

Market Insight

April 2024

Economy Added 303K Jobs in March, Unemployment at 3.8%

Hiring accelerated in March as employers added a booming 303,000 jobs despite high interest rates, stubborn inflation and growing household financial stress.

The unemployment fell from 3.9% to 3.8%, the Labor Department said.

Economists surveyed by Bloomberg had estimated 213,000 jobs were added last month.

Payroll gains for January and February were revised up by a total 22,000, portraying an even more robust picture of job growth early this year. January's were bumped Are wages going up faster than inflation?

Average hourly pay rose 12 cents to \$34.69, pushing down the yearly increase from 4.3% to 4.1%. [Full Story](#) **Source: USA TODAY, 04.05.2024**

U.S. Industrial Output Inches Up 0.1% in February

The numbers: Industrial production rose 0.1% in February, the Federal Reserve reported on March 15. The gain was above expectations of a flat reading, according to a survey by *The Wall Street Journal*. However, production in January was revised down sharply to a fall of 0.5%, compared with the prior estimate of a 0.1% decline. Output in December was also revised down to a 0.3% fall. The prior estimate said that output was unchanged.

Capacity utilization held steady at 78.3% in February. Economists had forecast an increase to a 78.5% rate.

The capacity utilization rate reflects the limits to operating the nation's factories, mines, and utilities. Key details: Manufacturing rose 0.8% in February after a 1.1% fall in the prior month. The index for mining, which includes oil and gas drilling, rose 2.2% after a sharp 2.9% drop in January. [Full Story](#) **Source: MarketWatch, 03.15.2024**

U.S. 2024 Growth Outlook Goes from Gloom to Bloom in Six Months



Economists are decidedly more upbeat about the U.S. outlook than they were six months ago, seeing activity nearly on par with 2023 as strong job gains fuel consumer spending and growth without derailing the progress on inflation.

Growth is projected to average 2.2% this year, more than twice as fast as anticipated in September, according to the latest Bloomberg monthly survey of economists. Odds of a recession in the next 12 months dropped to 35%, the lowest since July 2022 and down from 55% in September.

Respondents expected employers would add an average 150,000 jobs per month in 2024 — more than four times what they predicted six months ago, in turn driving a 2% increase in household spending. Consumer activity accounts for about two-thirds of the U.S. economy.

The survey also showed economists anticipated a 2.4% increase for private investment this year, up from the 1% growth seen in September. Despite those revamped forecasts, and surprisingly strong inflation data from January and February, economists stuck to their outlook for tamer price rises.

Economists forecast the core personal consumption expenditures index — the Federal Reserve's favored gauge of underlying inflation — will average 2.5% in 2024. That's a tick below what they expected in September and, if realized, would represent meaningful progress from the 2.9% recorded at the end of last year. Declining inflation will allow Fed policymakers to begin reducing interest rates by June, according to the respondents' median estimate, and twice more before the end of the year.

Two Cuts

The total number of rate cuts is one fewer than economists expected just last month and in line with central bank officials. The median projection from Fed policymakers at their most recent meeting, however, came close to moving down to two cuts this year.

"The Fed doesn't want to cause a recession if it can avoid it, and we believe they will be in a position to start moving monetary policy from a restrictive position to a more neutral stance before the summer," said James Knightley, chief international economist at ING Financial Markets.

Respondents in the Bloomberg survey conducted March 18-21 continued to expect elevated rates will eventually weigh more heavily on GDP. The latest median forecast for growth in 2025 is 1.7%, slightly below the pace forecast in September. **Source: Bloomberg, 03.25.2024**

Economic News

U.S. Economy Continues to Shine with Help from Consumers, Market

The U.S. economy grew faster than previously estimated in the fourth quarter, boosted by strong consumer spending and business investment in nonresidential structures like factories and healthcare facilities. The report from the Commerce Department on March 28 also showed profits rising at a solid clip last quarter, driven by nonfinancial corporations. Increasing profits, together with rising worker productivity, could encourage companies to retain their employees, and extend the economic expansion.

