

ECONOMIC NEWS

THE U.S. ECONOMY IS STILL PLOWING AHEAD DESPITE DELTA, NEW SURVEYS SHOW

A pair of new surveys of the economy show the U.S. is still expanding at a rapid pace, but ongoing labor and supply shortages are still acting as a drag on growth.

Business leaders at U.S. manufacturing and service-oriented companies are still optimistic about the near future, a new poll showed. Yet the inability to find enough people to hire or to get badly needed supplies on time continued to pose a major roadblock.

The so-called flash reading of IHS Markit's U.S. services index slid 1.1 points to a 14-month low of 54.4 in September.

The firm's manufacturing index also dipped to a five-month low of 60.5 from 61.1.

Put in perspective, though, these are still very healthy numbers. Any thing above 50% signifies growth and numbers above 60% are exceptional.

Service-style companies such as restaurants, hotels and theaters were partly hurt by a surge in "delta" coronavirus cases in August and September. More Americans stayed away for fear of catching the virus.

Delta was less of a problem for manufacturers. They struggled to procure supplies on time and maintain high levels of production. And even when they could get all

the supplies they needed, many were paying sharply higher prices.

In turn, companies are trying to pass price increases onto customers. They are increasing prices at the fastest pace since IHS Markit began collecting the data in 2007. That's contributing to a big rise in U.S. inflation.

"The pace of U.S. economic growth cooled further in September," said chief IHS Markit business economist Chris Williamson, "reflecting a combination of peaking demand, supply chain delays and labor shortages."

A separate report, meanwhile, showed the economy grew at a robust clip in August. The leading economic index jumped 0.9% last month, the privately run Conference Board said Thursday.

"While the Delta variant—alongside rising inflation fears—could create headwinds for labor markets and the consumer spending outlook in the near term, the trend in the LEI is consistent with robust economic growth in the remainder of the year," said Ataman Ozyildirim, senior director of economic research at the board. **Source: MarketWatch, 9/23/2021**

U.S. JOBLESS CLAIMS FALL TO 326,000, FIRST DROP IN FOUR WEEKS

The number of Americans applying for unemployment benefits fell last week, another sign that the U.S. job market and economy continue their steady recovery from last year's coronavirus recession.

Unemployment claims fell by 38,000 to 326,000, the first drop in four weeks, the Labor Department said Thursday. Since surpassing 900,000 in early January, the weekly applications, a proxy for layoffs, had fallen more or less steadily all year. Still, they remain elevated from pre-pandemic levels: Before COVID-19 hammered the U.S. economy in March 2020, weekly claims were consistently coming in at around 220,000.

After hitting a pandemic low of 312,000 in early September, claims had risen three straight weeks, suggesting that the highly contagious delta variant was at least temporarily disrupting a recovery in jobs.

Contingent Macro Advisors said the recent uptick was also partly caused by backlog in processing orders in California and other states. Shutdowns at auto plants resulting from a shortage of computer chips could make the numbers volatile over the next few weeks, Contingent said, but "the trend towards lower jobless claims remains intact."

Overall, the job market has been rebounding with surprising strength since the spring of 2020. Forced to shut down or restrict hours as a health precaution,

employers slashed more than 22 million jobs in March and April last year. But massive aid from the federal government and the rollout of vaccines has supported an economic recovery, providing consumers with the financial wherewithal to spend and the confidence to return to restaurants, bars and shops.

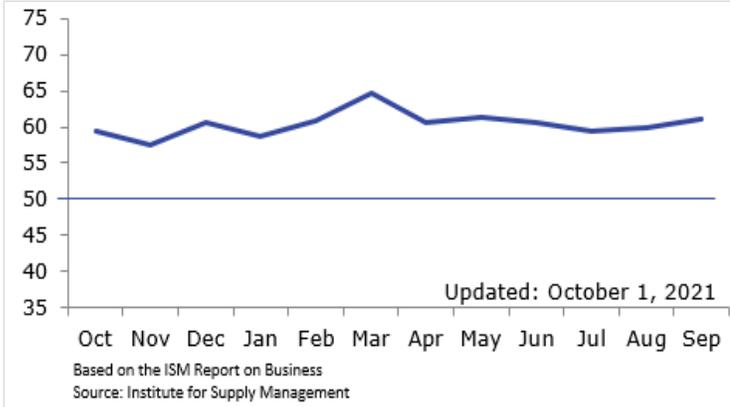
So far this year, employers have been adding 586,000 jobs a month, and this month's employment report, due Friday, is expected to show they tacked on another 488,000 in September, according to a survey of economists by the data firm FactSet.

