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U.S. ECONOMIC NEWS

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30 Million Americans Have Filed Initial Unemployment Claims Since Mid-March—as the coronavirus crisis continued to weigh on the US economy. First-time claims for unemployment benefits totaled 3.8 million in the week ending April 25, after factoring in seasonal adjustments, the U.S. Department of Labor said.

Without those adjustments—which economists use to account for seasonal hiring fluctuations—the raw number was 3.5 million. That brings the total number of first-time claims to 30.3 million over the past six weeks—representing roughly 18.6% of the U.S. labor force—as businesses have laid off and furloughed workers during stay-at-home orders across the country.

After peaking at 6.9 million in the last week of March, claims have fallen each of the last four weeks—an encouraging sign that at least things aren't getting worse. But overall, joblessness remains a dire problem. Friday marks May 1, and for millions of Americans, rents and mortgage payments will be due. Unemployment benefits are one of the key forms of financial aid that are helping families plug the gap. Full Story
Source: CNNBusiness, 05.01.2020

New Durable Goods—New orders for durable goods fell 14.4% in March, the largest monthly decline since August 2014. Sharp drops in motor vehicles and parts and nondefense aircraft and parts orders pulled the data lower. Excluding transportation equipment, new orders declined 0.2% in March, pulled lower by reduced sales for computers and related products, fabricated metal products, machinery and primary metals. In contrast, orders rose for defense aircraft and parts, electrical equipment, appliances and components and other durable goods.

Nondefense capital goods excluding aircraft—a proxy for capital spending in the U.S. economy—edged up 0.1% in March. That surprising result would likely foretell weaker data in April, with manufacturers challenged by the COVID-19 outbreak and this report possibly capturing just the beginning of the declines in activity. Full Story
Source: NAM, 04.27.2020

An Unprecedented Drop In Economic Activity Was 'Relatively' Good News

Economic news has been grim. And the data is likely to get worse, even if real economic activity is approaching its nadir. But on April 24 one economic data report that pointed to an "unprecedented" decline in activity in both the U.S. services and manufacturing sectors might've been "relatively" good news.

IHS Markit's flash reading on business output published April 23 hit a record low, with the composite output reading falling to 27.4, the lowest on record. Readings over 50 for this measure indicate expansion and readings below 50 indicate a contraction in activity.

"Private sector firms in the U.S. signaled an unprecedented decline in business activity in April, with manufacturing and service sector companies registering marked contractions of output amid the outbreak of COVID-19," the report said. After an initial drop in this index to 40.9 in March, April's data confirms that the bottom is indeed dropping out of U.S. economic activity.

"The COVID-19 outbreak dealt a blow to the U.S. economy of a ferocity not previously seen in recent history during April," said Chris Williamson, chief business economist at IHS Markit. "The deterioration in the flash PMI numbers indicates a rate of contraction exceeding that seen even at the height of the global financial crisis, with jobs also being slashed at a rate far exceeding anything previously recorded by the survey." But this largest-ever drop in activity seen from IHS' report points towards a falloff in GDP growth during the second quarter that is not quite as grim as some economists are forecasting.

Michael Pearce, senior U.S. economist at Capital Economics, said in an email April 23 that IHS Markit's report suggests the economy will contract at an annualized rate of 12% during the second quarter. Pearce and the team at Capital Economics, however, expect to see a 40% annualized decline. "We remain skeptical that the surveys are providing an accurate gauge of how bad the decline in GDP will be, principally because of the problems associated with such high non-response rates to surveys conducted during a time when many businesses are shuttered," Pearce writes. "Nevertheless, even though the April reading is a record low, it should be viewed as 'relatively' good news."

Though as we've covered previously, qualitatively surveys in particular are challenged for the exact reason Pearce notes — many offices are closed so there is no one to actually respond to these questionnaires. And more quantitative data on the health of the U.S. economy have also been painting pictures that are unambiguously horrific.

