

**The U.S. Economy Added A Whooper 517,000 Jobs In January**—Showing that the labor market isn't ready to cool down just yet, according to new data released February 3 by the Bureau of Labor Statistics. The unemployment rate fell to 3.4% from 3.5%, hitting a level not seen since before Neil Armstrong stepped on the moon.

Economists were expecting 185,000 jobs would be added last month, according to consensus estimates on Refinitiv. **Source: CNNBusiness, 02.03.2023**

**COVID-19 Fueled A Surge Of New Businesses, But The Trend Is Evolving**—New data from the U.S. Census Bureau shows more than 5 million new businesses were formed in 2022. That's down from 5.3 million in 2021, but far more than the 4.3 million in 2020 or at any point since the agency began

tracking the metric in 2004. Despite the decline compared to 2021, business formations in 2022 were up 44% from their pre-pandemic level.

The continued surge in new business applications comes even as many current business owners are worried about the chances of a possible recession. Experts have noted many individuals pivoted to entrepreneurship or new ventures since the start of the pandemic — adding to the hiring challenges many businesses are facing.

"In spite of recessionary fears and labor market uncertainties, many Americans still believe the time is right to start a business," said Gusto Inc. Economist Luke Pardue. "This new crop of young businesses looks quite different from prior years because who is starting these firms, where they are created, and what

they look like continues to evolve, expanding opportunity to more people and places."

The mix of who is starting a business has changed dramatically in recent years. About 10.7% of new business owners in 2021 were veterans, according to a survey of payroll and benefits provider Gusto, which serves more than 200,000 businesses across the U.S. That's nearly double the rate of 5.4% as tracked by the U.S. Census Bureau in 2019. Women accounted for about 49% of new businesses formed in 2020 and 2021, compared to 28% of new businesses in 2019. Additionally, the share of Black entrepreneurs who launched businesses also rose from 3% in 2019 to 9% in 2021, according to a separate survey by Gusto. **Full Story Source: The Business Journals, 01.20.2023**

## U.S. GDP Rose 2.9% In The Fourth Quarter, More Than Expected Even As Recession Fears Loom

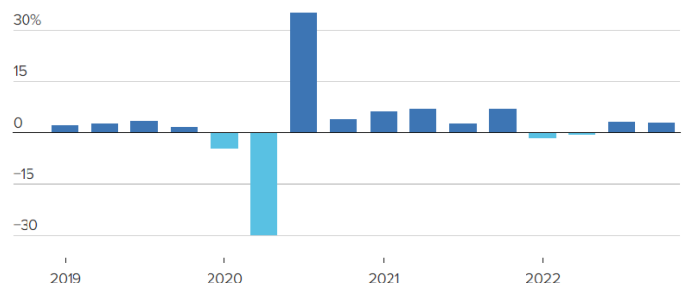
**The U.S. economy finished 2022 in solid shape even as questions persist over whether growth will turn negative in the year ahead.** Fourth-quarter gross domestic product, the sum of all goods and services produced for the October-to-December period, rose at a 2.9% annualized pace, the Commerce Department reported January 26. Economists surveyed by Dow Jones had expected a reading of 2.8%. The growth rate was slightly slower than the 3.2% pace in the third quarter.

Consumer spending, which accounts for about 68% of GDP, increased 2.1% for the period, down slightly from 2.3% in the previous period but still positive. Inflation readings moved considerably lower to end the year after hitting 41-year highs in the summer. The personal consumption expenditures price index increased 3.2%, in line with expectations but down sharply from 4.8% in the third quarter. Excluding food and energy, the chain-weighted index rose 3.9%, down from 4.7%. While the inflation numbers indicated price increases are receding, they remain well above the Federal Reserve's 2% target.

