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May 2021

Spring Letdown: Hiring Slows In April, Raising New Challenges For Economy—Hiring unexpectedly slowed last month, as businesses struggled to keep pace with booming demand from newly-vaccinated customers.

U.S. employers added just 266,000 jobs in April, according to a monthly snapshot from the Labor Department. It was the weakest month of job growth since January. The unemployment rate rose to 6.1%, from 6% in March, partly because hundreds of thousands of people joined the work force.

Some employers complain they're having difficulty filling jobs, even though millions of people are still out of work. "The number of people looking for jobs right now is certainly lower than it would be if COVID didn't exist," said Heidi Shierholz, former chief economist for the Labor Department. "But that in itself doesn't mean we have a labor shortage."
Full Story *Source: NPR, 05.07.2021*

Consumer-Fueled Economy Pushes GDP To 6.4% First-Quarter Gain—Economic activity boomed to start 2021, as widespread vaccinations and more fuel from government spending helped get the U.S. closer to where it was before the COVID-19 pandemic struck, the Commerce Department reported April 29. Gross domestic product, the sum of all goods and services produced in the economy, jumped 6.4% for the first three months of the year on an annualized basis. Outside of the reopening-fueled third-quarter surge last year, it was the best period for GDP since the third quarter of 2003. Economists surveyed by Dow Jones had been looking for a 6.5% increase. Q4 of 2020 accelerated at a 4.3% pace.

"This signals the economy is off and running and it will be a boom-like year," said Mark Sandi chief economist at Moody's Analytics. "Obviously, the American consumer is powering the train and businesses are investing strongly." In a separate report April 29, the Labor Department said initial jobless claims fell to a pandemic-era low last week, but the number was higher than expected.
Full Story *Source: CNBC, 04.29.2021*

Manufacturing Economic Activity Increases In April—The manufacturing economy grew in April and the overall economy showed an 11th consecutive month of growth, according to the Institute for Supply Management's monthly Manufacturing ISM Report on Business. The April PMI of 60.7% was four percentage points lower than the March reading of 64.7% but well above the 50% level that indicates a generally expanding economy. A PMI below 50% indicates a generally declining economy.

"All of the six biggest manufacturing industries—fabricated metal products; chemical products; food, beverage & tobacco products; computer & electronic products; transportation equipment; and petroleum & coal products, in that order—registered moderate to strong growth in April," said Timothy R. Fiore, chair of the ISM Manufacturing Business Survey Committee, in a news release.

Among the individual indices that comprise the PMI, the New Orders Index, Production Index and Employment Index all showed growth, although at a slower rate than in the previous month. Full Story
Source: IndustryWeek, 05.03.2021

Record Personal Income Growth Spurs Both Spending And Saving

Personal income soared 21.1% in March, buoyed largely by stimulus checks, the largest monthly increase in the history of the series, which dates to January 1959. Total wages and salaries increased 1.1% in March, or 1.9% in the first quarter overall. Aggregated manufacturing wages and salaries rose 1.4% in March but remained 1.1% lower than before the pandemic. Personal consumption expenditures increased 4.2% in March, bouncing back from the 1.0% decline in February and the largest monthly increase since June 2020. Durable and nondurable goods purchases jumped 10.8% and 6.5%, respectively, with service-sector spending up 2.2%.

