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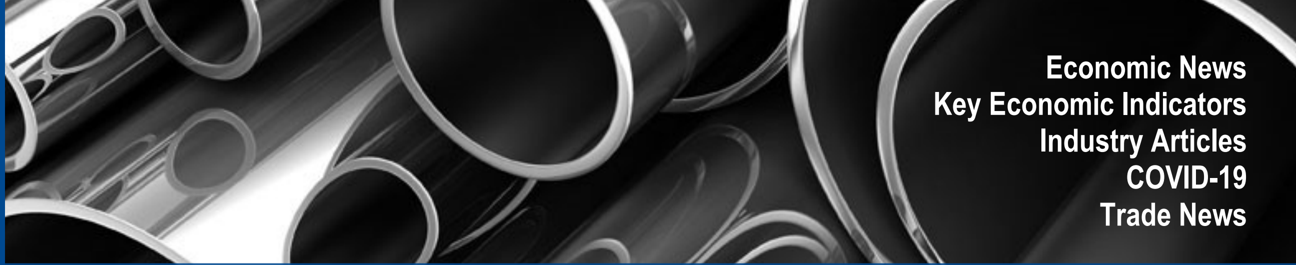

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January 2021

U.S. Lost 140,000 Jobs in December, The First Decline Since April—The already sputtering economic rebound went into reverse in December, as employers laid off workers amid rising coronavirus cases and waning government aid.

U.S. employers cut 140,000 jobs in December, the Labor Department said January 8. It was the first net decline in payrolls since last spring's mass layoffs, and though the December loss was nowhere near that scale, it represented a discouraging reversal for the once-promising recovery. The U.S. economy still has about 10 million fewer jobs than before the pandemic began.

The December losses were heavily concentrated in leisure and hospitality businesses, which have been hit especially hard by the pandemic. The industry cut nearly half a million jobs in December, while sectors less exposed to the pandemic continued to add workers.

The unemployment rate was unchanged at 6.7%, down sharply from its high of nearly 15% in April but still close to double the 3.5% rate in the same month a year earlier. Full Story ***Source: NYTimes, 01.08.2020***

Weekly Global Economic Update January 2021 From Deloitte—A year ago, very few would have predicted a global recession in 2020. And even after the pandemic caused the global economy to crater in March and April, few would have predicted that most types of businesses would be able to function with most of their employees working remotely. The point is that it was a year in which most assumptions went out the window and most predictions were wrong. Thus, one must start 2021 with humility. That being said, I'm willing to offer a few thoughts on where we stand now and what it might imply for the coming year.

As 2021 begins, the world is faced with promise and peril. On the positive side, the distribution of vaccines is under way, offering the promise that, sometime later in the year, the negative impact of the virus could ultimately abate. On the negative side, the virus continues to threaten economic stability, especially in those parts of the world where the outbreak has not been controlled. This is true in the U.S. and the United Kingdom and threatens to be a problem elsewhere as the new strains of the virus spread further. The challenge for policymakers will be to stifle the current outbreak, protect those who are disrupted by the outbreak, and speed up distribution of the vaccine.

United States—The U.S. economy clearly weakened toward the end of 2020. Personal income and consumer spending both declined in November and some measures of housing activity weakened after many months of stellar performance. The weakness likely resulted from the impact of the massive surge in the virus. Although the number of new infections began to abate toward the end of December, public health officials worry that the increase in holiday travel in late December will result in yet another surge in infections in early January.

Meanwhile, the U.S. Congress finally passed and the president signed a spending package of about U.S. $900 billion. It includes extended unemployment insurance, cash for households and businesses, and money for education and medical care. It will modestly buttress the economy for a few months, but it is likely that more will be needed unless the vaccine is widely distributed earlier than anticipated. As of this writing, vaccine distribution is far behind initial plans. Full Story including EU, UK, China and Emerging Markets
Source: Deloitte, 01.05.2021

Fed's Raises Its Economic Outlook Slightly, Sees 4.2% Growth Next Year And 5% Unemployment Rate

The Federal Reserve dialed up its economic expectations slightly for the end of this year as well as for 2021, according to the central bank's Summary of Economic Projections released on December 16. The central bank now expects real gross domestic product to fall just 2.4% in 2020, compared to a decline of 3.7% predicted in September. The Fed also upped its 2021 real GDP forecast to 4.2% from 4.0% expected previously.

The Jerome Powell-led Fed estimates the unemployment rate to fall to 6.7% this year, further below the 7.6% previously predicted. The unemployment rate should fall to 5.0% in 2021, compared to the central bank's previous estimate of 5.5%.