Along with the boost from consumers, increases in private inventory investment, government spending and nonresidential fixed investment helped lift the GDP number. A 26.7% plunge in

residential fixed investment, reflecting a sharp slide in housing, served as a drag on the growth number, as did a 1.3% decline in exports. The housing drop subtracted about 1.3 percentage points from the headline GDP number. Federal government spending rose 6.2%, due largely to an 11.2% surge on nondefense outlays, while state and local expenditures were up 2.3%. Government spending in total added 0.64 percentage points to GDP. **Full Story Source: CNBC, 01.26.2023**

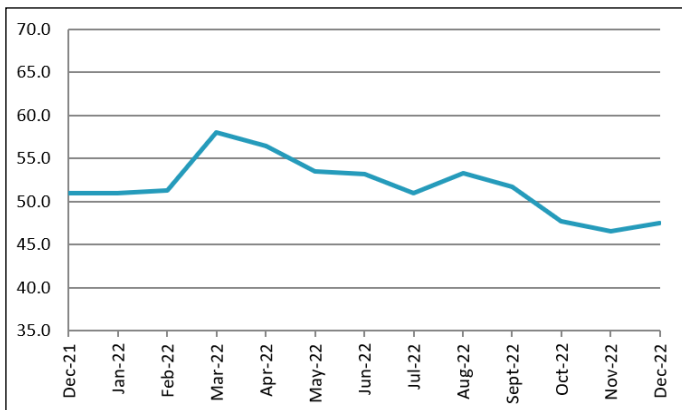
**U.S. real gross domestic product**  
Percent change from previous quarter



Note: Seasonally adjusted annual rate  
Chart: Gabriel Cortes / CNBC  
Source: U.S. Bureau of Economic Analysis via FRED  
Data last published Jan. 26, 2023

## KEY ECONOMIC INDICATORS

### Architecture Billings Index (ABI)



Demand for design services from U.S. architecture firms continued to contract in December, according to a new report from the American Institute of Architects (AIA).

The pace of decline during December slowed from November, posting an Architecture Billings Index (ABI) score of 47.5 from 46.6 (any score below 50 indicates a decline in firm billings). Inquiries into new projects posted a positive score of 52.3, however new design contracts remained in negative territory with a score of 49.4.

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.

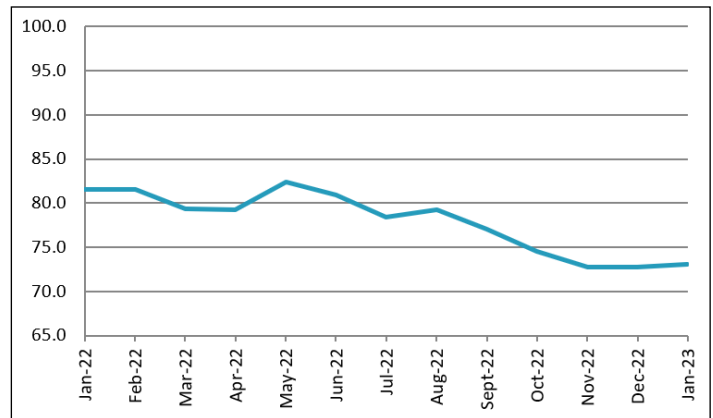
Source: American Institute for Architects, 01.25.2023

### Purchasing Managers Index (PMI)<sup>®</sup>

The January Manufacturing PMI<sup>®</sup> registered 47.4%, 1 percentage point lower than the seasonally adjusted 48.4% recorded in December. Regarding the overall economy, this figure indicates a second month of contraction after a 30-month period of expansion. The Manufacturing PMI<sup>®</sup> figure is the lowest since May 2020, when it registered a seasonally adjusted 43.5%. The New Orders Index remained in contraction territory at 42.5%, 2.6 percentage points lower than the seasonally adjusted figure of 45.1% recorded in December. The Production Index reading of 48% is a 0.6 percentage point decrease compared to December's seasonally adjusted figure of 48.6%. The Prices Index registered 44.5%, up 5.1 percentage points compared to the December figure of 39.4%. The Backlog of Orders Index registered 43.4%, 2 percentage points higher than the December reading of 41.4%. The Employment Index continued in expansion territory (50.6%, down 0.2 percentage point from December's seasonally adjusted 50.8%) after emerging from contraction territory (48.9%, seasonally adjusted) in November. The Supplier Deliveries Index figure of 45.6% is 0.5 percentage point higher than the 45.1% recorded in December; the last two readings are the index's lowest since March 2009 (43.2%). The Inventories Index registered 50.2%, 2.1 percentage points lower than the seasonally adjusted December reading of 52.3%. The New Export Orders Index reading of 49.4% is 3.2 percentage points higher than December's figure of 46.2%. The Imports Index continued in contraction territory at 47.8%, 2.7 percentage points above the December reading of 45.1%.