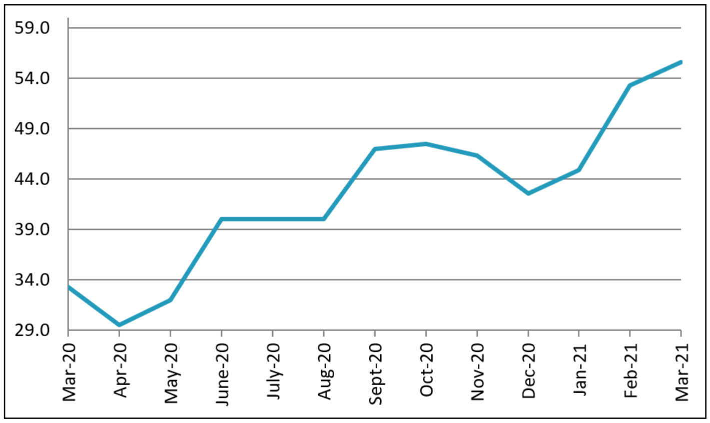
Despite the solid increase in personal consumption expenditures in March, the data suggest that Americans saved more of their extra dollars than they spent. As a result, the saving rate nearly doubled from 13.9% in February to 27.6% in March, the highest since April 2020 (33.7%).

The Conference Board and the University of Michigan both reported that consumer confidence reached the best readings in at least 13 months, with Americans more upbeat about economic growth and the labor market and with increased purchasing intentions in their outlook.

After falling 0.9% in February, largely from poor weather and supply chain disruptions, new orders for durable goods rose 0.5% in March, or growth of 1.6% with transportation equipment excluded. Overall, the durable goods sector is growing rapidly, rising 4.1% over the past 13 months, or 10.8% with transportation equipment excluded since February 2020. Nondefense capital goods excluding aircraft—a proxy for capital spending in the U.S. economy—rose 0.9% to $73.2 billion in March, a new record. Core capital goods orders have soared 10.2% over the past 13 months, as firms have ramped up activity on the brighter economic outlook.
Source: NAM, 05.03.2021

Key Economic Indicators

Architecture Billings Index (ABI)

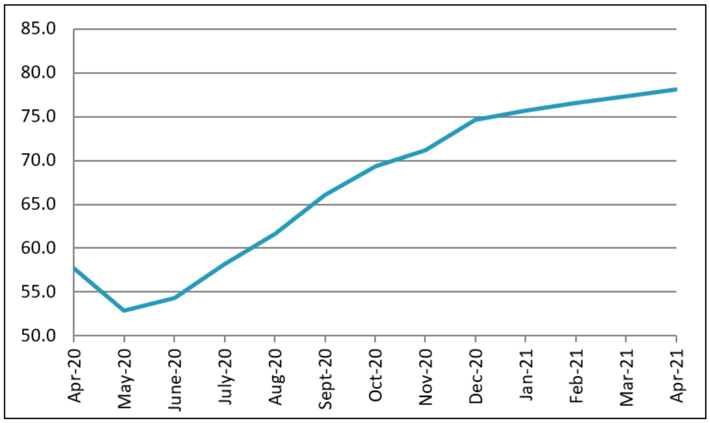


Strengthening to a score not seen since pre-Great Recession, the Architecture Billings Index (ABI) logged its second positive mark since the beginning of the pandemic, according to a new report today from The American Institute of Architects (AIA).

AIA's ABI score for March rose to 55.6 compared to 53.3 in February (any score above 50 indicates an increase in billings). Scores for both new projects inquiries and new design contracts strengthened to 66.9 and 55.7 respectively. March also marked the first time in three years all building sectors and regions posted positive scores.

