isn't yet available because of the shutdown.)

America's total debt keeps climbing.

The Congressional Budget Office projects that what's known as debt held by the public will reach $16.6 trillion by year's end. That would amount to 78 percent of GDP, nearly twice its average over the past 50 years. By 2029, debt is estimated to hit nearly $29 trillion, or 93 percent of GDP—a higher level than at any time since just after World War II.

The U.S. deficit — the difference between how much money the government takes in and how much it spends—hit a six-year high of $779 billion in the first full fiscal year under President Trump.

Infrastructure spending: Think trillions, not billions, experts say.

The American Society of Civil Engineers estimates that the U.S. would need to invest a whopping $4.5 trillion in the next six years for infrastructure improvements.

Full Story ***Source: CBS News, 2/5/2019***

Employers add booming 304,000 jobs in January, marking 100th straight month of employment gains

Hiring began 2019 on a strong note as employers added 304,000 jobs in January, marking a 100th straight month of payroll growth and defying the 35-day government shutdown, the U.S. trade war with China and a slowing global economy.

The unemployment rate, which is calculated from a separate survey of households, rose to 4 percent from 3.9 percent, largely because of the government shutdown, the Labor Department said Friday.

Economists surveyed by Bloomberg had estimated 165,000 jobs were added last month.

One mild disappointment: Employment gains from November and December were revised down by a total 70,000. November's was upgraded from 176,000 to 196,000 but December's blockbuster 312,000 was revised down to 222,000, which was still a strong showing.

A whirlwind of unusual factors likely skewed January's employment totals, economists said. The shutdown wasn't expected to affect the jobs total broadly, which derives from a survey of businesses and government agencies, because 420,000 federal employees worked without pay and the 380,000 who were furloughed are receiving paychecks retroactively, Labor said. However, the longest shutdown in U.S. history still may have crimped government hiring, Goldman Sachs said. And layoffs by the government's private contractors probably suppressed employment by about 30,000, according to Morgan Stanley.

Warm weather in mid-January, when Labor conducted its employment survey, bolstered job gains in industries such as construction and leisure and hospitality, economists said. The number of workers idled because of bad weather was about 50,000 below the average of the past 10 January reports, says economist Jim O'Sullivan of High Frequency Economics.

Generally, the labor market was surprisingly robust in 2018, adding an average 223,000 jobs a month. But economists expect average monthly job growth to slow to about 165,000 or so this year as the trade fight and sluggish global economy take a bigger toll and the low unemployment rate spawns more worker shortages.

Average hourly earnings rose a modest 3 cents to $27.56, nudging down the annual gain from an upwardly revised 3.3 percent to a still healthy 3.2 percent.

Pay increases generally have been picking up as employers compete to attract a smaller supply of workers, and they're expected to approach 3.5 percent or higher by late 2019. The bigger raises eventually could spur faster inflation, posing a dilemma for the Federal Reserve. The Fed this week said it may be done raising rates for now in light of muted consumer price increases and volatile markets.

Full Story ***Source: USA Today, 2/1/2019***

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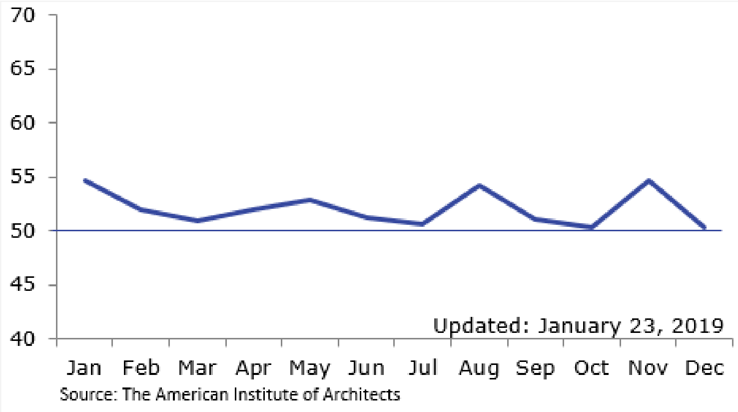
MARKET INSIGHT
February 2019

KEY ECONOMIC INDICATORS

ARCHITECTURE BILLINGS INDEX (ABI)

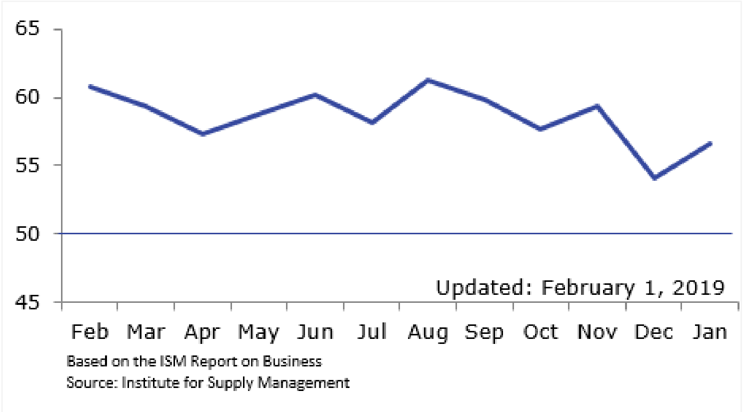


AIA's Architecture Billings Index (ABI) score for December was 50.4 compared to 54.7 in November. Despite the positive billings, a softening in growth was seen across several regions and sectors, as well as in project inquiries and design contracts.