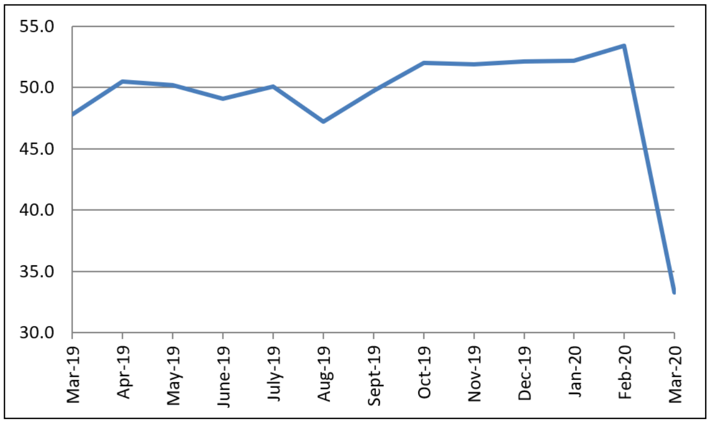
The weekly report on initial jobless claims was also released the week of April 20, revealing that another 4.42 million Americans filed first-time claims for unemployment insurance last week. Over the last five weeks, more than 26 million people have filed initial claims. The four-week average of claims is now nine times higher than the financial crisis peak.

"The claims data are consistent with our forecast for job losses of 24 million in April and a spike in the unemployment rate to 14% while the labor force participation falls below 60%," said Greg Daco at Oxford Economics. "We expect total job losses during the pandemic to approach 30 million. Importantly, we expect the recovery in the labor market to be slow and don't expect employment to return to 2020 levels until early 2022."

And with an outlook like that, we'll take any "relative" optimism we can get. *Source: YahooFinance, 04.24.2020*

KEY ECONOMIC INDICATORS

Architecture Billings Index (ABI)

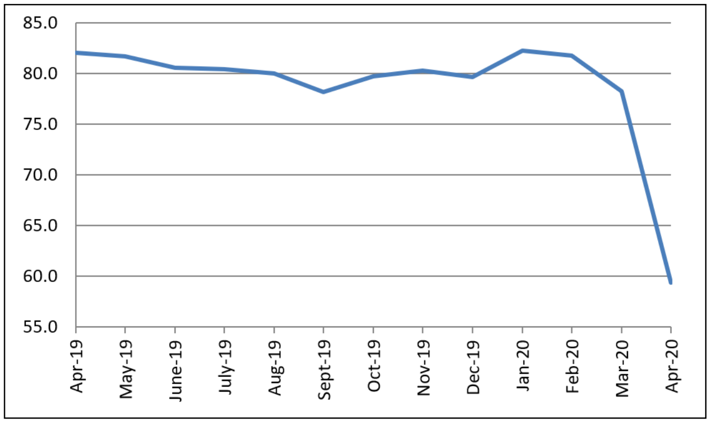


Reflecting the deteriorating conditions in the overall economy, demand for design services from architecture firms recorded a record fall, according to a new report today from The American Institute of Architects (AIA).

AIA's Architecture Billings Index (ABI) score of 33.3 for March reflects a decrease in design services provided by U.S. architecture firms (any score below 50 indicates a decrease in billings). During March, both the new project inquiries and design contracts scores dropped dramatically, posting scores of 23.8 and 27.1 respectively.

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, 04.22.2020

Steel Capability Utilization



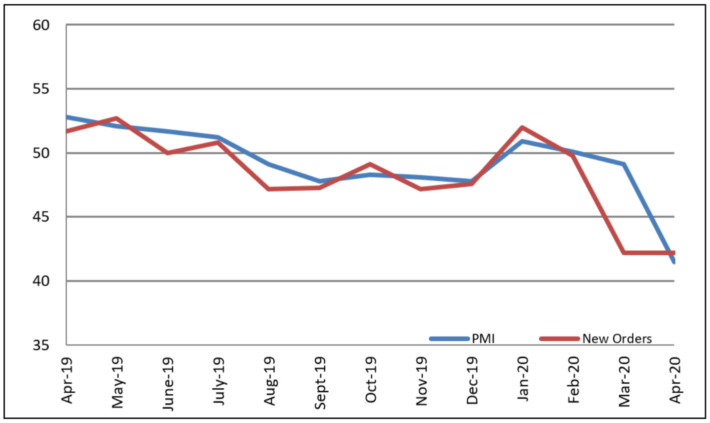
In the week ending on April 25, 2020, domestic raw steel production was 1,250,000 net tons while the capability utilization rate was 55.8%. Production was 1,892,000 net tons in the week ending April 25, 2019 while the capability utilization then was 81.3%. The current week production represents a 33.9% decrease from the same period in the previous year. Production for the week ending April 25, 2020 is down 2.1% from the previous week ending April 18, 2020 when production was 1,277,000 net tons and the rate of capability utilization was 57.0%.

Adjusted year-to-date production through April 25, 2020 was 28,850,000 net tons, at a capability utilization rate of 75.4%. That is down 8.3% from the 31,449,000 net tons during the same period last year, when the capability utilization rate was 81.5%.