The economy has shrugged off fearmongering about a recession following 525 basis points worth of interest rate hikes from the Federal Reserve since March 2022 to quell inflation. Though momentum has slowed, it continues to outpace its global peers. The report, which also showed underlying inflation pressures easing last quarter, did not change expectations that the U.S. central bank will start cutting rates by June.

“The economy is in good shape,” said Bill Adams, chief economist at Comerica Bank in Dallas. “It is operating on a more even keel than during the pandemic and its immediate aftermath.” Gross domestic product increased at a 3.4% annualized rate last quarter, revised up from the previously reported 3.2% pace, the Commerce Department’s Bureau of Economic Analysis said in its third estimate of fourth-quarter GDP. The revision reflected upgrades in consumer spending, business investment as well as state and local government spending, which offset downgrades to inventory accumulation and exports. Economists polled by Reuters had expected GDP growth would be unrevised.

The economy is growing faster than the 1.8% pace Fed officials regard as the non-inflationary rate of growth. It grew at a 4.9% pace in the July-September

quarter, and expanded 2.5% in 2023, an acceleration from 1.9% in 2022. Growth estimates for the first quarter are around a 2.0% pace. The increase in core inflation last quarter was trimmed to a 2.0% rate from a 2.1% pace.

Consumer spending, which accounts for more than two-thirds of U.S. economic activity, increased at a 3.3% rate, adding 2.20% points to GDP growth. It was previously estimated to have grown at a 3.0% pace. The upward revision was in services. The upgrade to business spending reflected higher outlays on manufacturing as well as commercial and healthcare structures than previously

economist at Oxford Economics in New York. “That turn in the inventory cycle will help support GDP growth this year and make the slowdown gradual.” Nearly all industries contributed to growth last quarter, with nondurable goods manufacturing leading the charge, followed by retail trade, durable goods manufacturing and healthcare and social assistance. But agriculture, wholesale trade and arts, entertainment and recreation were minor drags.

Corporate profits including inventory valuation and capital consumption adjustments increased \$133.5 billion after rising \$108.7 billion in the July-September quarter. Profits of domestic nonfinancial firms increased \$136.5 billion, while those of financial institutions rose \$5.9 billion, more than offsetting an \$8.9 billion decline in profits from the rest of the world. Profit margins were solid.

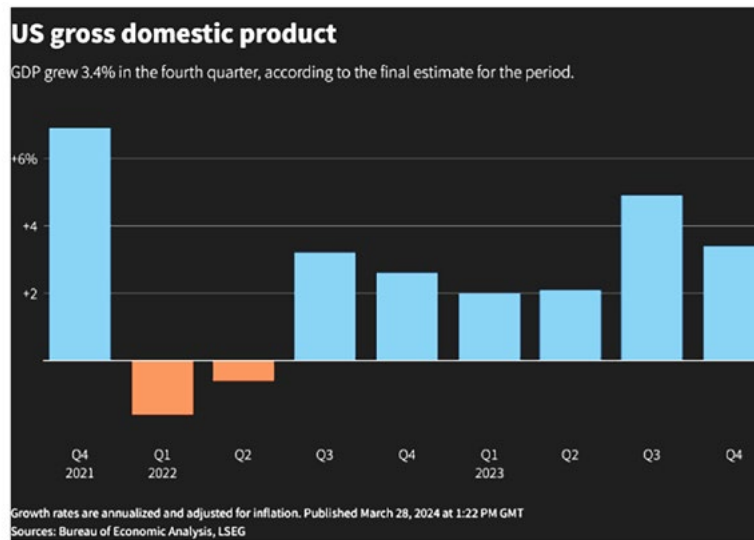
“While firms have generally pulled back on making large capital expenditures, decent year-end profitability suggests businesses entered 2024 in adequate financial shape,” said Shannon Grein, an economist at Wells Fargo in Charlotte, North Carolina. “To the extent continued profitability enables hiring, spending could be sustained.”

