Hurricane Hit: U.S. Lost 33,000 Jobs in September—It was the first monthly decline in jobs in seven years.

The jobless rate dropped to 4.2%, the lowest since 2001.

Economists had been expecting an increase of 90,000 jobs, even after accounting for the hurricanes. But the economists and Labor Department expect the decline to be short-lived as employers closed by the storm in Houston and Florida are able to reopen.

There could even be an increase in jobs in coming months due to the storms as homes and other buildings are repaired or rebuilt, and Americans buy cars and other items to replace those that were lost.

The drop in jobs reported in September could even disappear in future revisions of the estimate as the Labor Department is able to collect information from businesses that it was unable to contact due to the storm. **Full Story**  
**Source:** CNNMoney.com, 10.06.17

Manufacturing Muscle: Durable-Goods Orders Jump 1.7% in August—Orders for durable or long-lasting goods such as passenger planes rose sharply in August and business investment strengthened again in a good showing for the U.S. economy.

Durable-goods orders climbed 1.7% last month, the government said Wednesday. Economists polled by MarketWatch had forecast a 1% gain. The increase stemmed mainly from a big batch of orders for commercial aircraft. Bookings surged 45%. Demand was higher for most other manufactured goods, but bookings grew at a slower pace. Orders minus transportation edged up 0.2%. The government said Hurricane Harvey appeared to have little effect. The storm slammed the Houston area hard late in the month, but probably too late to reduce orders. **Full Story**  
**Source:** MarketWatch, 09.27.17

Consumer Sentiment Declines More Than Expected in September—Consumer confidence declined to 95.1 in a final reading for September, lower than economists polled by Reuters expected. August recorded the consumer sentiment index's highest month since January. The index is a survey of consumers by The University of Michigan. The consumer sentiment index, a survey of consumers by The University of Michigan, hit 95.1 in September in a final reading Friday, which was lower than expected. Economists polled by Reuters anticipated a reading of 95.3 for the month.

In August the index returned to near peak levels recorded earlier in 2017, hitting 96.8 in the final recording in August. "The resilience of consumers has again been demonstrated as concerns about the impact of the hurricanes on the national economy have quickly faded," Richard Curtin, chief economist for the Surveys of Consumers, said in a statement on Friday. Curtin noted that sentiment this year remains below the three year average of 105.3 recorded from 1997 to 2000.

The index measures 500 consumers' attitudes on future economic prospects, in areas such as personal finances, inflation, unemployment, government policies and interest rates. **Source:** CNBC, 09.29.17

Fed Says Harvey and Irma Will Have No Lasting Economic Impact

The central bank noted the harm Harvey and Irma caused but said it’s unlikely to be long-lasting. The Fed raised its projection for economic growth and lowered its outlook for the unemployment rate. As yet another hurricane rips through the Caribbean, the Federal Reserve on Sept. 20 said two of its nastiest predecessors, Harvey and Irma, will have little long-lasting economic effects. The central bank, after a two-day policymaking meeting, noted the harm Harvey and Irma caused but said it’s unlikely to be long-lasting. In fact, the Fed actually raised its projection for economic growth and lowered its outlook for the unemployment rate. "Hurricanes Harvey, Irma and Maria have devastated many communities, inflicting severe hardship," the post-meeting statement said. "Storm-related disruptions and rebuilding will affect economic activity in the near term, but past experience suggests that the storms are unlikely to materially alter the course of the national economy over the medium term."

New York Fed President William Dudley recently suggested that the ultimate impact of the storms actually could be a modest boost to the economy due to rebuilding activity. The "broken windows" economic theory has its detractors, but Dudley is not alone in suggesting that storm rebuilding results in some growth. The Fed said that it still expects the economy to grow at "a moderate pace" while the employment picture "will strengthen somewhat further." Higher gasoline prices in the storms’ aftermath will boost inflation "temporarily," but apart from that effect, inflation on a 12-month basis is expected to remain somewhat below 2% in the near term. That 2% level is critical as it represents the long-term Fed target for inflation.