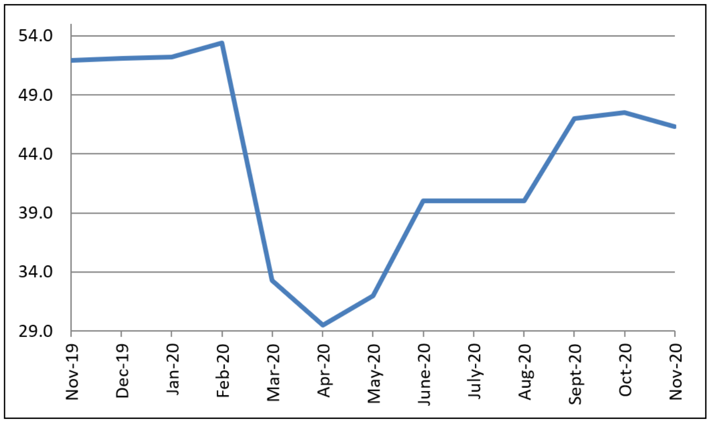
The Federal Open Market Committee said in its statement December 16 that it would continue to buy at least $120 billion of bonds each month "until substantial further progress has been made toward the Committee's maximum employment and price stability goals."

The Fed kept its inflation estimates for 2020 unchanged at 1.2%. The FOMC now sees PCE inflation running to 1.8% next year, slightly above its previous estimate of 1.7%. Core PCE inflation is expected to come in at 1.4% this year, down slightly from September's projection of 1.4%. Next year, core PCE inflation is estimated to reach 1.8%, up from September's forecast of 1.7%.

The Fed decided to keep interest rates unchanged in its December meeting after slashing them to near-zero in an emergency meeting in March due to the fast-spreading coronavirus. ***Source: CNBC, 12.16.2020***

Key Economic Indicators

Architecture Billings Index (ABI)

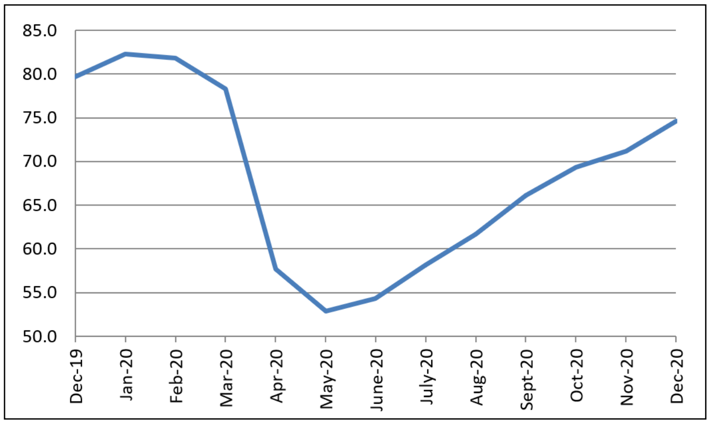


Architecture firm billing activity is contracting once again after two months of a slowing decline, according to a new report from the American Institute of Architects (AIA).

The pace of decline during November accelerated from October, posting an Architecture Billings Index (ABI) score of 46.3 from 47.5 (any score below 50 indicates a decline in firm billings). The pace of inquiries into new projects slowed, but remained positive with a score of 52.0, however the value of new design contracts dipped back into negative territory with a score 48.6.

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, 12.16.2020

Steel Capability Utilization

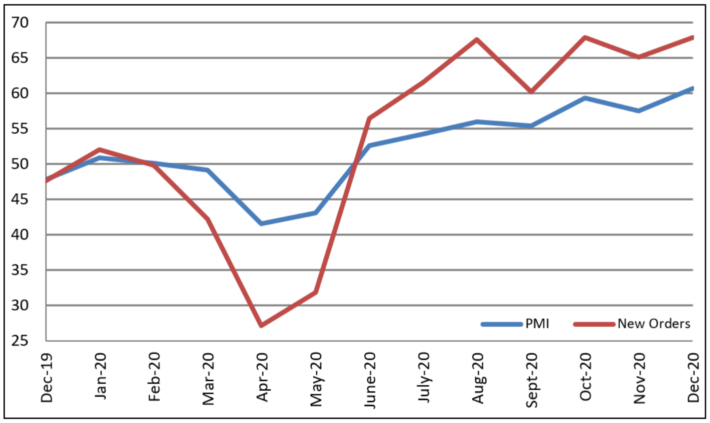


In the week ending on January 2, 2021, domestic raw steel production was 1,650,000 net tons while the capability utilization rate was 74.6%. Production was 1,841,000 net tons in the week ending January 2, 2020 while the capability utilization then was 80.1%. The current week production represents a 10.4% decrease from the same period in the previous year. Production for the week ending January 2, 2021 is up 3.1% from the previous week ending December 26, 2020 when production was 1,600,000 net tons and the rate of capability utilization was 72.3%.