Higher profits together with fairly strong wage gains boosted the income side of the growth ledger. Gross domestic income (GDI) grew at a robust 4.8% rate after increasing at a 1.9% pace in the July-September quarter. In principle, GDP and GDI should be equal, but in practice differ as they are estimated using different and largely independent source data. The sharp narrowing in the gap between GDP and GDI should assuage concerns that the economy’s health was being overstated. [Full Story Source: Reuters, 03.28.2024](#)

estimated. Spending on intellectual property products was also revised up, while the decline in outlays on equipment was not as steep as previously estimated.

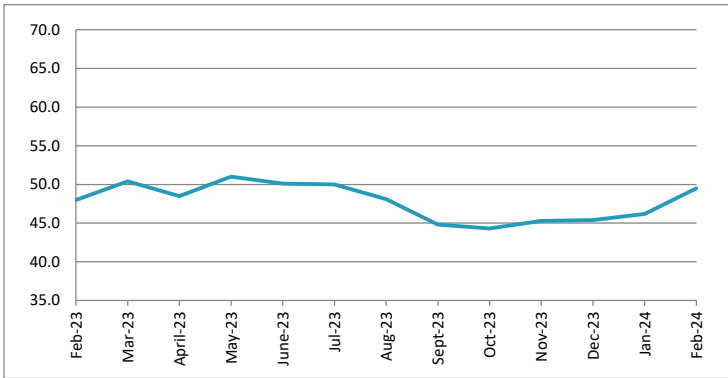
Inventory investment was lowered to a \$54.9 billion rate from the previously estimated \$66.3 billion pace. While that subtracted 0.47% point from GDP growth, the outlook for this year is encouraging. Stronger consumer spending last year and expectations for a moderation this year likely resulted in the slower pace of inventory accumulation.

“We anticipate that inventory accumulation will stabilize, then begin to pick up again over the next few years,” said Michael Pearce, deputy chief U.S.



Key Economic Indicators

Architecture Billings Index (ABI)



Although architecture firm billings declined for the thirteenth consecutive month in February, the AIA/Deltek Architecture Billings Index (ABI) score of 49.5 for the month means that the share of firms reporting a decline in billings was nearly equal to the share of firms that reported an increase in billings. This is the closest to 50 that the ABI score has been since last July (a score over 50 indicates billings growth) and suggests that the recent slowdown may be receding. In addition, inquiries into new projects grew at their fastest pace since November, and the value of newly signed design contracts increased as well. This is just the fourth time that design contracts have increased in the last year and is a good indicator that work at firms may begin picking up in the coming months. Business conditions remained generally quite weak across the country in February. Only firms located in the Midwest reported billings growth, while business conditions softened further at firms located in the Northeast.

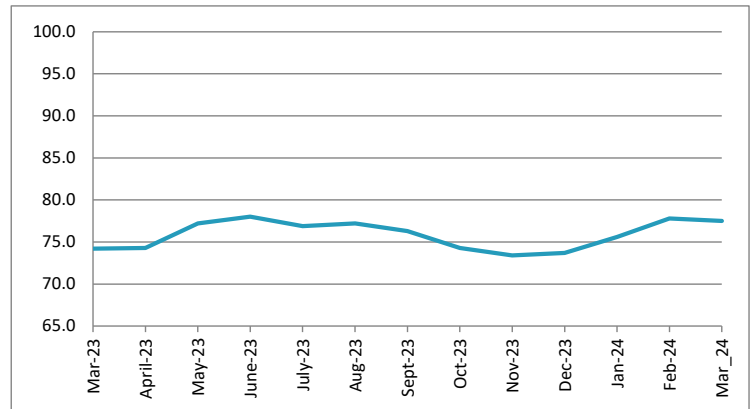
Conditions also remained generally slow at firms located in the West and South. However, firms located in the Midwest have reported growth for the last three months, and for four months out of the last five. Billings also continued to decline at firms with multifamily residential and commercial/industrial specializations in February, although they increased modestly at firms with an institutional specialization for the first time since last July. **Source: AIA, 03.20.2024**