In its quarterly economic projections, the Fed raised its GDP outlook for 2017 from 2.1% to 2.2%. In addition, the central bank now sees the unemployment rate stabilizing at 4.1% in 2018 and 2019, down from the 4.2% projection in September. The Fed also described household spending as expanding at a moderate pace while business investment "has picked up in recent quarters." Despite its otherwise upbeat economic outlook, the Fed decided not to increase its benchmark interest rate. **Source:** CNBC, 09.20.17
Domestic raw steel production was 1,706,000 net tons while the capability utilization rate was 73.2%. Production was 1,591,000 net tons in the week ending September 30, 2016 while the capability utilization then was 68.0%. The current week production represents a 7.2% increase from the same period in the previous year. Production for the week ending September 30, 2017 is down 0.8% from the previous week ending September 23, 2017 when production was 1,720,000 net tons and the rate of capability utilization was 73.8%.

Adjusted year-to-date production through September 30, 2017 was 67,804,000 net tons, at a capability utilization rate of 74.6%. That is up 3.7% from the 65,390,000 net tons during the same period last year, when the capability utilization rate was 72.1%.

The Architecture Billings Index (ABI) reflects an increase in design services provided by U.S. architecture firms. The new projects inquiry index was 62.5, up from a reading of 59.5 the previous month, while the new design contracts index eased somewhat from 56.4 to 54.2.

The index is derived from a monthly “Work-on-the-Boards” survey and produced by the AIA Economics & Market Research Group. Based on a comparison of data compiled since the survey’s inception in 1995 with figures from the Department of Commerce on Construction put in place, the findings amount to a leading economic indicator that provides an approximately 9 to 12 month glimpse into the future of nonresidential construction activity. 

"The September PMI® registered 60.8%, an increase of 2 percentage points from the August reading of 58.8%. The New Orders Index registered 64.6%, an increase of 4.3 percentage points from the August reading of 60.3%. The Production Index registered 62.2%, a 1.2 percentage point increase compared to the August reading of 61%. The Employment Index registered 60.3%, an increase of 0.4 percentage point from the August reading of 59.9%. The Supplier Deliveries Index registered 64.4%, a 7.3 percentage point increase from the August reading of 57.1%. The Inventories Index registered 52.5%, a decrease of 3 percentage points from the August reading of 55.5%. The Prices Index registered 71.5% in September, a 9.5 percentage point increase from the August level of 62.0%, indicating higher raw materials prices for the 19th consecutive month. Comments from the panel reflect expanding business conditions, with new orders, production, employment, order backlogs and export orders all growing in September; as well as, supplier deliveries slowing (improving) and inventories growing at a slower rate during the period. The Customers’ Inventories Index remains at low levels.

Of the 18 manufacturing industries, 17 reported growth in September, in the following order: Textile Mills; Machinery; Nonmetallic Mineral Products; Transportation Equipment; Plastics & Rubber; Paper Products; Wood Products; Computer & Electronic; Food, Beverage & Tobacco Products; Chemical; Fabricated Metal; Miscellaneous Manufacturing; Petroleum & Coal; Apparel, Leather & Allied Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; and Primary Metals. One industry, Furniture & Related Products, reported contraction in September compared to August.

The PMI index of manufacturing activity is a seasonally adjusted weighted composite of diffusion indexes tracking new orders, order backlogs, employment, supplier deliveries, and new orders, imports, production, supplier deliveries, employment and mill costs. This index is widely regarded as a major leading indicator of both manufacturing growth and economic growth overall. A value of >50 indicates manufacturing expansion and vice versa. An index value of <42.7 indicates that the economy as a whole is in recession.
**Industry News**

**August Steel Shipments Up in U.S., Canada**

Shipments of U.S. and Canadian steel products increased in August, but Canadian aluminum shipments saw a slight year-over-year decrease during the month, according to the latest Metals Activity Report from Metals Service Center Institute. U.S. service centers shipped 3.5 million tons of steel products in August, up 2.7% from the same month last year and 17.2% from July. Year-to-date shipments of 26.5 million tons are up 3.2% from 2016. Service center steel inventories totaled 7.7 million tons at the end of August, a decrease of 1.9% from 2016 but an increase of 2.1% from last month. At August shipping rates, that represented 2.2 months of supply, down from 2.3 months at the same time last year. U.S. service centers shipped 152,900 tons of aluminum products during the month, up 10.8% year over year and 23.8% from July. Full-year shipments of 1.1 million tons were up 7.3% from last year.