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, 04.29.2020

Purchasing Managers Index (PMI)®

The April PMI® registered 41.5%, down 7.6 percentage points from the March reading of 49.1%. The New Orders Index registered 27.1%, a decrease of 15.1 percentage points from the March reading of 42.2%. The Production Index registered 27.5%, down 20.2 percentage points compared to the March reading of 47.7%. The Backlog of Orders Index registered 37.8%, a decrease of 8.1 percentage points compared to the March reading of 45.9%. The Employment Index registered 27.5%, a decrease of 16.3 percentage points from the March reading of 43.8%. The Supplier Deliveries Index registered 76%, up 11 percentage points from the March reading of 65%, limiting the decrease in the composite PMI®.



Of the 18 manufacturing industries, the two that reported growth in April: Paper Products; and Food, Beverage & Tobacco Products. The 15 industries reporting contraction in April (in order): Printing & Related Support Activities; Furniture & Related Products; Transportation Equipment; Textile Mills; Fabricated Metal Products; Nonmetallic Mineral Products; Machinery; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Wood Products; Miscellaneous Manufacturing; Computer & Electronic Products; Primary Metals; and Chemical Products. *Source: Institute for Supply Management, 05.01.2020*

Oil Bounces 14% As Investors Bet On The Global Economy Slowly Reopening And Demand For Oil Storage Slows

Oil prices rose once again on April 30 as signs that the global economy is moving towards a slow reopening boost sentiment, and inventory data shows storage demand for the commodity rising slower than expected. West Texas Intermediate has rallied close to 14% on the day to trade at $17.43 barrel, as of 8:35 AM ET, while Brent crude, the international benchmark is up 12% at $25.38 a barrel, according to Markets Insider data.

Many large economies are moving to lift the most stringent of coronavirus lockdown measures. Several U.S. states are taking measures such as reopening non-essential stores, while some European countries are taking similar steps. This reopening has boosted sentiment, creating expectations that oil demand will likely increase in coming weeks.

Prices also rallied on signs that demand for storage of oil is coming off recent highs. A report from the U.S. Energy Information Administration April 29 showed inventories of oil rising by nine million barrels last week, significantly lower than the 10.6 million barrel increase forecast by analysts.

Neil Wilson, market analyst at Markets.com, said: "Oil continues to notch gains as the risk rally reflects hopes of the global economy opening up sooner, and after a smaller-than-feared build in U.S. crude inventories."

Oil prices have experienced swings of both downward and upward volatility over the last month. U.S. oil prices turned negative for the first time in history last week, while Brent dropped to a more than two-decade low. The positive movement in oil prices comes despite a gloomy forecast by the International Energy Agency on April 30 that predicted global energy demand will slump seven times more than it did during the 2008 global financial crisis.

The International Energy Agency said on April 30 in a statement: "Energy demand will fall 6% in 2020—seven times the decline after the 2008 global financial crisis." Dr. Fatih Birol, executive director of the IEA said: "It is still too early to determine the longer-term impacts, but the energy industry that emerges from this crisis will be significantly different from the one that came before."

Analysts at MUFG said in a research note April 30 oil is entering the "inflection stage in the cycle". "We expect the market to sternly test global storage capacity in the coming 2-3 weeks which will likely lead to significant volatility with more spikes to the downside to front-month oil prices. This will continue until we reach the equilibrium of supply equating demand, given storage and filling capacity constraints–as with nowhere to store the oil, supply has no other option but to be shut-in in-line with the expected demand losses."

But MUFG predicts at this this inflection point that demand-supply fundamentals will balance and oil prices will bottom out. On April 30, oil giant Shell slashed its dividend for the first time since the World War Two, reflecting the turbulent state of the industry. ***Source: MarketInsider, 04.30.2020***

Aluminum Association Calls For Reforms To Aluminum Tariff Exclusion System

On April 27, the Aluminum Association petitioned the Department of Commerce for changes to the aluminum tariff exclusion system. In a letter to Secretary of Commerce Wilbur Ross, the Aluminum Association called for reforms to the aluminum tariff exclusion system.