"Given the concerns over the ongoing tariff situation, it is not surprising to see a bit of a slowdown in progress on current projects," said AIA Chief Economist Kermit Baker, PhD, Hon. AIA. "Growing anxiety over unstable business conditions and the partial shutdown of the government may lead to further softening in the coming months."

The **ARCHITECTURE BILLINGS INDEX (ABI)** is an economic indicator for nonresidential construction activity, with a lead time of approximately 9–12 months. The index is derived from AIA's Work-on-the-Boards survey, which has gathered data on shifts in billings from architectural firm leaders for over 20 years. 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 AIA, 1/23/2019***

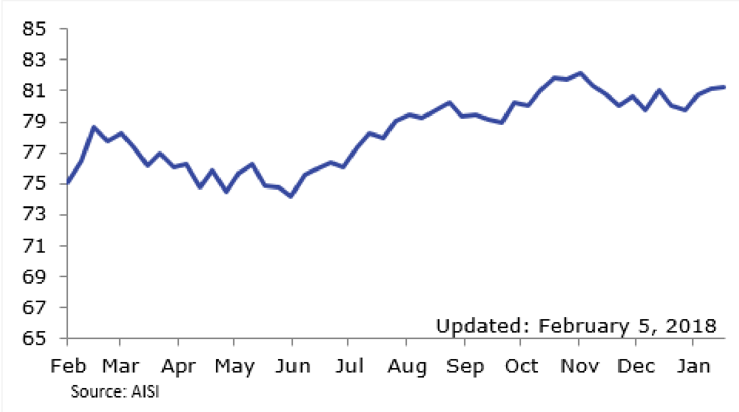
PURCHASING MANAGERS INDEX®



The January PMI® registered 56.6 percent, an increase of 2.3 percentage points from the December reading of 54.3 percent. The New Orders Index registered 58.2 percent, an increase of 6.9 percentage points from the December reading of 51.3 percent. The Production Index registered 60.5 percent, 6.4-percentage point increase compared to the December reading of 54.1 percent. The Employment Index registered 55.5 percent, a decrease of 0.5 percentage point from the December reading of 56 percent. The Supplier Deliveries Index registered 56.2 percent, a 2.8 percentage point decrease from the December reading of 59 percent. The Inventories Index registered 52.8 percent, an increase of 1.6 percentage points from the December reading of 51.2 percent. The Prices Index registered 49.6 percent, a 5.3-percentage point decrease from the December reading of 54.9 percent, indicating lower raw materials prices for the first time in nearly three years.

THE PURCHASING MANAGERS INDEX® is based on a monthly survey sent to senior executives at more than 400 companies. A PMI above4 50 represents an expansion when compared to the previous month. The further from 50, the greater the change. ***Source: Institute for Supply Management, 2/1/2019***

RAW STEEL PRODUCTION



In the week ending on February 2, 2019, domestic raw steel production was 1,889,000 net tons while the capability utilization rate was 81.2 percent. Production was 1,744,000 net tons in the week ending February 2, 2018 while the capability utilization then was 74.8 percent. The current week production represents an 8.3 percent increase from the same period in the previous year. Production for the week ending February 2, 2019 is down 1.7 percent from the previous week ending January 26, 2019 when production was 1,922,000 net tons and the rate of capability utilization was 81.1 percent.

Adjusted year-to-date production through February 2, 2019 was 8,954,000 net tons, at a capability utilization rate of 80.5 percent. That is up 10.3 percent from the 8,115,000 net tons during the same period last year, when the capability utilization rate was 73.8 percent.

RAW STEEL PRODUCTION 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, 2/5/2019***

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HRC PRICE RISES, BUT CAN UPTREND ENDURE?

Hot-rolled prices continue to edge higher in the United States following a round of mill prices increases, but sources questioned how much upward momentum might remain.

Fastmarkets AMM's daily Midwest hot-rolled coil index stood at $33.91 per hundredweight ($678.20 per ton) on Tuesday February 5, up by 0.3% from $33.81 per cwt the previous day and up by 2.4% from $33.13 per cwt at the end of January.