Purchasing Managers Index (PMI)®

The Manufacturing PMI® registered 50.3% in March, up 2.5 percentage points from the 47.8% recorded in February. The overall economy continued in expansion for the 47th month after one month of contraction in April 2020. The New Orders Index moved back into expansion territory at 51.4%, 2.2 percentage points higher than the 49.2% recorded in February. The March reading of the Production Index (54.6%) is 6.2 percentage points higher than February's figure of 48.4%. The Prices Index registered 55.8%, up 3.3 percentage points compared to the reading of 52.5% in February. The Backlog of Orders Index registered 46.3%, the same reading as in February. The Employment Index registered 47.4%, up 1.5 percentage points from February's figure of 45.9%. The Supplier Deliveries Index figure of 49.9% is 0.2 percentage points lower than the 50.1% recorded in February. The Inventories Index increased 2.9 percentage points to 48.2% following a reading of 45.3% in February.

The New Export Orders Index reading of 51.6% is the same reading as registered in February. The Imports Index continued in expansion territory, registering 53%, the same figure as in February. Both indexes repeated their highest readings since July 2022, when the New Export Orders Index registered 52.6% and the Imports Index registered 54.4%. The U.S. manufacturing sector moved into expansion for the first time since September 2022. Demand was positive, output strengthened and inputs remained accommodative. Of the six biggest manufacturing industries, four — Food, Beverage & Tobacco Products; Fabricated Metal Products; Chemical Products; and Transportation Equipment, which account for a combined 54% of manufacturing gross domestic product (GDP) — registered growth in March. The eight manufacturing industries reporting growth in February — in order — are: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Primary Metals; Plastics & Rubber Products; Fabricated Metal Products; Chemical Products; Miscellaneous Manufacturing; and Transportation Equipment. **Source: IMSWorld, 04.01.2024**

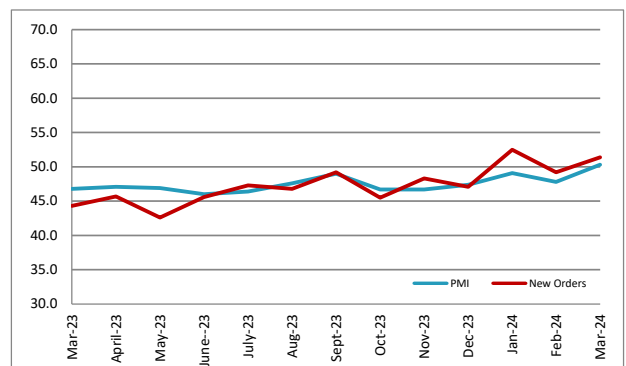
Steel Capability Utilization



In the week ending on March 30, 2024, domestic raw steel production was 1,722,000 net tons while the capability utilization rate was 77.5%. Production was 1,718,000 net tons in the week ending March 30, 2023 while the capability utilization then was 76.9%. The current week production represents a 0.2% increase from the same period in the previous year. Production for the week ending March 30, 2024 is up 1.1% from the previous week ending March 23, 2024 when production was 1,703,000 net tons and the rate of capability utilization was 76.7%.

Adjusted year-to-date production through March 30, 2024 was 21,752,000 net tons, at a capability utilization rate of 76.2%. That is down 2.6% from the 22,323,000 net tons during the same period last year, when the capability utilization rate was 77.7%.