“Under current rules set by the department, importers can request an exclusion from paying the 10% Section 232 tariff on specific aluminum products entering the U.S.,” the Aluminum Association said in a release. “The Commerce Department has granted tariff exclusions for huge volumes of aluminum can stock, plate, sheet, foil and other products—far exceeding historical import volumes and U.S. market demand. This has created a market dynamic that gives foreign competitors an unfair advantage over domestic producers.”
Source: MetalMiner, 04.27.2020

China Drives Stainless Growth In 2019

Global stainless steel melt shop production climbed 2.9% to 52.2 million tons in 2019, reports the International Stainless Steel Forum, Brussels. The production gains, however, were entirely located in China.

Chinese melt shop production increased 10.1% to 29.4 million tons last year. In contrast, production in the U.S. fell 7.6% to 2.6 million tons and production in Europe was off 7.9% to 6.8 million tons.

Elsewhere, production in Asia outside China and South Korea declined 3.7% to 7.9 million tons and the rest of the world was down 2% to 5.5 million tons.
Source: MetalCenterNews, 04.14.2020

Automakers Adjust To 'New Normal' As They Prepare To Reopen Plants

A growing list of automakers hope to restart their assembly lines—some as early as the week of April 27—as manufacturers battle to prevent a record sales slump from steepening. The 54 auto assembly lines—along with hundreds of parts plants—ground to a halt in mid-March as the extent of the coronavirus pandemic became increasingly apparent. With new car sales drying up, that didn't matter much for the past month. But with sales starting to rebound, according to a new report by J.D. Power, manufacturers want to be positioned to meet resurgent consumer demand.

The main challenge will be ensuring that employees can take their place on assembly lines without having to fear getting potentially deadly COVID-19, the disease caused by the coronavirus. Hundreds already have, with several manufacturers, including Fiat Chrysler and Ford, reporting a number of fatalities. "There is no going back to the normal for the foreseeable future. We have to adjust to the new normal," said Chris Reynolds, Toyota's chief administrative officer for North American manufacturing operations. The May 4 restart date is "an opening day, not the day we're going begin making cars," he noted.

The Japanese automaker, which operates a network of parts and assembly plants in the Midwest and South, offered some insight into the steps it is taking to protect workers when they begin to report back next week. Work stations have been reengineered to increase the distance between workers, said Sean Suggs, president of Toyota's big assembly plant in Mississippi. Even cafeterias have been redesigned, and plastic sheets have been installed between sinks in factory restrooms.

Line workers, meanwhile, will be wearing personal protection equipment, or PPE, similar to what's now being used in hospitals, including masks and even face shields. Before even entering the plant, they'll be asked about their health and have their temperature taken. Suggs said Toyota has been networking with other automakers to share best practices for protecting line workers. Volkswagen, which plans to reopen its Chattanooga assembly line on May 3, said it has put in place 90 different steps to protect employees. Detroit's Big Three have announced similar measures to reduce the risk of the virus spreading.

"You have to assume that every person (in a plant) is infected," said David Yanez, chief operating officer of PTI QCS, a quality control firm working with a number of automakers to address the challenges of building cars during a pandemic. "Our culture now has to be about safety first. If workers don't feel safe it could disrupt the entire production chain."

Nonetheless, Toyota's Suggs acknowledged, "There's a really good chance we'll have a positive case again."

That's a thought that worries Julie Classen, a veteran line worker at Ford's Michigan Assembly Plant. She was one of a number of workers at the truck factory to be stricken by COVID-19 last month. Classen has largely recovered and expects to be called back early next month.

Classen has already been shown some of the steps Ford plans to take but has "a hard time believing they'll actually make it safe enough," though she agrees it will help to "space out the jobs more" so there is less likelihood of direct person-to-person contact. She also worries about what it will be like trying to work while wearing all the protective gear, especially in the summer when factories such as hers can get extremely hot.

For now, automakers are set to give it a go, at least if they gain approval from states that have initiated lockdowns. One of the challenges they face is that the North American auto industry is highly integrated, so a parts plant remaining closed in one state could idle an assembly line in another. That was underscored recently when a BorgWarner factory in South Carolina was severely damaged by a tornado. That may delay the start-up of some Ford and Fiat Chrysler plants using its parts for their pickups.

Going into April, the research firm warned U.S. sales could plunge by 80% for the month. The numbers were off a more modest by mid-month, though still substantial—45%. One reason: record incentives that have been averaging around $4,800 a vehicle over the past month and as much as $7,300 on full-size pickups. Tellingly, nearly one in four buyers opted for the 84-month, zero-interest loans that are becoming commonplace.

If anything, buyers can expect to see incentives continue to climb as automakers resume production, said Jominy, noting the best deals will be found on vehicles that have been sitting on dealer lots. Incentives on leftover 2019 models currently average around $6,600, or 50% more than on 2020 offerings.

