SupplyDynamics
MARKET INSIGHT

ECONOMIC NEWS
KEY ECONOMIC INDICATORS
INDUSTRY ARTICLES

JUNE 2018

Unemployment Rate Falls to 3.8% as Employers Add 223,000 Jobs in May — U.S. hiring rebounded in May after two months of lackluster gains as employers added 223,00 jobs and the labor market continued to defy widespread worker shortages and global economic troubles.

Snowstorms and cold weather curtailed job growth in both March and April, according to Goldman Sachs. Milder temperatures were expected to bolster hiring in May.

Economists said another tepid showing could indicate that the low unemployment rate is making it even harder for employers to find workers. The strong performance likely solidifies another Federal Reserve interest hike in mid-June.

Also, political turmoil in Italy has roiled markets and is likely to modestly dampen economic growth in the euro area, according to Nomura. Manufacturers that depend on overseas sales could pull back on hiring in response to both the weakness abroad and U.S. trade fights with other nations. Full Story
Source: USA Today, 06.01.18

U.S. Factories Shift Into 'Higher Gear' Despite Trade Worries, Fed Says—U.S. factories ramped up production in late April and early May despite the risk of a global trade war, but soft consumer spending kept the economy growing at a moderate rate, the Federal Reserve reported on Wednesday. In its periodic "Beige Book" summary of contacts with businesses in its 12 regional districts, the U.S. central bank pointed to strong output in fabricated metals, heavy machinery and electronics equipment. The assessment of growth across the economy represented a slight upgrade from the Fed's prior Beige Book report, which said economic activity was expanding at a "modest to moderate pace."

"Manufacturing shifted into higher gear," the Fed said in its latest report. More than half of the Fed's districts reported a pickup in industrial activity, and a third of them reported the activity as "strong."

Still, manufacturers worried that tensions between the United States and its trading partners, notably China, could lead to higher tariffs across the world. "The major concern manufacturers expressed was trade policy," the Fed said, referring to comments from business contacts in its Boston district, where a maker of testing equipment said it might move some production to Europe to avoid Chinese retaliation for increases in U.S. tariffs.

The Minneapolis Fed's contacts said they were worried about how recent tariff announcements on steel and aluminum could affect supply chains. The Trump administration has announced tariffs on steel imports from many countries including China while Beijing has targeted U.S. aluminum and other goods. Only the Dallas Fed found overall economic activity had "sped up to a solid pace," according to the report. Across the country, growth in auto sales was flat and retail sales excluding autos eased. The Fed's districts reported modest-to-moderate growth in employment while contacts said the labor market remained tight. Wage increases, however, were reported to be modest.

The Beige Book was prepared by the Federal Reserve Bank of Cleveland based on information collected on or before May 21.
Source: Reuters, 05.30.18

Consumer Confidence is Close to 18-Year High

The consumer confidence index rose to 128 from a revised 125.6 in April, the Conference Board said May 29. Originally the April index was reported at 128.7.

Source: The Conference Board

What happened: The present situation index, a measure of current conditions, climbed to a 17-year high of 161.7 from 157.5 in the prior month. The future expectations index edged up to 105.6 from 104.3.

Big picture: The high level of confidence reflects a sturdy economic expansion in the U.S. that's about to turn nine years old with no end in sight. Job openings are at a record high and unemployment is at a 17-year low.

What they are saying?: "Consumer confidence has remained resilient in recent months despite uncertainty stoked by anti-trade rhetoric and stock market volatility," economists at Barclays said.

"Consumers' assessment of current conditions increased to a 17-year high, suggesting that the level of economic growth in [the second quarter] is likely to have improved from [the first quarter]," said Lynn Franco, director of economic Indicators at board.
Source: MarketWatch, 05.30.18

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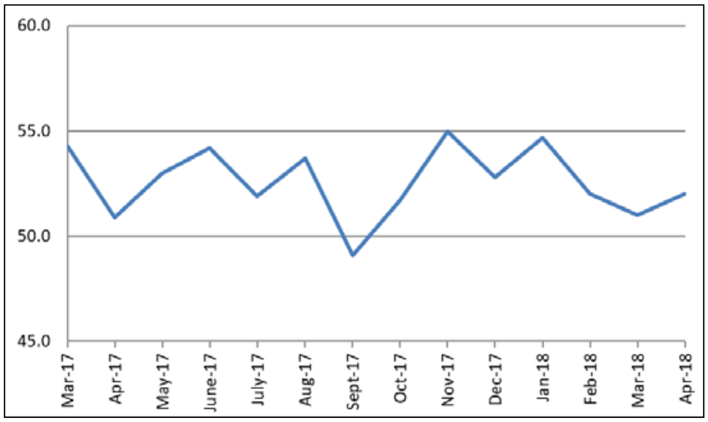
Key Economic Indicators