Companies are now complaining that they can't find workers fast enough to fill their job openings, a record 10.9 million in July.

Altogether, 2.7 million Americans were receiving some type of jobless aid the week of Sept. 25, down by 97,000 from the week before. In early September, the federal government stopped additional aid — including \$300 a week on top of traditional state benefits — that was meant to ease the economic impact of the pandemic. **Source: The Associated Press, 10/7/2021**

KEY ECONOMIC INDICATORS

PURCHASING MANAGERS INDEX®



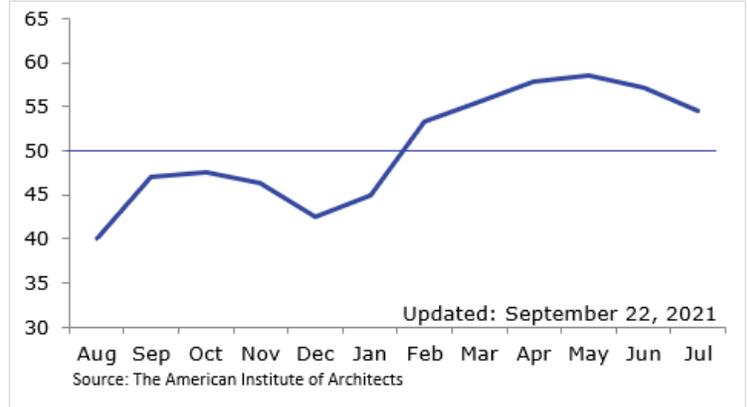
The September Manufacturing PMI® registered 61.1 percent, an increase of 1.2 percentage points from the August reading of 59.9 percent. This figure indicates expansion in the overall economy for the 16th month in a row after contraction in April 2020. The New Orders Index registered 66.7 percent, unchanged from the August reading. The Production Index registered 59.4 percent, a decrease of 0.6 percentage point compared to the August reading of 60 percent. The Prices Index registered 81.2 percent, up 1.8 percentage points compared to the August figure of 79.4 percent. The Backlog of Orders Index registered 64.8 percent, 3.4 percentage points lower than the August reading of 68.2 percent. The Employment Index returned to growth with a reading at 50.2 percent, 1.2 percentage points higher compared to the August reading of 49 percent. The Supplier Deliveries Index registered 73.4 percent, up 3.9 percentage points from the August figure of 69.5 percent. The Inventories Index registered 55.6 percent, 1.4 percentage points higher than the August reading of 54.2 percent. The New Export Orders Index registered 53.4 percent, a decrease of 3.2 percentage points compared to the August reading of 56.6 percent. The Imports Index registered 54.9 percent, an 0.6-percentage point increase from the August reading of 54.3 percent.

THE PURCHASING MANAGERS INDEX® is based on a monthly survey sent to senior executives at more than 400 companies. A PMI above 50 represents an expansion when compared to the previous month. The further from 50, the greater the change. **Source: Institute for Supply Management, 10/1/2021**

CONSUMER CONFIDENCE



ARCHITECTURE BILLINGS INDEX (ABI)



Architecture firm billings remained strong in August, with an Architecture Billings Index (ABI) score of 55.6.

Despite some concerns about the ongoing impact of the Delta variant, most firms are continuing to report robust business conditions. Firms also reported that they continue to receive many inquiries into new projects, and that the value of contracts that they are signing for new design work is still growing.

Firms in all regions of the country continued to report growth in August as well, although the pace of growth has moderated somewhat at firms located in the Northeast over the last few months. Billings remained strongest at firms in the West and Midwest, while firms located in the South still reported increasing billings, but also expressed some concern about the impact of the ongoing—and already serious—hurricane season. Firms of all specializations also reported strengthening business conditions this month, with all seeing growth at about the same pace.

The **ARCHITECTURE BILLINGS INDEX (ABI)** is an economic indicator for nonresidential construction activity. An index score above 50 indicates an increase in firm billings, and a score below 50 indicates a decline in firm billings. **Source: American Institute for AIA, 9/22/2021**

The Conference Board Consumer Confidence Index® declined again in September, following decreases in both July and August. The Index now stands at 109.3 (1985=100), down from 115.2 in August. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—fell to 143.4 from 148.9 last month. The Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—fell to 86.6 from 92.8.

The monthly **CONSUMER CONFIDENCE SURVEY®**, based on a probability-design random sample, is conducted for The Conference Board by Nielsen, a leading global provider of information and analytics around what consumers buy and watch. **Source: The Conference Board, 9/28/2021**

INDUSTRY NEWS

US STEEL CAPACITY UTILIZATION AT 84.8%

U.S. steel capacity utilization fell to 84.8% for the week ending Oct. 2, the American Iron and Steel Institute reported.