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, 04.21.2021

Steel Capability Utilization

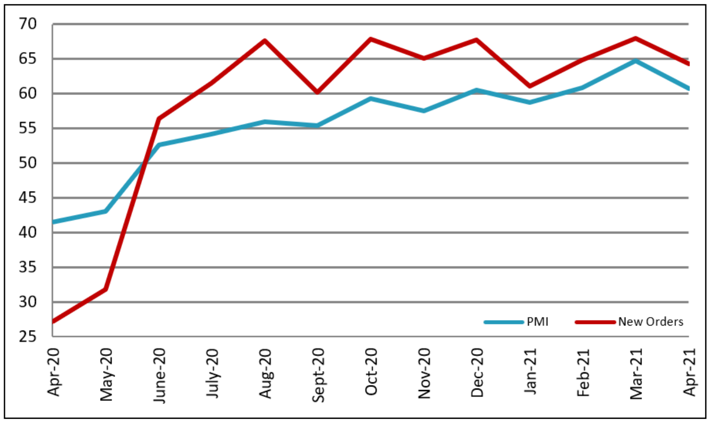


In the week ending on May 1, 2021, domestic raw steel production was 1,788,000 net tons while the capability utilization rate was 78.7%. Production was 1,238,000 net tons in the week ending May 1, 2020 while the capability utilization then was 55.2%. The current week production represents a 44.4% increase from the same period in the previous year. Production for the week ending May 1, 2021 is up 0.4% from the previous week ending April 24, 2021 when production was 1,781,000 net tons and the rate of capability utilization was 78.4%.

Adjusted year-to-date production through May 1, 2021 was 30,315,000 net tons, at a capability utilization rate of 77.4%. That is up 4.0% from the 29,143,000 net tons during the same period last year, when the capability utilization rate was 73.6%.

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, 05.01.2021

Purchasing Managers Index (PMI)®



The April Manufacturing PMI® registered 60.7%, a decrease of 4 percentage points from the March reading of 64.7%. This figure indicates expansion in the overall economy for the 11th month in a row after contraction in April 2020. The New Orders Index registered 64.3%, declining 3.7 percentage points from the March reading of 68%. The Production Index registered 62.5%, a decrease of 5.6 percentage points compared to the March reading of 68.1%. The Backlog of Orders Index registered 68.2%, 0.7 percentage point higher compared to the March reading of 67.5%. The Employment Index registered 55.1%, 4.5 percentage points lower than the March reading of 59.6%. The Supplier Deliveries Index registered 75%, down 1.6 percentage points from the March figure of 76.6%. The Inventories Index registered 46.5%, 4.3 percentage points lower than the March reading of 50.8%. The Prices Index registered 89.6%, up 4 percentage points compared to the March reading of 85.6%. The New Export Orders Index registered 54.9%, an increase of 0.4 percentage point compared to the March reading of 54.5%. The Imports Index registered 52.2%, a 4.5 percentage point decrease from the March reading of 56.7%.

All 18 manufacturing industries reported growth in April, in the following order: Electrical Equipment, Appliances & Components; Textile Mills; Furniture & Related Products; Machinery; Fabricated Metal Products; Primary Metals; Miscellaneous Manufacturing; Chemical Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Nonmetallic Mineral Products; Apparel, Leather & Allied Products; Transportation Equipment; Paper Products; Petroleum & Coal Products; Printing & Related Support Activities; and Wood Products.
Source: Institute for Supply Management, 05.03.2021

Industry News

U.S. Steel Imports Rise Nearly 20% From February To March

Preliminary U.S. steel imports reached 2.1 million metric tons in March, the Census Bureau reported earlier this month. U.S. steel imports picked up in March from the 1.7 million metric tons brought in during February. The biggest increases came from sheets and hot dipped galvanized strip, sheets and strip, and reinforcing bars.

Imports of sheets and hot dipped galvanized strip reached 221,721 metric tons, up 43.1% from the previous month. Imports of the product also gained by 18.8% on a year-over-year basis. Meanwhile, imports of reinforcing bars reached 128,343 metric tons in March, up 65.6%

In oil-relevant news, imports of oil country goods reached 115,905 metric tons in March, up 45.4%. While the demand outlook for oil is still volatile, the ongoing vaccine rollout and the summer season will likely boost demand in the coming months. (Per the Centers for Disease Control and Prevention, 43% of the population has received at least one vaccine dose.)

However, year-to-date imports through February 2021 totaled 3.9 million metric tons, down from 4.2 million metric tons through the first two months of 2020. Although imports of sheets and hot dipped galvanized strip surged in March, they fell 22.8% for the year to date (through February) to 232,568 metric tons. Imports of hot rolled sheets, structural pipe and tube, and tin free steel increased.