U.S. service center inventories of aluminum products totaled 397,400 tons in August, an increase of 3.2% from last year but a decrease of 0.8% from the previous month. At August shipping rates, that represented 2.6 months of supply, down from 2.8 months in August 2016. Canadian service centers shipped 387,500 tons of steel products during the month, an increase of 6.2% from August 2016 and 11.8% from July of this year. Year-to-date shipments increased 3.5% to 3.1 million tons.

Service center steel inventories in Canada totaled 1.2 million tons at the end of the month, an increase of 2.9% from last August and 0.7% from the month prior. At August shipping rates, that represented 3.1 months of supply, flat with the year-ago period. Canadian service centers shipped 10,600 tons of aluminum products in August, down 3.4% from the same month in 2016 but up 10.4% from July. Year-to-date aluminum shipments of 82,900 tons were up 0.3% over the same time last year. Canadian inventories of aluminum products totaled 31,100 tons at the end of August, a decrease of 0.3% from a year ago and an increase of 1.6% from July. At August shipping rates, that represented 2.9 months of supply, which is equal to August 2016.

*Source: Metal Center News, 09.27.17*

**Trucking Rates Seen Remaining High for Months**

Trucking rates are likely to remain elevated into 2018 due to a combination of factors stemming primarily from Hurricanes Irma and Harvey, according to two industry analysts. “Historically it takes between 15 to 20 weeks for (rates) to return to normal after events of this magnitude,” but other factors outside of the hurricanes will likely cause rates to remain high for even longer, Noël Perry, a truck and transportation economist at FTR Transportation Intelligence. Mark Montague, an industry pricing analyst at DAT Solutions, said that he expects markups to last until July 2018, noting that any moderation of rates following the aftermath of the hurricanes will probably coincide with the ramp-up of the construction season in February or March. Perry also heard that trucking and transportation company J.B. Hunt is going to announce a 10% rate increase, which is "substantial in a market where prices have been going down," he said.

Hurricane Harvey, which hit in and around Houston, was particularly crippling from a supply chain perspective because the city is an important freight, import and export hub serving key markets in Texas and national freight markets, Montague said. While operations in Houston that had been paralyzed immediately following the hurricane have largely resumed, other cities are still taking on additional responsibilities. This is shifting the supply chain. The shift of trucks from their normal routes has also tightened the number of available trucks for non-hurricane related needs, Perry said. The industry's rates don't typically escalate since there are usually large numbers of trucks available, “but what we know about the industry is that when there’s a shortage, then rates go up pretty quickly. It’s like taxi cabs on a rainy day,” he added. Shippers are willing to pay “almost anything” for available capacity, Perry said. “The cost of a missed shipment to most shippers is actually very high. It could be in the millions of dollars.”

But organizations such as the Federal Emergency Management Agency are using trucks to move disaster relief supplies into affected areas, Montague said, contributing to a reduction in the number of available trucks. These organizations will likely continue to use trucks for “weeks” because they’re now starting to move supplies to southern Florida in order to reach the Caribbean. “It’s nowhere near over,” he said. There also will likely be a shortage of drivers because demand in the construction industry will rise as the rebuilding process in Texas and Florida ramps up, Perry added.

Another component that is likely to hurt the trucking industry’s productivity and increase rates is the US Transportation Department’s Electronic Logging Device (ELD) mandate, which is set to be enforced on December 18, 2017, Perry said. Under the new rule, commercial truckers must track their driving hours through ELDs rather than keeping paper records to ensure they are in compliance with hours-of-service requirements. Hours can be easily fudged on a paper log to remain within service limitations, but "the opportunity to falsify the logs is much reduced" with the new rule, Perry said. “What’s happening is the productivity of the industry, in exchange for better safety, is going down.”

Montague agreed, noting that the new rule will be one factor behind the industry remaining busy in December and January. “Truckers will have a higher compliance to stay legal. They’ll have to be a little bit more cautious as far as the length of trips they can take in one day,” he added. *Source: AMM.org, 09.22.17*
Ross Says Steel Tariff Decision to Wait Until After Tax Bill

Commerce Secretary Wilbur Ross said the Trump administration has decided to defer a decision on steel tariffs as it focuses on getting tax reforms through Congress. “The policy decision has been made to postpone that until the tax bill,” Ross said September 22 in an interview on Bloomberg Television, when asked about his department’s review of the national-security implications of steel imports. Shares of major U.S. steelmakers declined after Ross’s remarks. U.S. Steel Corp. dropped the most, falling as much as 6.1% and extending its two-day decline, while Nucor Corp., AK Steel Holding Corp. and Steel Dynamics Inc. also fell. Commerce will give President Donald Trump a range of options when it reports its findings on the steel investigation, said Ross. But overhauling the tax system is the “single most important” thing on the administration’s agenda, one that will drive job creation, he said.