But, in general, "We're starting to see manufacturers be a bit more aggressive, to make sure they have offers compelling to buyers coming back to market," said Thomas King, chief data officer at J.D. Power. ***Source: NBCNews, 04.27.2020***

Mercedes-Benz Reopened An Alabama Auto Plant. Here's How It Happened

KEY POINTS

- Mercedes-Benz has begun to gradually reopen its plant in Alabama, where 4,200 workers are employed.
- Depending on how the reopening goes, it could assist other automakers in efforts to reopen their domestic plants in the coming weeks and months.
- Daimler, which owns Mercedes-Benz, said it took "robust and best practice safety measures" to ensure that the plant is safe. ***Source: CNBC: 04.30.2020***

Understanding All Of The Loan, Tax Benefits Available To Businesses During COVID-19

During the week of April 20, U.S. lawmakers approved $310 billion in funding to restart the U.S. Small Business Administration's Paycheck Protection Program (PPP). That allocation includes $60 billion set-aside to ensure that businesses served by community development financial institutions, minority depository institutions, community banks, credit unions, and certified development companies can access PPP funds. The legislation also appropriates $60 billion for the SBA's s Economic Injury Disaster Loan program (including $10 billion in grants). Despite the increase for EIDL, the SBA has reported that they received between three and four million applications for the program and that the additional funding will not begin to cover the loan applications already submitted to the SBA. Experts at *Inc. magazine* recommend that eligible small businesses who have not already submitted applications do so now.

The SBA also has released an updated FAQ regarding the PPP and the U.S. Treasury Department and SBA released another PPP Interim Final Rule (IFR). The supplemental IFR is effective immediately. It covers a variety of matters, including affiliation rules and the eligibility of businesses in bankruptcy. It also reiterates the statutory requirement that loan applicants must certify that "current economic uncertainty makes this loan necessary to support the ongoing operations of the Applicant."

The IFR now provides a safe harbor for any company that previously applied for a PPP loan but did not meet the condition that the loan was "necessary." That safe harbor provides that such companies that repay the loan in full by May 7 "will be deemed by SBA to have made the required certification in good faith." Click here to read the supplemental IFR. For all of the SBA and Treasury's information on the PPP, visit www.SBA.gov/PaycheckProtection and www.Treasury.gov/CARES. The Federal Reserve, meanwhile, still has not finalized the rules for its Main Street Lending Program. According to an S&P Global article, "The Federal Reserve may have to lower the price for businesses to access its Main Street Lending Program and tweak other details so that more firms can tap into the $600 billion emergency loan pool."

While efforts to sustain the PPP, EIDL, and Main Street Lending Program continue, these other programs can help businesses:

- Employee Retention Credit—The CARES Act, the third stimulus bill passed by the U.S. Congress, provides automatic payroll tax relief to companies. This Employee Retention Credit can provide up to $5,000 per employee in credits to employers of all sizes. No approval is necessary and the estimated refundable portion of the credit can be advanced, but firms that use the Paycheck Protection Program cannot also use this retention credit program. Click here to read the National Association of Wholesalers' Legal Advisory explanation of this program. Click here to read the USCC's review of this program.
- Operating Loss Carryback. The Internal Revenue Service (IRS) has issued guidance for the CARES Act's net operating loss (NOL) carryback provision. This provision allows companies to use tax losses from 2018, 2019, and 2020 to offset income from the prior five years. A new tax deadline extension also builds on prior IRS guidance and now allows firms to delay certain estimated tax payments. Per the IRS, "any individual or corporation that has a quarterly estimated tax payment due on or after April 1, 2020, and before July 15, 2020, can wait until July 15 to make that payment, without penalty." A press release on the IRS action can be found here, and the guidance document can be found here. The IRS has announced it will be accepting claims by fax, rather than hard-copy mailing, for net operating loss refunds. More information on the temporary faxing process can be found here.

For more information on these programs, and for other important advice on how to lead and manage through this crisis, visit BDO's COVID-19 portal, available here.

Information about the Canadian government's financial and economic support programs is here. ***Source: MSCI, 04.27.2020***

U.S., Canadian Guidance On COVID-19 Workplace Safety Measures

The Centers for Disease Control and Prevention has issued new guidance that outlines recommended steps to protect employees and prepare small businesses for disruption. Additionally, this fact sheet also outlines 10 steps small business employers can take to protect their employees' health.