The two manufacturing industries that reported growth in January are: Miscellaneous Manufacturing; and Transportation Equipment. The 15 industries reporting contraction in January are: Wood Products; Textile Mills; Paper Products; Furniture & Related Products; Apparel, Leather & Allied Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Primary Metals; Nonmetallic Mineral Products; Fabricated Metal Products; Chemical Products; Machinery; Food, Beverage & Tobacco Products; Petroleum & Coal Products; and Computer & Electronic Products. Source: Institute for Supply Management, 02.01.2023

### Steel Capability Utilization

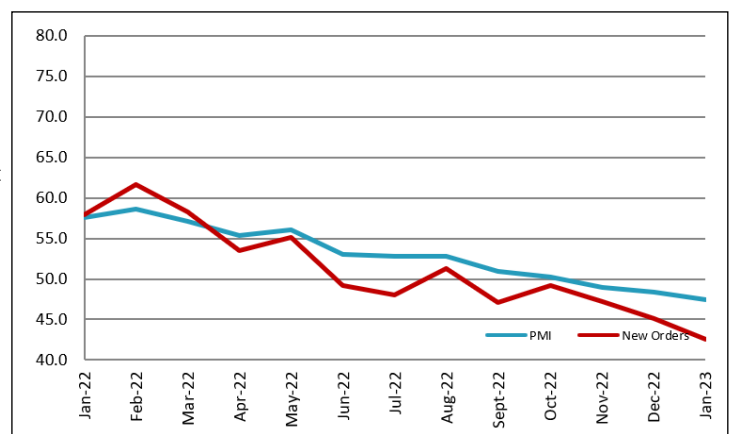


In the week ending on January 28, 2023, domestic raw steel production was 1,635,000 net tons while the capability utilization rate was 73.1%. Production was 1,735,000 net tons in the week ending January 28, 2022 while the capability utilization then was 79.8%. The current week production represents a 5.8% decrease from the same period in the previous year. Production for the week ending January 28, 2023 is up 0.9% from the previous week ending January 21, 2023 when production was 1,620,000 net tons and the rate of capability utilization was 72.5%.

Adjusted year-to-date production through January 28, 2023 was 6,452,000 net tons, at a capability utilization rate of 72.1%. That is down 7.0% from the 6,941,000 net tons during the same period last year, when the capability utilization rate was 79.8%.

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, 01.28.2023



# INDUSTRY NEWS

## Nickel Prices Show Minor Pullbacks

Nickel prices continued to rally throughout December. But by January, prices began to show minor pullbacks that could become the beginning of a short-term sideways trend. Until prices break the new range, the market direction will remain unclear. Market volatility, however, remains high. This stems mainly from the lower overall volume in the LME exchange and leaves significant risk in the market.

### Licenses at Low Levels

Import licenses remain at very low levels. As a result, there could be allocations at the domestic mills when inventory overhang resolves. Still, imports will take several months to catch up with demand. During the first two weeks of January, order intake at the service center level recovered from the December sluggishness. Mills also reported that order intake was strong. Meanwhile, the alloy surcharge will increase in February, which should spur on shipments.

### Global Nickel Output Could Jump 20%

A few months ago, brokers reportedly balked as Xiang Guangda looked to add to his short positions. Xiang Guangda is the founder of Tsingshan Holding Group and the man responsible for the March squeeze that broke the LME's nickel contract. Now, emerging reports are detailing how the global nickel market could be due for a considerable uptick in production with Tsingshan at the head.

According to a recent Bloomberg report, Tsingshan is negotiating with struggling Chinese copper producers about a potential material switch. Clearly, Tsingshan hopes to capitalize on the current high price premiums for refined nickel. Should others adopt a similar strategy, this would allow China to roughly double its year-over-year production. As a result, we could see total global output rise by around 20%.

### Future Direction of Nickel Prices

Of course, there is no guarantee the output shift will happen at all or to that extent. Analysts already expect nickel production to rise due to increased efforts in Indonesia. This alone would support a projected global surplus for years to come, and nickel prices would react accordingly. Meanwhile, copper prices are now on the rise. And while the market forecasts a surplus in 2023, rising copper demand will pressure that in the long term. There is no denying that Tsingshan is a major market player. Moreover, last year's attempts to add to short positions seem to add some credence to these new reports. Of course, any sharp increase in supply would likely weigh significantly on nickel prices. Many will recall that while other base metals saw sharp retracements last year, low liquidity limited nickel's downside price movement. Since bottoming out in mid-July, prices have returned to levels above their pre-squeeze highs. This leaves the market ripe for a correction, especially if 2023 brings lower stainless demand. The same would be true if the EV and energy transition sectors lose any momentum.