Lead times average three to five weeks, market participants said.

US mills are trying to push the price to at least $35 per cwt after announcing $2-per-cwt price increases late last month, market participants agreed.

“I'm... seeing some hints of people possibly accepting higher prices. And I am quoting higher prices as well. So hopefully that [price increase] will gain traction,” one mill source said.

But opinions were split on whether producers would refuse to budge and insist on higher prices or instead relent and content themselves with flat prices - especially after suffering through a month of falling prices.

Bolstering the prospects of US flat-rolled mills are higher prices abroad and ahead of the typically busy second quarter. But dampening those prospects are stubbornly short lead times and the potential for a February scrap price drop, sources said.

“I still know people who are buying at the mill with a discount... I've seen numbers out there at $32 and $33" per cwt, one East Coast service center source said.

There are also mixed signals in the futures market, with finished steel prices trending up even while scrap prices retreat.

The Nasdaq Futures Exchange's HRC contract - which is based on Fastmarkets AMM's price – suggests that steel prices are poised to rise. The February contract settled at $678 per ton on Tuesday (down by $4 per ton), the March contract at $716 per ton (up by $2) and the April contract at $723 per ton (down by $1).

In contrast, the CME Group's US Midwest busheling futures contract - also settled against Fastmarkets AMM prices - indicates that scrap is about to dip. The February contract settled at $355 per gross ton on Tuesday (down by $8 per ton), with the March and April contracts both at $377 per ton (down by $5 and $4 per ton respectively). ***Source: AMM, 2/6/2019***

US AL PREMIUM FIRMS, SPOT TRADES PICK UP

The P1020 Midwest aluminium premium range narrowed on Tuesday February 5, with a growing number of buyers pursuing spot material while widening contango spreads on the London Metal Exchange keep traders' offers at lofty levels.

Fastmarkets assessed the P1020 Midwest premium at 19.25-19.5 cents per lb on February 5, narrowing upward by 0.25 cents from 19-19.5 cents per lb previously and its first movement since January 11. A slow return after the seasonal holiday demand slump had kept the premium largely untested.

But some transactions were communicated to Fastmarkets this week at marginally firmer premium levels. US market participants claimed that spot activity accelerated slightly, with buyers heard to be short on their supply needs amid lighter contract bookings.

“There's been a clear bump in demand since the start of the year. I'm not sure if it's sustainable, not sure it will last... My view is that the premium is firmer. But I'm not seeing a major paradigm shift in the Midwest premium,” one US trader said.

“A lot of [buyers] this year have a larger proportion [of their supply needs] exposed to the spot market as opposed to the year before, when everything was locked up under contract,” a second US trader said.

Leading up to this week, depressed aluminium prices on the London Metal Exchange generally contributed to weak sentiment among US market participants. But prices found some support this week.

The LME's cash aluminium contract closed the official session at $1,896.50 per tonne on February 5, the highest official close since December 27 when it was at $1,898 per tonne.

Still, US market participants are adamant that LME prices are still too low to spark confidence or producers' margins.

“If you're a smelter, you're not thrilled at that price,” the second trader said.

A widening contango n the LME's cash/three-month spread is also contributing to the firmer premium.

The LME's cash/three-month spread was in a $22.50-per-tonne contango at the 5 pm London close on February 5.

The “Midwest [premium] is firm and [traders] all love the contango [on LME spreads],” a third trader said.

On the supply side, the long-awaited announcement by the US Treasury Department's Office of Foreign Assets Control (OFAC) on January 27 to officially remove sanctions against UC Rusal has prepared US market participants for an influx of Russian units. The sanctions had been levied against the Russian aluminium producer in April of last year.

While some buyers might be taking a wait-and-see approach on purchasing, the recent pickup in activity could suggest that some buyers simply need the additional volumes. ***Source: AMM, 1/4/2019***

US STAINLESS SHEET, PLATE PRICES STEP LOWER

Prices for stainless steel sheet and plate in the United States have declined in January, extending a downward trend due mainly to lower alloy surcharges, market participants said.

Fastmarkets' price assessments for Type 304 and Type 304L stainless cold-rolled sheet stood at $1.19 per lb and $1.21 per lb, respectively, on Thursday January 10, both down by 7 cents from two weeks earlier. The price for Type 316L stainless sheet also declined by 7 cents to $1.61 per lb fob mill.

Fastmarkets' assessment for Type 304 stainless plate fell by 5.5 cents to $1.045 per lb, Type 304Lstainless plate declined by 7.5 cents to $1.065 per lb, and Type 316 stainless

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plate dropped by 7 cents to $1.52 per lb in the same comparison.

Lead times are around four weeks. That is considered short, with typical lead times for stainless mills ranging from eight to 10 weeks, according to market participants.