“It’s not so much a question of backing away, it’s a question of timing,” Ross said earlier Friday in an interview on CNBC, in which he was asked repeatedly about when his department would announce trade decisions, including on steel. “Tax is extremely important because that’s the biggest single incremental factor in getting growth over 3%,” he said. The administration doesn’t want to “unnecessarily irritate” lawmakers as it builds support for a bill to overhaul taxes, Ross said.

Commerce has been investigating the impact on national security of steel imports under seldom-used Section 232 of the Trade Expansion Act of 1962. While Trump has threatened to impose tariffs on foreign steel, Commerce has yet to report its findings, despite months of speculation that a ruling is imminent. Steelworkers traveled to Washington this week to protest the delay, saying the U.S. industry is being hurt by foreign dumping.

The U.S. steel industry is divided over imposing blocks on steel imports. U.S. producers want protection against foreign competitors that they say are undercutting prices and in some cases unfairly subsidized. U.S. steel users, which rely on cheaper imports, have said import restraints could raise prices for consumer goods they manufacture.

The Trump administration wants to pressure China in particular to reduce excess steel capacity that’s affecting global prices, while delicately balancing cooperation with the world’s second-largest economy in addressing the threat posed by North Korea. In a move to further isolate North Korea, China’s central bank has told banks to stop doing business with leader Kim Jong-Un’s regime in accordance with new United Nations sanctions in a bid to cutting off its access to funds for its weapon’s program. Ross will leave on Saturday for an official visit to China, along with Thailand and Laos, where the secretary said he’ll spread the message that the U.S. isn’t “forsaking Asia.”

Source: Bloomberg, 09.22.17

The Metals Service Center Institute recently sent a letter to President Trump urging swift action on the Section 232 investigation.

Click here to read that letter.

R. Holman Head, President of MSCI is President and COO of O’Neal Industries.

Manufacturing in U.S. Expands at Fastest Pace in 13 Years

Robust order growth and healthy production pushed the Institute for Supply Management index to record levels. Powered by robust order growth and healthy production, American manufacturing expanded last month at the fastest pace in 13 years, figures from the Institute for Supply Management showed on Oct. 2 (details on Page 2). Factory index climbed to 60.8% (est. 58.1%), the highest since May 2004, from 58.8%; readings above 50% indicate expansion. Employment gauge rose to 60.3%, the best reading in more than six years, from 59.9%. Index of prices paid advanced to 71.5%, the highest since May 2011, from 62.0%. The strength of the advances in the ISM’s gauges partly reflects impacts from hurricanes Harvey and Irma. Harvey forced the shutdowns of Houston-area refineries and chemical plants. Many retail establishments, including car dealerships, were flooded in the storms and merchandise was destroyed.

Timothy Fiore, the ISM survey committee chairman, said that the most direct impact from the storms was in the supplier deliveries index, indicating slower deliveries; that gauge factors into the overall index. While increased factory bookings and production may also reflect a bounce-back from the storm, the nation’s producers had already been on firmer footing because of improving global demand and an increase in U.S. capital spending. The ISM also reported a pickup in its measure of exports as producers benefit from a U.S. dollar that’s weakened this year, making American-made goods more attractive to overseas purchasers.

Orders will probably remain strong in coming months as a gauge of customer inventories held close to a six-year low. What’s more, the ISM’s order backlogs index crept up to the highest level since April 2011, helping explain why more factories are stepping up hiring.

• The measure of export orders climbed to 57 from 55.5.
• The Gauge of order backlogs rose to 58 from 57.5.
• The Index of supplier deliveries increased to 64.4, the highest reading since July 2004, from 57.1. This figure shows longer lead times as producers have trouble meeting demand.

Source: Bloomberg, 10.02.17