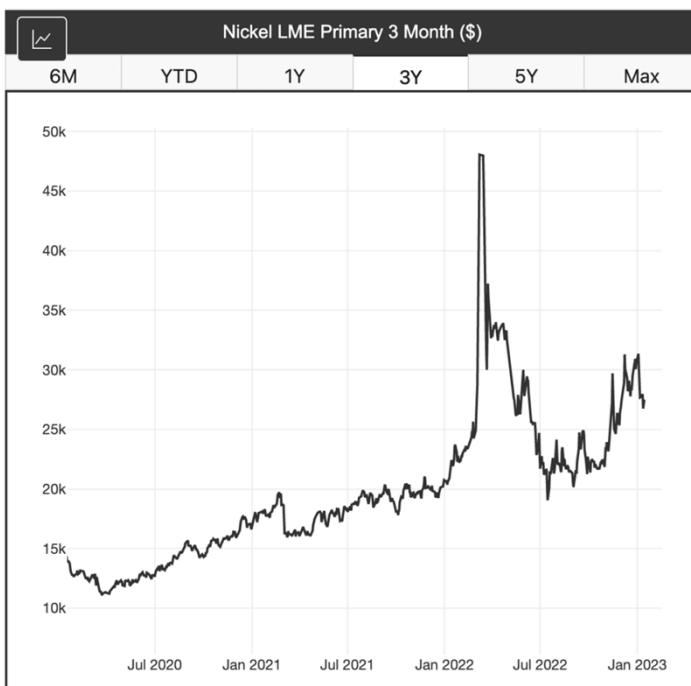
### GCH Plans Nickel Futures Alternative to LME

Meanwhile, as the LME's nickel contract remains broken, others are looking to take its place. For instance, Global Commodities Holdings (GCH) will launch a physical nickel trading platform beginning in late February. According to the company, the platform aims to become an alternative to the LME's nickel futures contract.

Last March's nickel squeeze caused a mass exodus from the LME's nickel contract and left many upset about how the LME handled the crisis, as nickel prices were severely impacted. While the contract ultimately survived, it remains plagued by low liquidity and the resulting volatility. Up to this point, market makers have shown no interest in returning. Still, only time will tell whether the traders and investors are willing to make the move or opt out of the nickel market entirely.

Back in May, the CME indicated it was exploring its own nickel contract. If one or both of these take shape in a meaningful way, it could mean the LME is on its way out as the optimal exchange for prices in physical contracts.

**Source: MetalMiner, 01.17.2023**



This story proves that even in a broken market, Tsingshan remains a driving force. Indeed, Xiang Guangda can still shift supply dynamics, even with all the controversy and a more limited trading presence.

## INDUSTRY NEWS

### No 'One Size Fits All' Approach To Green Steel: AISI's Dempsey

“Green steel’ isn’t one size fits all,” Kevin Dempsey, president and chief executive officer of AISI, said in an interview on January 18, during Fastmarkets’ Scrap & Steel North America 2023 conference in Dallas. “Scrap and an increase in electric-arc furnaces [EAFs] will play a big part, but we’ll still need ores, DRI [direct-reduced iron] and other raw materials for a full range.”

“We need to work on scrap, hydrogen, carbon capture, decarbonizing the energy grid — scrap won’t get us all the way,” Dempsey continued. “Places with natural gas will use natural gas, whereas Sweden has plentiful “hydropower,” which it can use to make clean hydrogen” — all of it has a role to play.”

Some processes or raw materials that may be less than ideal in the long run will still play a crucial role in reducing emissions until stronger solutions can be achieved, Dempsey said. For example, “everyone agrees that ‘green’ hydrogen — produced with no greenhouse gas emissions — is ideal, but no one has solved the scale,” he said.