By country, imports posted the largest decline from Brazil, the Census Bureau reported. On the other hand, year-to-date increases were seen in imports from Turkey, the United Kingdom and Korea.

Imports declined for hot rolled sheets, heavy structural shapes, and line pipe. By country, U.S. imports from Canada reached 583,914 metric tons in March, up from 468,161 metric tons in February. Meanwhile, imports from Brazil, Turkey and Sweden declined.

Meanwhile, as we've covered here in recent weeks, stainless buyers continue to face challenges in getting supply, particularly amid the ongoing strike at ATI.

Through the first two months of 2021, stainless imports were flat compared with 2020. However, March imports totaled 57,767 metric tons, up 6.8% from 54,086 metric tons the previous month.

"In years past, imports were an option to alleviate the domestic supply shortage," said Katie Benchina Olsen, MetalMiner senior stainless analyst, earlier this week. "In today's market, other parts of the world have increased stainless demand, too, and shipping options are constrained. Stainless buyers should be prepared for limited stainless supply through the rest of the year."

Source: MetalMiner, 04.29.2021

Survey Says: Business Recovery Is Happening

The pandemic has undoubtedly changed the landscape of how companies interact with one another, with the workforce and with consumers. Now that a year has passed, a number of survey results will begin to surface showing how the pandemic has impacted a wide array of businesses.

Kabbage recently released a survey it conducted around business recovery progress. One key insight revealing 57% of small businesses are now fully open as pandemic shutdowns ease. It also has other interesting findings as it tracks recovery in several industries (manufacturing, restaurant, retail, construction, healthcare, etc.) key business performance metrics including headcount, total revenue, profit, online strategies, as well as future outlooks, across all-sized small businesses.

Kabbage co-founder Kathryn Petralia tells *IndustryWeek*, according to its Small Business Recovery Report, 49% of small businesses in professional and business services, including the manufacturing industry, say their businesses are now fully open as pandemic shutdowns ease. Full Story

Source: IndustryWeek, 04.23.2021

Some SBA Grant Money For Small Businesses Still Plentiful

While several news outlets have reported that funds for the U.S. Small Business Administration's (SBA) Paycheck Protection Program are quickly running out, there is reportedly still $270 billion in undisbursed funding left in the SBA's Economic Impact Disaster Loan (EIDL) program. Proceeds from this program can be used for working capital and normal operating expenses. Additionally, the Biden administration has implemented a policy to increase loan limits from the previously-authorized levels of $150,000 for six months of working capital to $500,000 and 24 months of working capital. Administration officials also are working on system upgrades on the applicant portal that will enable the program to increase the limits to $2 million by June or July 2021.

If a business has already received a loan under the previous limitations, it can request an increase in its loan based on the updated caps. Loans are available until December 31, 2021, or until funds run out.

Read more information from the SBA here. Read more from the U.S. Chamber of Commerce here. ***Source: MSCI, 04.20.2021***

Industry News

The World's Industrial Comeback Drives Metals To Multi-Year High

Industrial metals from copper to aluminum to iron ore have rallied to the highest level in years. The reasons for their gains are plentiful: Copper—critical for everything from electrical wiring to motors and thus a bellwether for the global economy—broke out of its recent range to trade near the highest since the last super cycle as industrial operations ramp up worldwide. Iron ore, aluminum and steel are meanwhile gaining on speculation that production cuts will shrink supplies just as demand is taking off. And a weaker dollar is making commodities traded in the currency cheaper to buy.

But underpinning the rally is one simple fact: Some of the world's large economies such as the U.S. and China are recovering from the pandemic, stoking demand for more cars, electronics and infrastructure. U.S. President Joe Biden's $2.25 trillion infrastructure package and bets that more aggressive climate pledges will accelerate the proliferation of solar panels, wind turbines and electric cars are further driving gains and raising fears about metal shortages. This week's U.S. climate summit only intensified those concerns.