The U.S. Chamber of Commerce, meanwhile, has created a summary document that distills U.S. Occupational Safety and Health Administration and CDC guidance for employers about how to protect workers as they maintain or resume operations amid COVID-19. ***Source: MSCI, 04.24.2020***

Looking To American Manufacturing Entrepreneurs To Save Lives And Jobs

When Shirish Pareek learned that there was a shortage of PPE products to supply the medical community with what is needed to combat COVID-19, he did what he has always done; found a solution. Pareek created the Manufacturing Coalition, a group of American business leaders drawn from Young Presidents' Organization (YPO). Why this group? Well YPO has as its members 28,000 CEOs, in 130 countries, who achieved success at an early age and joined together with the goal of improving leadership. Currently, they lead companies and organizations that contribute $9 trillion in annual revenue.

These were the minds that Pareek wanted to tap to manufacture and distribute the necessary medical supplies. The coalition is comprised of 200 American YPO leaders, located in 30 states, that pivoted production lines to create products such as N95 masks, disposable gloves, sanitizing gels and liquids, ventilators and ventilator housings, COVID-19 testing kits, aluminum components for blood analysis tools, and more.

“Our first feeling was as a group of business leaders in our communities, what can, and should, we do,” explains Pareek. “Within a brief period of time we changed from what should we do to this is what we will do—lead.” And leading is an area of expertise of this group of YPO manufacturers. “We are American entrepreneurs and manufacturers and we have the capabilities and want to help. We want to save lives - we’ve seen the struggles to get PPE.”

About 30% of the companies in the coalition were already part of the medical supply chain and more than two-thirds of all coalition members were deemed essential and had stayed open. “We want to meet today’s demand for medical supplies and as entrepreneurs, we know how to pivot.”

And while supplying the needs of the medical community, these efforts will also help the U.S. workforce. “We are also leaders of our own businesses and want to make sure our own employees maintain their jobs,” said Pareek.

Saving jobs in an economy that has dropped to employment levels that this country hasn’t seen since the Depression, cannot be understated. To provide employment there must be a long-term solution to ensure the U.S. has a fully functioning supply chain, says Pareek.

“The immediate need is to solve the current supply chain issues, however, equally important is solving the medium to long term needs,” says Pareek. “We have a responsibility to create American independence for the longer term. There has been a wake-up call around this health care crisis and the need to secure medical supplies. I’ve already heard from people, telling me that anything they need today will have to come from overseas. Besides China, other countries also want to keep the product for themselves.”

While every country is competing for supplies during this pandemic, it exposed a vulnerability in the U.S. supply chain. “What about the next crisis?’ asks Pareek. “Will we have the supplies to combat that? We need to fix the broken American supply chain by producing these products in the U.S.” And Pareek has ideas on how to accomplish this. He points to the strength of U.S. manufacturing. “I believe in the ingenuity of American workers,” Pareek says. “What is needed is a clear demand signal—if the government is ready to send it—entrepreneurs will run with it—for every product from gloves to masks. We are still a global economy and will continue to be, but we want to make sure we are strategic. We need to analyze the entire supply chain and be prepared.“

One way to do this is to “repair our own supply chain. While some materials may need to come from other countries we must have a diversified supply chain.” Manufacturing domestically is important for a stable society, Pareek says. “If we don’t make our lithium-ion batteries and our LCD screens domestically, how will we communicate during a future crisis? We need to ensure we have the necessary supplies as a matter of national security.”

With a clear demand to produce domestically, investment can follow. "As entrepreneurs and manufacturers if we get the demand signal that provides the catalyst needed to make the necessary investment in people, plant and equipment to start to supply products in the U.S.”

Adapting to domestic needs doesn't have to take a long time, explains Pareek. “The majority of our members who aren’t already producing in the medical, PPE, are able to pivot in less than a week. We need to re-evaluate our value chain and re-evaluate our policies, so we don’t find ourselves in this situation again.” Pareek points to his group’s capabilities. “We built our business in this country. During a crisis, leaders lead and that is what the YPO entrepreneurs are looking to do. We are asking to get back to work so we can save lives and can keep our own employees employed. We need a clean and simple supply chain, located right here in the U.S.”

This domestic production will make America strong, insists Pareek. And with the heart and soul of an entrepreneur, he is stepping up. “I’d love to be part of figuring out a plan, based on examining our supply chain, and putting together a strategy on what is needed to make this happen.”

Source: IndustryWeek, 04.22.2020