Broken down by districts, here's production for the week ending March 30, 2024 in thousands of net tons: North East: 136; Great Lakes: 584; Midwest: 190; Southern: 752 and Western: 60 for a total of 1722. **Source: AISI, 03.30.2024**



U.S. Court Suspends NLRB Joint Employer Rule Indefinitely

Implementation of the National Labor Relations Board's (NLRB) joint employer regulation has been suspended indefinitely after a U.S. federal judge in Texas ruled that the regulation is invalid because it is too broad and violates federal law. In his decision, Judge J. Campbell Barker said the rule, "would treat virtually every entity that contracts for labor as a joint employer because virtually every contract for third-party labor has terms that impact, at least indirectly ... essential terms and conditions of employment."

As experts at one law firm explained, with the judge's ruling, the NLRB will be required to return to its previous standard. That prior test required that the board find that joint employer status exists only when a company exercises "direct" and "immediate" control over another employer's employees when it comes to at least one of the following working conditions:

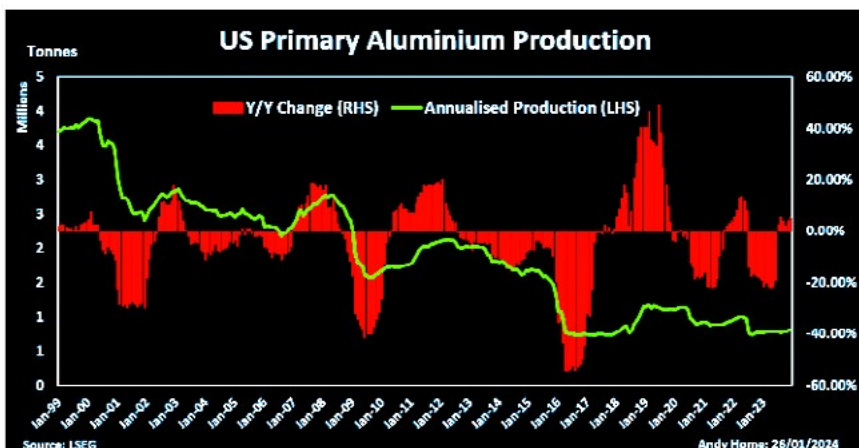
Wages
Benefits
Hours of work
Hiring

Discharge
Discipline
Supervision
Direction of work

Unfortunately, the Texas judge's ruling does not conclude this matter since the Biden administration is expected to appeal the ruling. Indeed, NLRB Chair Lauren McFerran said the board, "is reviewing the decision and actively considering next steps" and that while Judge Barker's decision "is a disappointing setback," it, "is not the last word on our efforts to return our joint-employer standard to the common law principles that have been endorsed by other courts." **Source: MSCI, 03.18.2024**



U.S. Looks to Reboot Aluminum Sector with a New Smelter



The Biden-Harris administration has awarded \$500 million to Century Aluminum towards the construction of a new "green" low-carbon smelter. The aim is to halt what U.S. consumers such as Ford Motor and PepsiCo have described, opens new tab as a crisis in a sector that has shrunk from 19 to just four operating domestic plants over the last two decades.

With aluminum usage expected to grow strongly thanks to its use in energy transition applications such as solar power and wind turbines, the ambition is also to reduce the country's import dependency. However, translating ambition into actuality will depend on whether Century can find enough green power to run its new green smelter. U.S. production of primary aluminum fell from 3.8 million metric tons in 1999 to 785,000 tons last year.

It will decline again this year due to the idling of the New Madrid smelter in Missouri in January. There are now just four operating plants, two owned by Alcoa and two by Century, with combined annual capacity of around 650,000 tons.

The Trump's administration introduction of a 10% aluminum import tariff in 2018 marked only a brief pause in the long-term decline. U.S. import dependency is already large at just over four million tons every year and is set to grow further as the 2022 Inflation Reduction Act (IRA) stimulates investment in energy transition sectors such as electric vehicles and renewable energy.

They all need aluminum. In 2020, the World Bank identified the metal as a "high-impact" and "cross-cutting" metal in all existing and potential green energy technologies. Global usage is forecast by the International Aluminium Institute to rise from 108 million tons in 2022 to 176 million by 2050.