Architecture Billings Index

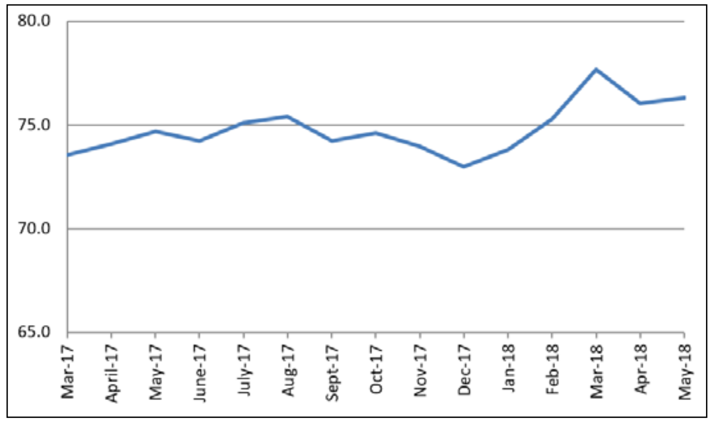


The American Institute of Architects (AIA) reported that architecture firm billings rose for the seventh consecutive month, with the pace of growth in April increasing modestly from March.

Overall, the AIA's Architecture Billings Index (ABI) score for April was 52.0, which indicates the business environment continues to be healthy for architecture firms despite continued labor shortages, growing inflation in building materials costs and rising interest rates. The ABI also revealed that business conditions remained strong at firms located in the West, while billings softened slightly at Midwest firms.

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, 05.23.18

Steel Capability Utilization

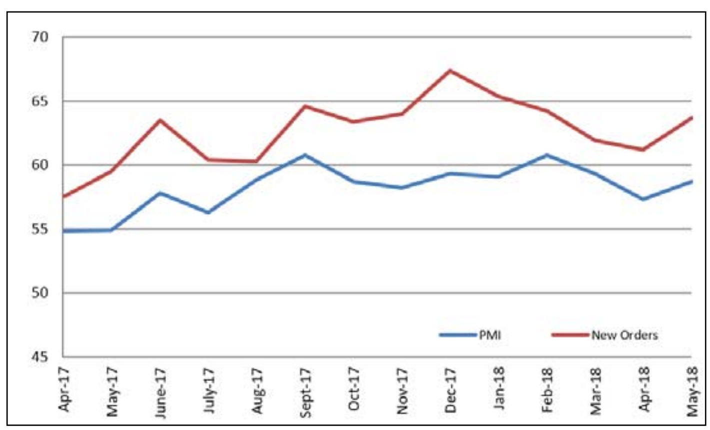


In the week ending on May 26, 2018, domestic raw steel production was 1,789,000 net tons while the capability utilization rate was 76.3%. Production was 1,718,000 net tons in the week ending May 26, 2017 while the capability utilization then was 73.7%. The current week production represents a 4.1% increase from the same period in the previous year. Production for the week ending May 26, 2018 is up 0.8% from the previous week ending May 19, 2018 when production was 1,775,000 net tons and the rate of capability utilization was 75.7%.

Adjusted year-to-date production through May 26, 2018 was 36,813,000 net tons, at a capability utilization rate of 75.6%. That is up 1.9% from the 36,124,000 net tons during the same period last year, when the capability utilization rate was 74.3%.

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, 05.26.18*

Purchasing Managers Index®



The May PMI® registered 58.7%, an increase of 1.4 percentage points from the April reading of 57.3%. The New Orders Index registered 63.7%, an increase of 2.5 percentage points from the April reading of 61.2%. The Production Index registered 61.5%, a 4.3 percentage point increase compared to the April reading of 57.2%. The Employment Index registered 56.3%, an increase of 2.1 percentage points from the April reading of 54.2%. The Supplier Deliveries Index registered 62%, a 0.9 percentage point increase from the April reading of 61.1%. The Inventories Index registered 50.2%, a decrease of 2.7 percentage points from the April reading of 52.9%. The Prices Index registered 79.5% in May, a 0.2 percentage point increase from the April reading of 79.3%, indicating higher raw materials prices for the 27th consecutive month.