"Biden's new climate promises and at least lip service by China to greener domestic policies are keeping the demand picture rosy," said Tai Wong, head of metals derivatives trading at BMO Capital Markets. Shrinking inventories this week also continued to buttress supply concerns, he said. Virtually every metal vital to industrial operations gained this week as a result. Copper was up 1.6% to cap off the week at $9,551.50 a metric ton in London, the highest closing price since August 2011. Iron ore rose in Singapore. Chinese steel futures reached new highs as investors weighed the nation's commitment to lowering output against strong demand. Shanghai rebar reached the highest since futures began trading in 2009.

Jiangxi Copper Co., China's top smelter, expects prices to reach $10,000 as plans to curb carbon emissions boost demand for the metal critical to the green-energy transition. Meanwhile, orders for copper stored in warehouses monitored by the London Metal Exchange have picked up, with 83,150 tons of metal now earmarked for withdrawal, the highest level since July. "The outlook for copper has never been better," said Richard Adkerson, chief executive officer of Freeport-McMoRan Inc., the top publicly traded producer. Supporting that view are scarce stockpiles, strong demand and a dearth of big new projects waiting in the wings.

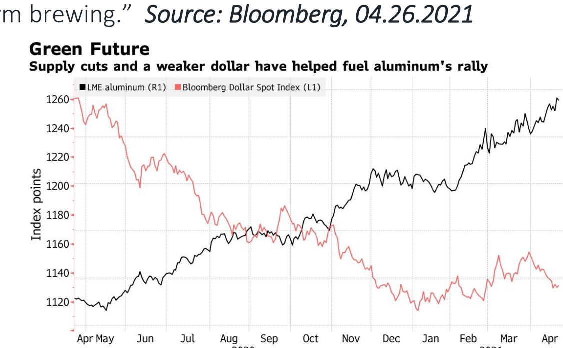
While banks including Goldman Sachs Group Inc. expect further gains in metals including copper, there are simmering concerns that could still subvert the rally. Copper had cooled through March and early April on worries about a global resurgence in the coronavirus, and new variants of the virus still pose a threat to plans to reopen economies. The possibility of reduced stimulus in China could also slow the world's second-biggest economy and torpedo metal demand. For now, signs point to economies on the mend. Applications for U.S. state unemployment insurance unexpectedly plunged to a fresh pandemic low. Key indicators for consumer and industrial activity are rising in China.

Palladium, a metal used in catalytic converters to curb emissions in gasoline-powered vehicles, reached an all-time high this week for similar reasons. Between rising car demand, tightening pollution controls and production disruptions, the world is set to be short on supply for a 10th straight year, according to UBS Group AG.

Meanwhile, Chinese authorities and the broader steel industry have pledged to lower output after reaching record levels last year. And China's steel hub Tangshan is facing a slew of production restrictions amid the push to control emissions. Crude steel production neared a record in March while rebar inventories declined for a sixth consecutive week, signaling strength in demand amid the construction season.

Aluminum prices are also rallying, with London futures up about 20% this year, supported by expectations for further supply curbs in China, the biggest producer. Stoking supply concerns are soaring COVID cases in Latin American nations including Brazil and Chile, which threaten to curb output at mines. The price rally has caught the attention of unions and politicians in host nations. The Chilean copper industry is facing a slew of wage talks and the leading presidential candidate in Peru wants to renegotiate contracts with mines to channel more of their profit to communities.