“People are usually back to placing orders again [in January]… [The] short mill lead time is pretty unusual,” a midwestern distributor said.

Other indicators – such as prices of nickel and ferro-chrome, two important components in stainless mills’ alloy surcharges, as well as stainless scrap – also have pointed to a softer market, sources said.

Stainless steel surcharges have trended lower in January, largely due to lower nickel and chrome prices.

The London Metal Exchange’s cash nickel contract averaged nearly $4.92 per lb in December 2018, down by 3.7% from $5.10 per lb the previous month. And the fourth-quarter European benchmark for charge and ferro-chrome dropped to $1.24 lb, down by 14 cents from the prior quarter.

The benchmark for the first quarter of 2019 was set at $1.12 per lb, down by a further 12 cents sequentially.

Consumer stainless scrap buying prices in the US also tumbled further this month, reflecting a depressed market, with mills increasing discounts on nickel in the face of high inventories and weakening demand.

But while there is some softness in demand for stainless steels at the moment, buying interest may pick up in the coming weeks, according to some market participants.

“Things will be good in general… Oil is back up [above] $50 [per barrel] now,” a second Midwest distributor said of Western Texas Immediate (WTI) crude oil prices.

WTI prices had been declining from October to late December, with prices dipping below $45 per barrel at one point. The price has since started to rebound and was seen above $51 per barrel on Friday January 11.

Consumers’ relatively low inventory levels may help stimulate demand in the coming weeks, too, according to an East Coast trader.

Nonetheless, a possible uptick in demand may not be sufficient to justify an increase in base pricing.

“There won’t be a hike for the first quarter; it is in mills’ best interest to keep as steady as possible. A base price increase will only add confusion to the market,” the second Midwest distributor said. ***Source: AMM, 1/11/2019***

U.S. Oil Rig Count Falls As Oil Prices Climb

Baker Hughes reported a sharp drop in the number of active oil and gas rigs in the United States this week.

The total number of active oil and gas drilling rigs fell by 14 rigs, according to the report, with the number of active oil rigs falling by 15 to reach 847 and the number of gas rigs increasing by 1 to reach 198.

The oil and gas rig count is now 99 up from this time last year, 82 of which is in oil rigs.

Oil prices were trading up earlier on Friday as fears heightened over what some see as tight oil supplies with Venezuela’s oil-industry prospects look increasingly dim while OPEC seems content with its current scaling back of production despite those concerns. A further tailwind for oil prices came late on Thursday as President Donald Trump suggested there would be further efforts made to resolve the trade conflict with China, “leaving NOTHING unresolved on the table,” Trump said in a Thursday tweet.

At 12:04pm EST, the WTI benchmark was trading up $0.82 (+1.52%) at $54.61—a roughly $1 increase from last week, with Brent crude trading up $1.17 (+1.92%) at $62.01 per barrel—up less than $1 per barrel on the week.

Canada’s oil and gas rigs increased by 11 rigs this week. Canada’s total oil and gas rig count is now 243, which is 99 fewer rigs than this time last year.

The EIA’s estimates for US production for the week ending January 25 shows an increase at an average rate of 11.9 million bpd-—a record for the US—for the third week in a row. ***Source: Oil Price, 2/1/2019***

US Steel Industry Applauds Trump’s ‘Buy American’ Initiative

US steel industry figureheads are making plenty of positive noises about US President Donald Trump’s ‘Buy American, Hire American’ executive order.

Thomas J Gibson, president and CEO of the American Iron and Steel Institute (AISI) and Philip K Bell, president of the Steel Manufacturers Association (SMA) have both praised the initiative.

According to the AISI’s Gibson, the ‘Buy American, Hire American’ executive order is ‘another positive step in ensuring the fullest possible implementation and enforcement of existing domestic procurement laws’. He said that the move ensures that the steel industry remains competitive.

“Strong domestic procurement preferences for federally funded infrastructure projects are vital to the health of the domestic steel industry,” said Gibson. “This latest executive order builds upon President Trump’s April 2017 executive order on this topic, which resulted in stronger compliance with our domestic procurement laws. We applaud President Trump for once again affirming his commitment to the fullest possible implementation of our domestic purchasing laws,” he said.

Meanwhile, the SMA’s Philip K Bell commented: “Buy American programmes support American businesses and create good paying jobs for American workers. The SMA is pleased to see Buy American principles encouraged for use in government funded projects,” he said.

The executive order in question directs federal agencies to encourage recipients of federal funding to meet ‘Buy American’ requirements for steel, iron, aluminium, cement and other products in their projects. The SMA claims to support the Administration in its efforts to promote the use of American-made products in taxpayer-funded projects. ***Source: Steel Times International, 2/1/2019***