The rate dipped from 85.2% the previous week. Meanwhile, steel output last week totaled 1.87 million net tons, AISI reported. The total marked a 0.4% decline from the previous week but a 21.6% year-over-year increase.

Production in the year to date reached 71.4 million net tons, up 20.3% year over year. **Source: MetalMiner, 10/6/2021**

CONSTRUCTION SPENDING FLAT IN AUGUST

The Construction Monthly Metals Index (MMI) fell for this month's value, as U.S. construction spending came in virtually unchanged from the previous month.

US construction spending

U.S. construction spending in August reached a seasonally adjusted annual rate of \$1,584.1 billion, up minimally from the revised July estimate of \$1,584.0 billion, the Census Bureau reported.

Meanwhile, the August rate increased by 8.9% from August 2020.

During the first eight months of 2021, construction spending totaled \$1,034.5 billion. The year-to-date total marked a 7.0% year-over-year increase.

Private construction spending reached a seasonally adjusted annual rate of \$1,242.2 billion, or down 0.1% from July. Residential construction rose 0.4% to \$786.6 billion. Nonresidential construction fell 1.0% to \$455.6 billion in August.

Public construction spending reached a rate of \$341.9 billion, up 0.5%. Educational construction rose 1.1% to \$79.8 billion. Highway construction rose 1.6% to \$98.3 billion. **Source: MetalMiner, 10/6/2021**

LIKE STEEL, GLOBAL ALUMINUM PRODUCTION SLIDES

Just as global steel producers have slowed in the past few months, global aluminum production has also dropped and aluminum prices recently touched a 13-year high.

Global aluminum production drops

Amid surging aluminum prices, global aluminum production dropped in August, the International Aluminum Institute reported this month.

Global production totaled an estimated 5.70 million metric tons, down from 5.73 million metric tons the previous month.

However, output increased from the estimated 5.52 million metric tons in August 2020.

China, the top producer of aluminum in the world, churned out an estimated 3.30 million metric tons in August. That marked a decline from 3.33 million metric tons.

Meanwhile, production within the Gulf Cooperation Council rose from 496,000 metric tons to 504,000 metric tons in August.

Asian production ex-China held flat at 384,000 metric tons.

North American production fell 5.4% from 333,000 metric tons to 315,000 metric tons.

Supply squeeze

As MetalMiner's Stuart Burns explained earlier this month, rising aluminum prices likely have more to do with the supply side of the equation (as opposed to demand).

Much of the squeeze, unsurprisingly, stems from developments in China, the world's top aluminum producer. A shortage of coal has impacted China's vast metals production sector, including aluminum.

"Against a backdrop of tight coal supplies, toughening emissions standards have forced some provinces to ration coal-fired power production to meet China's pledge to cut energy intensity during this decade," Burns wrote. "According to Reuters, output curbs have hit steel, aluminum and cement industries particularly hard. About 7% of aluminum production capacity has been suspended."

Furthermore, the recent coup in Guinea has impacted the aluminum supply chain. Guinea holds the world's largest reserves of bauxite, which is used in the aluminum production process. According to the South China Morning Post, China imported more than 47% of its bauxite from Guinea last year. **Source: MetalMiner, 9/30/2021**

US OIL & NATURAL GAS RIG TALLY RISES FOR 3 STRAIGHT WEEKS

In its weekly release, Baker Hughes Company BKR reported an increase in the U.S. rig count from the prior week.

More on the Rig Count

Baker Hughes' data, issued at the end of every week since 1944, helps energy service providers gauge the overall business environment of the oil and gas industry.

A change in the Houston-based oilfield service player's rotary rig count impacts demand for energy services like drilling completion and production, provided by the likes of Halliburton Company HAL and Schlumberger Limited SLB.

Total US Rig Count Rises: The count of rigs engaged in the exploration and production of oil and natural gas in the United States was 521 for the week through Sep 24, higher than the prior-week count of 512. Thus, the tally has increased for three successive weeks, marking the highest count since April 2020. The current national rig count is higher than the year-ago level of 261.

The number of onshore rigs for the week ended Sep 24 totaled 509, higher than the prior-week count of 505. In offshore resources, 10 rigs were operating, higher than the prior-week count of six.

US Oil Rig Count Increases: Oil rig count was 421 for the week ended Sep 24, higher than the prior-week count of 411. The current tally of oil rigs — far from the peak of 1,609 attained in October 2014 — is higher than the year-ago figure of 183. **Source: Zacks Equity Research, 9/27/2021**