"Consumption's increasing across Europe, the U.S. and Asia, and then we have supply-side stress in Latin America, coupled with some very strong technical signals," Michael Cuoco, head of hedge-fund sales for metals and bulk materials at StoneX Group, said by telephone. "There really is a perfect storm brewing." ***Source: Bloomberg, 04.26.2021***



Special Section: Trade News

U.S. Trade Deficit Hits Record $74.4 Billion In March

The U.S. trade deficit surged to a record $74.4 billion in March as an improving U.S. economy drove purchases of imported foreign goods. The deficit, the gap between what America buys from abroad and what it sells to other countries, was 5.6% greater than the February gap of $70.5 billion, the Commerce Department reported May 4. Imports rose 6.3% to $274.5 billion while exports increased 6.6% to $200 billion. The U.S. imports so much more than it exports that in dollar terms, the rise in imports was greater.

The politically sensitive trade deficit with China rose 11.6% to $27.7 billion which, as usual, was the largest deficit with any single country.

Through the first three months of this year, the U.S. trade deficit totals $212.8 billion, up 64.2% from the deficit during the same period last year, a time when the U.S. economy was essentially shut down by the coronavirus pandemic.

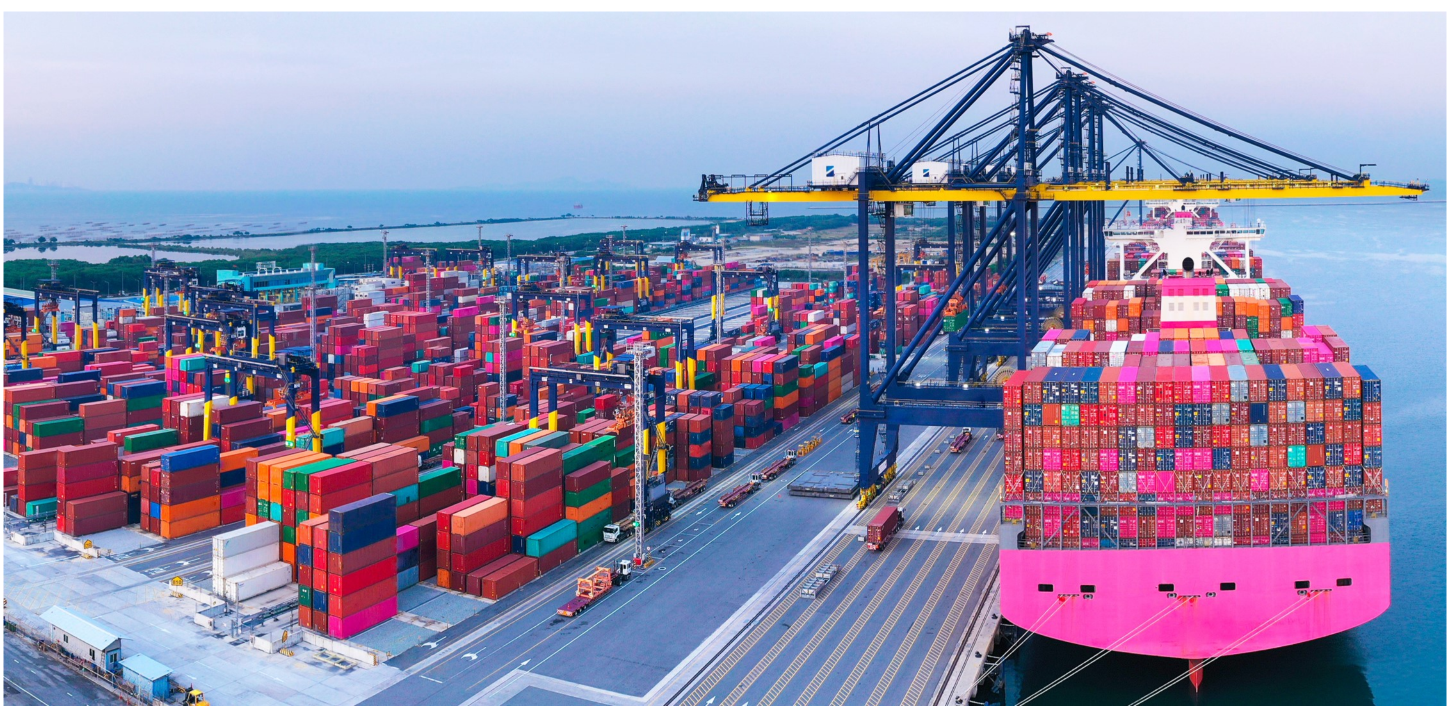
The U.S. recorded a deficit for all of 2020 of $681 billion, the largest annual gap since 2008 as the coronavirus disrupted global commerce and confounded then-President Donald Trump’s “America First” policies. The U.S. economy is recovering much faster than the rest of the world and that is playing out in trade numbers as the gap widens. Americans are starting to spend again, while U.S. exporters are facing sluggish overseas demand in nations slower to recover. “Stronger U.S. growth compared to trading partners will lead the trade deficit to grow in 2021,” said Oren Kachan, lead U.S. economist. “U.S. domestic demand will keep a strong pull on imports, thanks to improved health conditions, re-openings and historic fiscal expansion.”

