Weighted Index of Activity (IDX) up moderately for 15 U.S. steel-consuming industries

After rising 3.9% in 2015, but only 0.7% in 2016, WSD’s IDX is up an average of 3.6% for the first eight months of 2017. This rise is composed of a 6.1% increase for the capital equipment short-lead-time (CES) component of the overall index; a 5.4% rise for the capital equipment long-lead-time (CEL) component; and a 3.7% drop in the consumer goods (CDIDX) component.

Looking ahead the next few years, a surge in capital spending in the United States (perhaps reflecting a sizable investment credit on capital outlays by businesses) seems to be essential if U.S. steel demand is to rise significantly given the following: (a) many U.S. municipalities have high debt and sizable entitlement obligations for retiree pension and medical costs — both of which limit their ability to engage in the financing of sizable infrastructure projects; (b) there’s been about a 50% decline in U.S. retail commercial construction as internet shopping takes away market share from shopping at brick-and-mortar operations; (c) surging oil and gas drilling, which has significantly driven up steel demand, may now be approaching a peak; (d) U.S. automotive output may also be close to peak; and (e) publicly funded non-residential construction has recently fallen to a 10-year low.

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Components of WSD Index of Steel Activity (USA).
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