Of the 18 manufacturing industries, 16 reported growth in May, in the following order: Textile Mills; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Printing & Related Support Activities; Fabricated Metal Products; Furniture & Related Products; Machinery; Chemical Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Petroleum & Coal Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Transportation Equipment; Paper Products; and Primary Metals. No industry reported a decrease in PMI® in May compared to April. *Source: Institute for Supply Management, 06.01.18*

Industry News

White House to Impose Metal Tariffs on Europe, Canada and Mexico, Risking Retaliation

The Trump administration announced on May 31 that it would impose tariffs on metals imported from its closest allies, a measure that could provoke retaliation against American businesses. A 25% tariff on steel and a 10% tariff on aluminum from the European Union, Canada and Mexico, which supply nearly half of America's imported metal, will go into effect at midnight, Wilbur Ross, the commerce secretary, said on a call with reporters.

Those countries had secured temporary exemptions to the initial metal tariffs, which were announced in late March, while the Trump administration continued to push them for concessions on other fronts, like voluntarily limiting their metal shipments to the U.S. and cutting tariffs on other products. But Mr. Ross said that, while discussions with the Europeans had been ongoing, the progress had not warranted either another temporary exemption or a permanent exemption.

The tariffs are meant to make good on President Trump's long-standing promises to protect American industry. But they have prompted a fierce response from allies, who have already readied lists of American products they plan to tax in return, as well as American businesses that use steel and aluminum, which are seeing their costs rise as a result of the measure. The tariffs have been carried out under a legal measure that revolves around protecting America's national security. Mr. Ross defended the principle, saying, "We take the view that without a strong economy, you can't have strong national security."

The European Union and Canada have objected strongly to the use of the national security argument, citing their close alliance and defense agreements with the U.S. On May 30, Chrystia Freeland, Canada's foreign minister called the idea that metal imports from her country would threaten American national security "frankly absurd."
Source: NYTimes, 05.31.18

Trump Administration Moves Ahead With Tough Trade Measures on China

The Trump administration said on May 29 that it would proceed with plans to impose a series of punitive trade-related measures on China in the next month, intensifying pressure on Beijing as trade talks between the countries continue. The White House said in a statement that the United States would move ahead with its plan to levy 25% tariffs on $50 billion of imported Chinese goods, despite recent remarks by Steven Mnuchin, the Treasury secretary, and other administration officials that the tariffs would be suspended while the countries continued their negotiations. The administration had previously announced a list of goods that would be subject to tariffs, including flat-screen TVs and medical devices. It then held a series of hearings on the tariffs, giving the public a chance to influence the final list. The White House said it would detail the final list of goods that will subject to the tariffs by June 15, and the duties would be imposed shortly after that, the statement said.

The White House said the Trump administration would also move forward with restrictions on Chinese investment and with stronger export controls meant to limit the access that Chinese people and companies have to American technology — a measure the administration said was for national security purposes. Those restrictions will be announced by June 30 and adopted soon after that, the administration said, adding that the United States would also continue to pursue a trade case it has filed against China at the World Trade Organization involving intellectual property rights. Trade talks between the two countries will continue, the statement said, and the United States has asked Beijing to remove "all of its many trade barriers" that prevent American companies from doing business in China, and has also said that "tariffs and taxes between the two countries be reciprocal in nature and value."

The White House has planned to send Wilbur Ross, the commerce secretary, to China on June 2 to continue the trade negotiations. The last round of talks concluded on May 19 with the countries announcing little progress toward resolving a long list of complaints the American negotiators had previously identified. President Trump subsequently said he was not satisfied with the negotiations, and that they had a "long way to go." Mr. Trump has often talked about challenging what he has described as China's unfair trade practices, but his advisers are deeply divided over the best course for doing so. Some, like Mr. Mnuchin, have focused on a potential compromise deal that would require China to buy huge amounts of American products while still forestalling the possibility of a trade war.