During his four years in office, Trump pursued a get-tough trade strategy that employed punitive tariffs on other country's products as a way of wiping out America’s trade deficits with the rest of the world and restoring millions of lost manufacturing jobs. Trump sought to narrow the trade gap by imposing tariffs on imported goods on a scale not seen since the trade wars of the 1930s that contributed to pushing the U.S. and the rest of the world into a Great Depression. Trump's efforts failed to alter trade imbalances and angered U.S. allies along with competitors such as China. So far, however, the Biden administration has not rolled back the Trump policies.

Some analysts believe that President Joe Biden is proceeding with caution because reversing all of Trump’s policies could heighten risks for a Democrat who is close to unions. Organized labor has long complained about America’s pre-Trump free trade policies.

For March, America's surplus in services trade, items such as airline flights and consulting fees, shrank to new decade low of $17.1 billion, a drop that analysts blamed on COVID-19 restrictions that have limited tourism. Normally, the U.S. is able to reduce its overall deficit by a larger amount thanks to larger surpluses in services trade.

The deficit in goods totaled a record $91.6 billion in March, up from a March goods deficit of $87.9 billion.
Source: AP, 05.04.2021



Adobe Stock

The COVID Recovery Labor Shortage Is Intense. Experts Say It Will Force Businesses To Raise Wages.

As director of the Tucker Summit Community Improvement District, Emory Morsberger's job is to help position companies in the district for success. Normally, that means working on road improvements, security or landscaping. These days, he's helping businesses in that portion of Georgia with a different and urgent challenge: finding talent. Just like in numerous metro areas and smaller cities around the nation, a labor shortage has arrived in Tucker in impressive force. Morsberger acknowledges it's likely to get much worse before it gets better as the economy's improvement continues at a rapid pace, but enhanced unemployment benefits and child care challenges limit the labor pool.

According to a March survey by the National Federation for Independent Business, 42% of business owners reported job openings they couldn't fill — a record high, and 20 percentage points higher than the 48-year historical average of 22%.

Morsberger said the shortage is sparing few industries in the suburb, located about 14 miles from downtown Atlanta. The labor gap prompted the Tucker Summit Community Improvement District, Tucker-Northlake Community Improvement District, the city of Tucker, WorkSource DeKalb and Georgia Piedmont Technical College to partner for a job fair on May 12. A wide range of employers are involved. There's Tucker Brewing, which is seeing a surge of interest after being named one of the top beer gardens in the nation by USA Today. There's a printing company that found success making plexiglass dividers. There's a meat company that discovered a major new online sales revenue stream during the pandemic. "Those companies are now really kicking into gear and hiring more people than they had before the pandemic," Morsberger said. "They're having trouble finding the workers. It's everything. It's warehouse workers. It's office workers. It's truck drivers. It's line cooks. It's the whole works."