President Joe Biden's administration has channeled an estimated \$1.25 trillion of funds into new green energy sectors, but the money available to aluminum's supply side stacks up at just \$126 billion, according to U.S. think tank SAFE. **Source: Reuters, 03.27.2024**

How the Inflation Reduction Act Provides a Competitive Edge for U.S. Steelmakers



The Inflation Reduction Act (IRA), like the Infrastructure Investment and Jobs Act (IIJA) and the CHIPS and Science Act, has helped steelmakers ramp up their investments for sustainable steelmaking capacities, says Philip K. Bell, president of the Steel Manufacturers Association (SMA). The impact of the IRA – which allocates \$370 billion in tax incentives to promote clean energy – is being felt within a year of the Biden administration enacting it as U.S. infrastructure transitions to higher consumption of green steel. In fact, according to a Goldman Sachs Asset Management, 280 clean energy projects have been announced across 44 U.S. states in the IRA's first year with an investment of \$282 billion.

Moreover, the American Iron and Steel Institute estimates a requirement of 50,000 net tons (45,359 metric tons) of steel for every \$1 billion in infrastructure spending. Steelmaker Nucor approved funding in February for a new rebar micro mill in the Pacific Northwest. The plant that will be built with an investment of \$860 million will produce around 650,000 metric tons of rebar annually and will be Nucor's largest rebar micro mill with 50% more capacity than its North Carolina mill that is currently under construction.

In January, the company broke ground on its \$3.1 billion steel sheet mill in Apple Grove, West Virginia. The mill is expected to produce around 3 million net tons of recycled steel sheet per year once it commences operations in the first quarter of 2026. The company is betting on the continued strength of the rebar market given the increase in U.S. infrastructure investments due to legislation like the IRA as the product is used in the construction of roads, buildings, and other types of infrastructure.

“For steelmakers using recycled steel in production, who represent over 70% of American steel capacity, the significant investment in green manufacturing represents an endorsement of their decades-long investment in low-emissions steelmaking. To build renewable energy infrastructure and promote a circular economy approach to manufacturing, it makes sense to use the cleanest steel available anywhere,” says Bell.

Why is decarbonizing steel important? In November 2023, Nucor announced net-zero science-based greenhouse gas (GHG) targets for 2050 and established a new interim target for 2030. These include scopes 1, 2, and 3 emissions from the production of hot rolled steel as defined by the Global Steel Climate

Council (GSCC). These new targets are more ambitious than Nucor's 2021 goal of a 35% reduction in steel mill scope 1 and scope 2 GHG intensity by 2030, using 2015 as a baseline. The steelmaker already uses around 80% recycled steel in its production process, with its GHG emissions at one-third intensity compared to the average traditional extractive steelmaking process using a blast furnace.

Nucor will achieve its goals by increasing clean electricity usage, carbon capture and sequestration, and near-zero GHG ironmaking. It will also utilize technologies to reduce the consumption of injection and charge carbon while lowering the use of natural gas in its production processes. Like Nucor, U.S. Steel also has a net-zero road map for 2050. To achieve these goals, the steelmaker will further incorporate and utilize electric arc furnace-based (EAFs) mini-mill steelmaking technology. The company's Big River 2 mini mill will be commissioned in the second half of 2024 after its board approved a further capital investment to take the total to \$3.2 billion. The mill, which will be based in Osceola, Arkansas, will produce 3 million metric tons of steel annually.

Based on the number of mini mills deployed, the decrease in emissions could be 10 to 60% against the 2018 target. It also plans to adopt direct reduced iron/hot briquetted iron (DRI/HBI) technology with natural gas as the reductant for converting iron ore to fuel the growing numbers of EAFs. Eventually, the steelmaker seeks to use hydrogen to substitute natural gas in the production of DRI/HBI.