In the meantime, he said, alternatives such as “pink” hydrogen, which is produced using nuclear power, or “blue” hydrogen, which is produced using fossil fuels but utilizes carbon capture, offer flexible approaches that will enable companies to reduce emissions sooner. Similarly, while EAFs and blast furnaces (BFs) are often viewed in opposition, “the future is a blend in a lot of respects,” Dempsey said. While EAFs are largely viewed as the most sustainable option, a full industry-wide conversion is unrealistic anytime soon, he added.

Not all steel types can currently be produced entirely without BFs, and most of the world lags behind the U.S. in developing a reservoir of scrap metal for EAF production, Dempsey added.

Instead, using blast furnaces powered by a cleaner energy grid and using lower-emission raw materials than traditional coke are more immediate steps that are already making an impact, he explained. “The future will bring traditional aspects of integrated steelmaking along with increased use of EAFs,” Dempsey said. “It’s too simplistic to totally separate the two. The traditional categories are

changing, and it won’t be a flip of a switch — it will happen over decades.”

Approaches to “green” steel production will vary not just based on the limitations and local availability of materials and processes, but also based on differences in government policy around the world, Dempsey noted. “The idea of a ‘green’ steel premium is a European concept, and Europe has a more government-direct approach,” he said. “The U.S. has a more market-driven approach: buyers decide what they’re willing to pay for a product.” As such, he continued, “green” steel in the U.S. will likely find support through the competitive advantage of increased demand rather than by sellers charging a premium.

Additionally, government policies in the U.S. treat steel as part of a more holistic sustainability initiative, Dempsey noted. “Department of Energy initiatives are focused on the larger scope, not just steel,” he explained.

For example, he added, the U.S. government has offered funding toward regional “hydrogen hubs” — cross-industry initiatives such as the one announced by US Steel in 2022 — to support collaborative production and utilization of hydrogen between energy companies, steelmakers and other relevant entities.

Necessity-driven innovation has already pushed everyone to do more with what they have — for example, finding ways to stretch supplies of raw materials when supply chains from Russia and Ukraine were disrupted by the war, Dempsey said. Such innovations will lead to more diversity in sustainable approaches, not less, and the U.S. is well-positioned for such changes, he added.

“The U.S. has had to evolve time and again, which keeps us innovative and competitive,” Dempsey said.

**Source: FastMarkets, 01.25.2023**



Source: Steel Supply



## INDUSTRY NEWS

### Shipments Of Steel And Aluminum Decline In December

Shipments of steel and aluminum products from North American service centers were down across the board in the final Metals Activity Report of 2022 from the Metals Service Center Institute, Rolling Meadows, Ill.

U.S. service center steel shipments in December decreased 2.6% from the same month in 2021. Aluminum shipments from distributors were off 9.5% from the previous December.

In Canada, steel shipments from service centers declined 2% in December from the year-ago period. Aluminum shipments were down 3.1% from December 2021.

Net shipments of aluminum sheet and plate in the U.S. totaled 705.1 million pounds in December, down 5.4% compared with the same month in 2021, the Aluminum Association reported. Compared with the prior month, shipments were down 5.2%.

For the full year, shipments totaled 9.5 million pounds, up 3.6% compared with 2021. *Source: MCN, 01.24.2023*



Source: Adobe Stock

### President Biden Announces First of its Kind Infrastructure Investment for Nine Nationally Significant Mega Projects

President Biden and Transportation Secretary Pete Buttigieg announced that the Biden-Harris Administration has awarded nearly \$1.2 billion from the new National Infrastructure Project Assistance (Mega) discretionary grant program for nine projects across the country. These projects will create good-paying jobs, grow the economy, strengthen supply chains, improve mobility for residents, and make our transportation systems safer for all users.

"From the Hoover Dam to the Golden Gate Bridge, some infrastructure projects are so large and complex that they defy traditional funding systems—and so significant that they become iconic parts of the American landscape," said U.S. Transportation Secretary Pete Buttigieg. "After receiving over one hundred applications, we are proud to fund these nine infrastructure megaprojects across the country to create jobs, strengthen our supply chains, expand our economy, and renew America's built landscape."

This year's selected projects include:

- \$250 million for Brent Spence Bridge improvements (Cincinnati, OH and Covington, KY)
- \$292 million for Hudson Yards Concrete Casing, Section 3 (New York, NY)
- \$78 million for the Roosevelt Boulevard Multimodal Project (Philadelphia, PA)
- \$150 million to replace the I-10 Calcasieu River Bridge (Calcasieu Parish, LA)
- \$110 million to replace North Carolina's Alligator River Bridge (Dare and Tyrrell Counties, NC)
- \$60 million to make improvements to the I-10 Freight Corridor (Diamondhead, MS)

Click [HERE](#) for a full list of awards.