Adjusted year-to-date production through January 2, 2021 was 1,650,000 net tons, at a capability utilization rate of 74.6%. That is down 10.4% from the 1,841,000 net tons during the same period last year, when the capability utilization rate was 80.1%.

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, 01.02.2021

Purchasing Managers Index (PMI)®



The December Manufacturing PMI® registered 60.7%, up 3.2 percentage points from the November reading of 57.5%. This figure indicates expansion in the overall economy for the eighth month in a row after contracting in March, April, and May, which ended a period of 131 consecutive months of growth. The New Orders Index registered 67.9%, up 2.8 percentage points from the November reading of 65.1%. The Production Index registered 64.8%, an increase of 4 percentage points compared to the November reading of 60.8%. The Backlog of Orders Index registered 59.1%, 2.2 percentage points higher compared to the November reading of 56.9%. The Employment Index returned to expansion territory at 51.5%, 3.1 percentage points higher from the November reading of 48.4%. The Supplier Deliveries Index registered 67.6%, up 5.9 percentage points from the November figure of 61.7%. The Inventories Index registered 51.6%, 0.4 percentage point higher than the November reading of 51.2%. The Prices Index registered 77.6%, up 12.2 percentage points compared to the November reading of 65.4%. The New Export Orders Index registered 57.5%, a decrease of 0.3 percentage point compared to the November reading of 57.8%. The Imports Index registered 54.6%, a 0.5-percentage point decrease from the November reading of 55.1%.

Of the 18 manufacturing industries, the 13 that reported growth in new orders in December in the following order are: Apparel, Leather & Allied Products; Wood Products; Furniture & Related Products; Petroleum & Coal Products; Machinery; Computer & Electronic Products; Fabricated Metal Products; Transportation Equipment; Plastics & Rubber Products; Primary Metals; Chemical Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products. The three industries reporting a decline in new orders in December are: Nonmetallic Mineral Products; Textile Mills; and Miscellaneous Manufacturing. . *Source: Institute for Supply Management, 01.04.2020*

Industry News

Newly Launched Aluminum Import Monitoring Program Critical To Trade Enforcement

On January 4, the Commerce Department's International Trade Administration launched a new program to track aluminum trade flows. The Aluminum Import Monitoring and Analysis (AIM) system will serve as an early warning mechanism to help spot trends and shifts in trade flows that might warrant industry or government action. The new program is a long-standing policy priority of the U.S. aluminum industry and the Aluminum Association.

"This is great news for U.S. aluminum companies and workers," said Tom Dobbins, president & CEO of the Aluminum Association. "The AIM program will help us to more quickly and fully understand trends in the aluminum market and, as appropriate, push back on countries that fail to follow the rules and laws that govern global trade."
In a tweet announcing the program, Commerce Secretary Wilbur Ross said, "The new program will enable Commerce and the public to better detect potential transshipment and circumvention involving aluminum products – helping to ensure that domestic producers can compete on a level playing field."

The new AIM system website is operational and accepting online license applications starting January 4 at trade.gov/aluminum. AIM licenses will be required for importers of covered aluminum products starting on January 25. The system will cover aluminum products under HTS codes 7601, 7604, 7605, 7606, 7607, 7608, 7609, 7616.99.51.60, and 7616.99.51.70 – matching the original scope of the Section 232 aluminum tariff program. Information gathered from these licenses will be aggregated and posted on the import monitoring section of the AIM system website. The new program was outlined in a Final Rule issued by the Commerce Department on December 23.

"We appreciate the hard work of the Commerce Department and our congressional supporters for helping us make this program a reality," added Dobbins. "Now comes the hard work of making sure that the program is effective – ensuring that the data is accurate, timely and actionable. The Aluminum Association and our members look forward to working with the department to ensure that the program bolsters critical aluminum trade enforcement efforts which will help keep U.S. aluminum companies competitive."