Meanwhile, Cleveland-Cliffs has invested in electrical steel capacities previously unavailable in the U.S. It is also investing in Ohio and Indiana to make hydrogen viable for steelmaking. Cliffs' Toledo, Ohio, facility - which opened in late 2020 - was designed hydrogen-ready. [Full Story Source: *RecyclingProductNews*, 03.19.2024](#)

ISM Report: Manufacturing Activity Expands Following Sixteen Months of Contraction

With a March Purchasing Manager's Index reading of 50.3%, manufacturing economic activity expanded for the first time since September 2022. Compared to the February reading of 47.8%, the manufacturing PMI is up 2.5 points. "Of the six biggest manufacturing industries, four (food, beverage & tobacco products; fabricated metal products; chemical products; and transportation equipment) registered growth in March," says Timothy Fiore, chair of the ISM's manufacturing business survey committee.

Both the new orders index and the production index moved into expansion territory. New orders saw a 2.2 % point increase from February; production garnered a whopping 6.2 point increase for a March reading of 54.6%. Anything lower than 50% represents contraction. At 47.4% the employment index is contracting at a slower rate, gaining 1.5 points from February.

"Demand remains at the early stages of recovery, with clear signs of improving conditions," says Fiore. This outlook assessment is reflected in the comments of the survey, with a number of respondents noting strong business activity. "Performance continues to defy projections of a downturn in activity. Demand remains strong, and the pipeline for orders is robust," writes an executive in the chemical products sector. Another in the fabricated metal products sector reports meeting and exceeding forecasts.

Several respondents also expressed positive expectations for 2024, with a computer & electronic products executive noting high optimism that "orders are 'just on the horizon.'"

"Many manufacturers are anticipating better business in the second quarter and much better in the third quarter," writes a respondent in the wood products sector. **Source: IndustryWeek, 04.01.2024**

Aluminum Companies Part of DOE Grants

Department of Energy Secretary Jennifer Granholm announced \$6 billion in funding for 33 projects to decarbonize energy-intensive industries, including iron and steel and aluminum. The announcement was made at Cleveland-Cliffs' facility in Middletown, Ohio. Cliffs and SSAB Americas have both been selected by DOE for award negotiations for innovative steelmaking technology projects they are developing.

"[The] announcement by DOE is recognition of the leadership of the American steel industry in reducing greenhouse gas emissions and producing the cleanest steel in the world. AISI member companies are developing innovative technologies to enhance steelmaking in the United States, where we already produce steel that is less GHG emissions-intensive than foreign steel. We are proud that AISI members Cleveland-Cliffs and SSAB Americas were selected today to partner with DOE to continue leading the way with revolutionary technologies," said AISI President and CEO Kevin Dempsey.

The DOE also announced grants for four major projects aimed at further decarbonizing aluminum operations in the U.S. The awards total more than \$650 million.

The aluminum-specific projects include:

N Up to \$500 million to Century Aluminum to build the first new U.S. primary aluminum smelter in 45 years.

N Up to \$75 million to Constellium to deploy a first-of-a-kind zero carbon aluminum casting plant in the U.S. at its Ravenswood, W.Va., facility.

N Up to \$22.3 million to Golden Aluminum to upgrade its Fort Lupton, Colo., facility using the Nexcast process to reduce natural gas consumption, improve process efficiency and recycle 15% more mixed-grade aluminum scrap.

N Up to \$67.3 million to Real Alloy to construct the first zero-waste salt slag recycling facility in the U.S. and the most energy efficient facility of its kind in Wabash, Indiana.

"We are thrilled for the aluminum manufacturers that have been awarded these major investments to help accelerate industry decarbonization efforts and thank the Department of Energy for recognizing aluminum's critical role in the clean energy transition. We appreciate the Biden Administration's leadership and the bipartisan support for next generation infrastructure investment," said Charles Johnson, president and CEO of the Aluminum Association. **Source: MetalCenterNews, 03.26.2024**

