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Steel and Aluminum Tariffs: Winner and Losers

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The March 2018 steel and aluminum tariffs apparently have resulted in a boom in domestic steel industry production and profits. Nucor CEO John Ferriola, who heads up the nation's largest steel producer, notes, "[2018] was a record year for Nucor. We posted record earnings per share and record revenue, and we shipped a record amount of steel." Pittsburgh-based U.S. Steel noted advancement as well, announcing the resumption of work on a plant in Alabama that will ultimately produce up to 1.6 million tons of steel annually and employ 150 full-time workers. The company cited the tariffs as one of the reasons for the work renewal.

The same tariffs have had the opposite impact on goods producers and midstream steel companies, however. According to the April 2019 National Association for Business Economics (NABE) survey, 75 percent of goods producers and more than 25 percent of all businesses surveyed report that tariffs negatively impacted their organizations. Only one percent indicated tariffs having some positive impact on their business. These respondents said tariffs have elevated costs and necessitated higher selling prices, which contributed to negative sales. The majority of goods producers surveyed reported price increases for the first quarter of 2019 and anticipated additional price increases for Q2. This is in contrast with the finance, insurance and real estate sectors that anticipate no price changes, and the transportation, utilities and communication industries that expect prices to decrease slightly over the second quarter of 2019. Goods producing respondents also reported adjustments to their hiring plans as their supply chains shift.

Additionally, during 2018, CEOs from Ford and General Motors (GM) each reported that metal tariffs took about \$1 billion in profits from their organizations. GM recently announced layoffs beginning in February 2019, affecting 14,000 workers in North America, with the aim of cutting \$2.5 billion in costs. Locally, the layoffs included more than 1,400 at the Lordstown, Ohio GM plant. Elsewhere, Pittsburgh-based Allegheny Technologies Incorporated (ATI) said that the 100 jobs at its Midland, Pa., plant, which processes Indonesian-produced stainless steel, are in jeopardy. ATI was denied a federal tariff exemption and has reported that they have already paid \$16 million in tariffs. The Midland plant has been operating at 40 percent capacity since January.

The most recent NABE survey results, however, were generally favorable about the condition of the economy. All respondents expect continued economic expansion for the next 12 months, with an approximately equal split between those who expected real gross domestic product inflation to exceed two percent and those who thought it would fall below two percent. All goods producers surveyed reported open positions in their organizations.

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