[Full Story](#) *Source: USDOT, 01.31.2023*

## SPECIAL SECTION: TRADE

### U.S. Government Appeals WTO Rulings Against Metals Tariffs

On January 27, the U.S. government filed an appeal against a series of World Trade Organization (WTO) rulings involving China, Turkey, Norway, and Switzerland that had determined the U.S. Section 232 steel and aluminum tariffs that had been put into place by former President Donald Trump's administration violated WTO rules.

The most recent decision came this past December. That ruling came despite the fact that Article 21 of the WTO's foundational document, the General Agreement on Tariffs and Trade, allows member countries to take actions that

violate WTO commitments if it is for purposes of protecting that country's own national security. (Section 232 of U.S. trade law deals specifically with national security.) In the face of December's WTO ruling, the Biden administration pledged it would not remove the Section 232 penalties and strongly condemned the WTO's decision, saying it provided additional proof that the WTO dispute settlement system needs to be reformed. If the U.S. ultimately loses the case, the countries in question would be able to impose retaliatory tariffs on U.S.-made products.

China's ambassador to the WTO, Li Chenggang, spoke at a WTO meeting on trade disputes shortly after the U.S. lodged its appeal. "These troubling behaviors of the U.S. have clearly depicted an image of the U.S. as a unilateral bully, a rule breaker, and a supply chain disruptor," he said.

It is unclear what will happen next. That is because the WTO will not be able to review the case since its top appeals court does not have quorum due to the fact that the U.S. government has blocked the approval of new judges.

*Source: MSCI, 01.27.2023*

### ITC Keeps Penalties On Most Carbon And Alloy Steel Cut To Length Plate

The U.S. International Trade Commission (USITC) has issued a ruling that determined revoking existing countervailing duty orders on imports of carbon and alloy steel cut-to-length plate from China and South Korea and existing antidumping duty orders on imports of carbon and alloy steel cut-to-length plate from Austria, Belgium, China, France, Germany, Italy, Japan, South Africa, South Korea, Taiwan, and Turkey would likely to lead to the continuation or recurrence of material injury within a reasonably foreseeable time. As a result of the determinations, existing orders on imports of this product from Austria, Belgium, China, France, Germany, Italy, Japan, South Africa, South Korea, Taiwan, and Turkey will remain in place.

The ITC also determined revoking the existing antidumping duty order on imports of carbon and alloy steel cut-to-length plate from Brazil would not be likely to lead the continuation or recurrence of material injury. Therefore, the existing antidumping duty order on imports of this product from Brazil have been revoked.

According to the ITC, its reports on these decisions will be available by February 14, 2023 at this link.

*Source: MSCI, 01.23.2023*

### Panel Throws Uncertainty On Section 232 Tariffs

Ever since Joe Biden succeeded Donald Trump in January 2021, the new president has been unraveling many of the policies implemented by the previous administration. This is nothing new. When control of the White House shifts parties, as it did in the 2020 election, the incoming administration is expected to reverse some of the policies implemented by the outgoing group.

But in the nearly two full years President Biden has been in office, there has been at least one area of emphasis of the former president that has remained in place, the Section 232

tariffs governing steel and aluminum. Enacted in 2018 by former President Trump, Section 232 imposed 25% levies on foreign steel and aluminum imported into the U.S. Section 232 gives the president immense latitude to impose the fees if they're done in the country's national security interests.

The tariffs and their effect on the global metals trade have not remained static in the four years since their implementation, under both administrations. Exclusions have been granted. South Korea negotiated a quota workaround and Europe followed suit with tariff rate quotas in the past

year.

But the tariffs themselves have persisted, with little threatening their existence. Until now.

In December, a three-person World Trade Organization panel ruled against the tariffs, claiming they contravened global trading rules. Their ruling was in response to disputes filed by a disparate group of trading partners: Norway, China, Switzerland, and Turkey.

U.S. steelmaking interests were quick to denounce the ruling.

[Full Story](#) *Source: MCN, 01.23.2023*