Monitoring across the North American region will also be critical. In 2019, Canada announced an expansion of its import monitoring system to include aluminum and aluminum products. Mexico made a similar commitment to "prevent the importation of aluminum and steel that is unfairly subsidized and/or sold at dumped prices" and "establish an agreed-upon process for monitoring aluminum and steel trade between them" but has not yet acted to formally monitor aluminum imports into Mexico, a step the Aluminum Association has encouraged. As demonstrated by recent antidumping and countervailing duty investigations and preliminary decisions, the industry is particularly concerned about the surge of unfairly-traded flat-rolled aluminum imports in North America that are distorting the market. Imports of aluminum sheet and plate from China into Mexico have increased by nearly 150% in the past year and more than 1,700% since 2014. ***Source: The Aluminum Association, 01.04.2021***

U.S. Final Manufacturing PMI Ends 2020 At Six-Year High: IHS Markit

U.S. manufacturing activity picked up at its briskest pace in more than six years in December, extending a recovery in the factory sector that has spurred the strongest pricing environment for goods producers since 2011 as the coronavirus pandemic upends supply chain networks. Still, IHS Markit's final manufacturing purchasing managers' survey of a rocky 2020, released on January 4, showed the sector's rebound was uneven. Consumer goods makers saw weaker order flow as COVID-19 infections surged and limited consumer spending, while producers of machinery and equipment noted strong demand in a potential sign of improving business investment, said Chris Williamson, Chief Business Economist at IHS Markit.

IHS Markit said its manufacturing PMI climbed to 57.1 in December from 56.7 in November. The index also improved from its preliminary - or "flash" - reading in mid-December of 56.5, with a reading above 50 signaling expansion in activity.

The index finished 2020 at its highest level since September 2014, with December's gain marking the eighth straight month of improvement after plunging to its lowest in more than a decade in April when the first rounds of business shutdowns to contain COVID-19 were in full swing. With output moderating to 58.3 last month from 59.2 in November, the headline index's improvement was driven largely by a strong pricing environment, IHS Markit said. Its output price index rose to its highest since May 2011.

"Amid a significant deterioration in vendor performance, cost burdens and selling prices soared, as firms sought to partially pass on higher input prices," IHS Markit said in a statement. "Output expectations moderated slightly, however, as the post-election spike eased and virus cases surged once again."
Source: Reuters, 01.04.2021

Industry News

U.S. Factory Activity Approaches 2 1/2-Year high; COVID-19 Hitting Supply Chains

The strength in manufacturing reported by the Institute for Supply Management (ISM) on January 5 likely helped to soften the blow on the economy in the fourth quarter from the relentless spread of COVID-19 and government delays in approving another rescue package to help businesses and the unemployed. The ISM said the virus was "limiting manufacturing growth potential" because of absenteeism and short-term shutdowns to sanitize facilities at factories and their suppliers. "U.S. manufacturing should fare reasonably well this winter as businesses need to restock inventories and the shift in consumer spending away from services to goods helps manufacturers," said Ryan Sweet, a senior economist at Moody's Analytics in West Chester, Pennsylvania.

The ISM's index of national factory activity increased to a reading of 60.7 last month. That was the highest level since August 2018 and followed a reading of 57.5 in November. A reading above 50 indicates expansion in manufacturing, which accounts for 11.9% of the U.S. economy. Economists polled by Reuters had forecast the index would slip to 56.6 in December.

The ISM survey mirrored manufacturing gains in the euro zone and China.

Some of the surprise rebound in the ISM index, however, was due to an increase in the survey's measure of supplier deliveries to a reading of 67.6 last month from 61.7 in November. A lengthening in suppliers' delivery times is normally associated with a strong economy and increased customer demand, which would be a positive contribution. But in this case slower supplier deliveries indicate supply shortages related to the pandemic. Nevertheless, demand for manufactured goods has been strong as the resurgence in new COVID-19 cases has led to fresh business restrictions across the U.S., largely impacting the vast services sector. A large section of the population continues to work and take classes at home, fueling a scramble for electronics, home improvement products and other goods like exercise equipment.

Sixteen out of 18 manufacturing industries reported growth in December. Computer and electronic products manufacturers said they continued to have "tailwinds from the COVID-19 pandemic research support for vaccines and treatments." Makers of miscellaneous products reported that sales had exceeded pre-COVID-19 levels. Electrical equipment, appliances and components producers said business was stronger than expected, "with higher demand for many products."

Despite strong demand, manufacturing output is still about 3.8% below its pre-pandemic level, according to the Federal Reserve. That could persist for a while as the new wave of infections causes disruptions to labor and the supply chain.

Food manufacturers complained the virus was "affecting us more strongly now than back in March." Similar sentiments were echoed by transportation equipment makers who said the outbreaks were constraining suppliers. Plastics and rubber products also reported that their suppliers were having difficulty finding and retaining labor. Full Story
Source: Reuters, 01.05.2021

Global Steel Production Up In November

World crude steel production for the 64 countries reporting to the World Steel Association was 158.3 million metric tons in November, a 6.6% increase compared with the same month in 2019. Global production for the year to date of 1.7 billion tons remained down 1.3%.