Other advisers have pushed for tougher action, demanding that China make substantial reforms to its economy to end the subsidies it provides to developing industries and to allow American companies equal access in the Chinese market. Those requests in particular have provoked a backlash from China, which has threatened its own potential set of tariffs on $50 billion in American goods. On May 25, Mr. Trump said he had reached a deal that would allow the embattled Chinese telecom firm ZTE to remain in business, raising criticism and fears from Congress that he was backing off from his tougher promises on trade. ZTE has been hit with tough sanctions by the United States, and its fate had become a bargaining chip in negotiations, with President Xi Jinping of China appealing directly to Mr. Trump for help. *Source: NYTimes, 05.29.18*

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Industry News

3 Things You Should Know About Europe's Sweeping New Data Privacy Law

The U.S. takes credit for creating the Internet, and the European Union seems determined to govern it. On May 25, a sweeping new directive goes into effect called the General Data Protection Regulation, or GDPR. Taken together, its 99 articles represent the biggest ever change to data privacy laws. The new rules have implications for U.S. Internet users too. Here are answers to three questions you might have about the new law and its potential impacts.

What is GDPR?

It's a new law that protects residents of the EU — people living there, including Americans. (If you're a European and live in the U.S., you're not protected.) Under GDPR, all companies that have an Internet presence — including large American companies like Google, Microsoft and Facebook — have to comply. At the most basic level, GDPR expands what counts as personal data and your rights over that data. Your data is, for example, what you post on social media, your electronic medical records and your mailing address. It's also your IP address (a string of numbers that's unique to your smartphone or laptop), as well as GPS location. The directive says people have to give permission for a company to collect their data. A company can't just sign you up without explicitly asking. And the more personal the data — say, biometrics, which is considered a special category under the law — the ask must be even more clear.

Europeans have a right to have their data deleted if they don't want a company to keep it. Companies have to delete the data without undue delay, or face a penalty.

I live in the U.S. How does it impact me?

If you're American, you're probably getting a lot of emails and push notifications from your apps and maybe even newsletters you forgot you signed up for. For example, new privacy notices from Spotify and eBay say you can request to delete personal data they've stored. "But there's nothing binding about it," says attorney Michael R. Cohen, who is based in Minneapolis. "In the U.S., the business model is pretty much, companies can do what they want, so long as there isn't a specific law prohibiting it." The U.S. has laws protecting data privacy for health and financial records, and for children. "Other than that, we're pretty much the Wild West," Cohen says.

That's how as many as 87 million Facebook users had their profiles land in the hands of a political operative. Last month, in testimony before Congress, Facebook CEO Mark Zuckerberg said he'd give Americans all the same controls Europeans have. "We believe that everyone around the world deserves good privacy controls. We've had a lot of these controls in place for years. The GDPR requires us to do a few more things, and we're going to extend that to the world," he said. In reality, Zuckerberg isn't offering the same protections. For Facebook users, there is a big difference between Europe and the U.S. when it comes to what is collected by default. In Europe, Facebook has to get permission to do facial recognition — and it's not the default setting. But in the U.S., it is. American users have to click through screens to opt out.

Will the new law hurt businesses that rely on data collection?

That is a key debate right now. One side argues that GDPR will be terrible for competition, giving big businesses a leg up over small ones. Small companies won't be able to afford the millions of dollars in expenses that come with managing and protecting data. So they won't survive. Another camp argues that consumers don't trust businesses on the Internet anymore anyway (as evidenced by the rise of ad blockers). If that's the real problem, the laws will make a difference by making businesses think more deeply about what data they collect and why, and GDPR may improve the quality of the Internet.

But it's too early now and this is all a guessing game at this point.

Source: NPR, 05.24.18

JaysonPhotography/Dermalog Identification Systems GmbH via AP

Biometric data is considered a special category requiring explicit consent under the EU's new General Data Protection Regulation law, which goes into effect May 30 .

Stainless Surcharges Largely Higher in June

Higher ground. Stainless steel surcharges are poised to rise almost across the board in June, marking the fifth consecutive month of increases for all Type 201 and 304 stainless steel products. Type 316 products also are set to go up next month, after posting some declines for May. The gains are being driven by increased nickel, copper and manganese prices, offset by flat chrome and iron pricing and by lower molybdenum prices. The Type 430 grades are an exception, with those prices unchanged by three of the four key producers in the United States.

Source: AMM, 05.22.18