Jeffrey Korzenik, chief investment strategist at Fifth Third Bank, said the shortages are a nationwide issue. He's heard from companies in California and Rhode Island facing challenges. Ultimately, Korzenik said the labor shortages are eventually going to limit economic growth, but he said that's a trend that won't likely be visible in overall performance until late 2021 or sometime in 2022 because growth is so strong right now. Korzenik said COVID-19 disrupted two strengths that were aiding the labor force before the pandemic: getting more women in the workforce and convincing older workers to stick around or return to the workforce. Korzenik said the trend line for women in the workforce is finally moving in the right direction again after months of struggles — many that were tied to child care challenges associated with school and day care closures associated with the pandemic. The same can't be said for older workers. "For those over 65, it just looks dead in the water," Korzenik said.

Along with the child care issues, experts point to enhanced unemployment benefits as a factor in the labor shortage. Even though the enhanced federal unemployment benefits are now $300 compared to the $600 enhancement offered last year, Korzenik said it's having a noticeable effect on the labor pool when it comes to lower-wage jobs. Experts say employers likely will be forced to increase wages to ensure they can find and retain talent. Otherwise, they'll risk losing that talent to other companies. That risk isn't likely to be limited to low-wage positions. While many industries faced a labor shortage in the two years leading up to the pandemic, Korzenik said there wasn't a tremendous amount of wage inflation. "This time may be different, because I think there's a sense of desperation out there," Korzenik said. Back in 2018 and 2019, Korzenik said many companies were offering signing bonuses and perks to entice employees — basically anything but higher wages, since they are so hard to take away. But if there's ever a time to be forced into it, Korzenik said it may be now.

Morsberger is seeing it first-hand in Tucker. He said it's been particularly pronounced among landscape contractors. "They basically set up interviews, hire people and the people don't even show up because the person they hired is offered an extra dollar an hour by a competitor," he said. Morsberger said companies that usually pay $12 an hour are going to find those workers filtering out.

Many companies are searching outside of their traditional challenges to fill the gap. Korzenik recently authored "Untapped Talent: How Second Chance Hiring Works for Your Business and the Community." The book lays out the case for second-chance hiring, which involves the hiring of people with criminal records. He expects the labor shortage will convince more companies to give it a shot. In Tucker, Morsberger said workforce partners are making inroads into refugee areas, a highly motivated segment of the labor pool. They are connecting with people who previously had a warehouse or wait-staff job, attempting to get them back into the workforce.

"We are also reaching out to people who may have been previously unemployable and figuring out how to make them employable," he said. They have a mobile workforce unit that's going to economically distressed apartment complexes with chronic unemployment rates and coaching people on how to create a résumé.

Ultimately, Morsberger said, Tucker leaders are trying to be proactive as they attack an accelerating challenge that threatens to disrupt a period of tremendous growth.

"I knew this was coming. I didn't expect it to hit as hard as it's hitting or as fast as it's hitting," he said. ***Source: Bizjournals, 04.26.2021***

CELEBRATING OUR PAST

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FORGING OUR FUTURE

The O'Neal Family of Companies is celebrating an important milestone in 2021 - 100 years in the metals industry, guided by three generations of O'Neal leadership.

With roots tracing back to 1921 with the founding of O'Neal Steel, we have become the nation's largest family-owned network of metals service centers and component manufacturers. Today, we are composed of a parent company, O'Neal Industries, and eight affiliate companies: G&L Tube, Leeco Steel, Locate Supplies, O'Neal Manufacturing Services, O'Neal Steel, Stainless Tubular Products, TW Metals, and United Performance Metals.

To honor and commemorate this achievement, we would like to recognize and thank those whose contributions have made O'Neal's success possible. We thank our employees who have dedicated years of service and carried out our founding principles of integrity and commitment to excellence. We also thank our customers who we are fortunate to serve each and every day.

Our centennial is not only a celebration of the past, but a celebration of what the future holds, as our family of companies, employees, and customers continues to grow for years to come.

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