Production in the U.S. in November totaled 6.1 million tons, a 13.7% decline from 2019. Year-to-date production was down 17.9% to 66.1 million tons.

In Canada, production totaled 855,000 tons in November, down 7.2% from 2019, while the year-to-date production of 9.9 million tons was down 16.5%. Mexican production in November was up 1.7% to 1.5 million tons, but 11-month production of 15.2 million tons remained down 10.6%.

In Asia, China produced 87.7 million tons of crude steel in November, an increase of 8% compared with 2019. India produced 9.2 million tons of crude steel, up 3.5% and Japanese production of 7.3 million tons was down 5.9%.

In the European Union, Germany produced 3.4 million tons, up 14.8%. Italy produced 2 million tons, up 3.2% and France produced 1.1 million tons, up 3.7%. ***Source: MetalCenterNews, 01.06.2021***

Source: Adobe Stock

Special Section: COVID-19

CDC Updates Important COVID-19 Guidance For Manufacturers

The U.S. Centers for Disease Control and Prevention (CDC) recently updated COVID-19 guidance that is relevant to manufacturers who are still operating during the COVID-19 pandemic.

New protocols cover:

- When To Quarantine—The CDC has shortened the recommended quarantine time for some individuals who have been exposed to COVID-19. The quarantine period is still 10 days for individuals who have had close contact with someone who has had COVID-19 and who themselves have not received a negative test result after their exposure. The CDC has reduced the quarantine period to seven days for an exposed person who was tested and received a negative test result after their exposure. The CDC noted that 14 days is still a recommended length to quarantine in general, but in order to lessen the strain on health systems and to reduce economic hardship, the CDC said individuals can now safely quarantine for seven or 10 days. Click here to read the guidance.
- Critical Infrastructure Sector Response Planning—The CDC has reiterated that companies should work with their state, tribal, local, and territorial public health officials to determine the safest way to reintegrate exposed workers who are not experiencing any symptoms and who have not tested positive back into onsite operations. Click here to read the guidance.
- How To Reduce The Spread Of COVID-19 Through Ventilation—The CDC has provided a list of ventilation interventions and other mitigation strategies that can help reduce the concentration of virus particles. The CDC noted that increasing outdoor air, using fans to increase the effectiveness of open windows, and improving air filtration are some of the most effective measures to help prevent the spread of COVID-19 in manufacturing facilities. Click here to read the guidance. ***Source: NAM, 12.15.2020***

Guide to Small Business COVID-19 Emergency Loans

What small businesses need to know about the new Pandemic Relief Packages—changes to PPP and more...As part of an end-of-year pandemic relief package, Congress has passed several changes to the Paycheck Protection Program (PPP) and created a "Second Draw" PPP for small businesses who have exhausted their initial loan. Other changes impact eligibility for initial PPP loans, the loan forgiveness process, and the tax treatment of PPP loans.

Congress has also made changes to other programs – including Economic Injury Disaster Loans (EIDL Program), the Employee Retention Tax Credit, a Venue Grant program, and SBA loan programs –that will benefit small businesses. Here's everything small business owners need to know now:

Contents:

Source: U.S. Chamber of Commerce, 12.22.2020

Special Section: Trade News

U.S. Imposes New Tariffs On French, German Aircraft Parts

The decision is the latest twist in the 16-year trade battle over Boeing and Airbus aircraft subsidies. The U.S. announced December 30 that it will impose additional tariffs on French and German products as part of a long-running dispute over subsidies for aircraft manufacturers Airbus and Boeing. The tariffs are on "aircraft manufacturing parts from France and Germany, certain non-sparkling wine from France and Germany, and certain cognac and other grape brandies from France and Germany," which will be added to the list of products taxed since 2019, according to a statement from the U.S. Trade Representative. It said the move was in retaliation to tariffs imposed by the European Union which it considers unfair.

The decision is the latest twist in the 16-year trade battle over aircraft subsidies that turned increasingly sour under the protectionist instincts of U.S. President Donald Trump, and comes despite hopes for a trade truce following Joe Biden's election.

The EU was authorized this year by the World Trade Organization (WTO) to levy additional customs duties on American products. But Washington believes it has been penalized by the method of calculation chosen, which, according to the Trump administration, has led to an excessive amount of customs duties levied on American products. Full Story
Source: IndustryWeek, 12.30.2020

CELEBRATING OUR PAST

1921 100 O'NEAL 2021

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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