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INSIGHT

JANUARY 2022

The U.S. Added 199,000 Jobs In December, A Weak Showing—That was down from 249,000 in November. The economy added 537,000 jobs per month on average over the course of 2021, and added more than 6.4 million jobs in total last year.

The unemployment rate fell to 3.9%, from 4.2%. Paired with strong wage growth—average hourly earnings climbed by 4.7% over the year, more than the 4.2% economists in a Bloomberg survey expected—the swift decline in the jobless rate seems to suggest that a dearth of available workers may be, in part, what is holding hiring back.

The American economy stumbled in December, as the slowdown in hiring continued—even before the labor market faced a new threat from the coronavirus. Full Story *Source: NYTimes, 01.07.2022*

Markets And The Economy Brace As The Federal Reserve's First Rate Hike Could Come In Two Months—If everything goes according to plan, the Federal Reserve in a little over two months will enact its first rate increase in three years, a move policymakers deem necessary and that markets and the economy are grudgingly coming to accept. The Fed last raised rates in late 2018, part of a "normalization" process that happened in the waning period of the longest-lasting economic expansion in U.S. history.

Just seven months later, the central bank retreated as the expansion looked increasingly fragile. Eight months after that initial cut in July 2019, the Fed was forced to roll back its benchmark borrowing rate all the way to zero as the nation confronted a pandemic that threw the global economy into a sudden and shocking tailspin. So as officials prep for a return to more conventional monetary policy, Wall Street is watching closely. The first trading day of the new year indicated the market is willing to keep pushing higher, in the midst of the gyrations that have greeted the Fed since it indicated a policy pivot a month ago.

Fed officials at their December meeting penciled in two additional 25-basis-point hikes before the end of the year. A basis point is equal to one one-hundredth of 1 percentage point. Current pricing in the fed funds futures market points to about a 60% likelihood of a hike in March, and a 61% probability that the rate-setting Federal Open Market Committee will add two more by the end of 2022, according to the CME's FedWatch Tool. Those subsequent hikes are where the Fed could see some blowback. Full Story
Source: CNBC, 01.03.2022

Consumer Confidence Rises, Ends Year On A High Note

Consumer confidence rose in December, while November was revised upward, as consumers ended the year on a strong note and well-positioned entering 2022, The Conference Board reported on December 22. The organization's Consumer Confidence Index is now at 115.8, up from a revised 111.9 in November. The Present Situation Index—which measures consumers' view of the current economy—edged down slightly to 144.1 from 144.4 last month. The Expectations Index – a forward-looking view of how consumers view the short-term economic outlook – rose to 96.9 from 90.2.

"Consumer confidence improved further in December, following a very modest gain in November," said Lynn Franco, senior director of economic indicators at the board, said in a statement. "The Present Situation Index dipped slightly but remains very high, suggesting the economy has maintained its momentum in the final month of 2021. Expectations about short-term growth prospects improved, setting the stage for continued growth in early 2022. The proportion of consumers planning to purchase homes, automobiles, major appliances, and vacations over the next six months all increased."

Franco added that consumer worries about inflation declined after hitting a 13-year high in November, along with concerns about COVID-19. That comes as the omicron variant of the virus spreads rapidly in the country and inflation continues to track at levels not seen since the early 1990s. "Looking ahead to 2022, both confidence and consumer spending will continue to face headwinds from rising prices and an expected winter surge of the pandemic," Franco said.

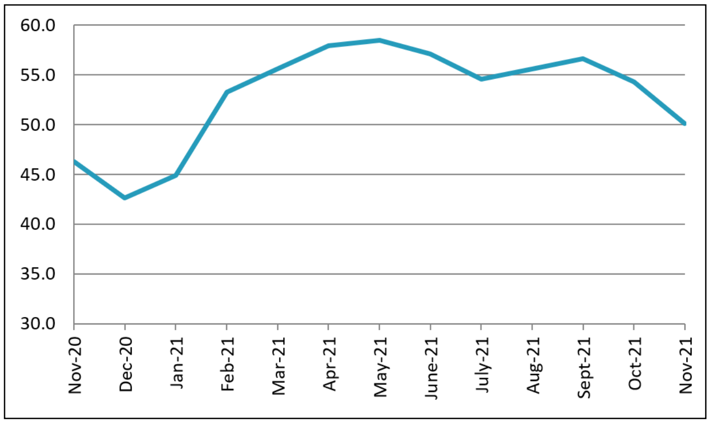
The report augurs well for 2022, as economists expect growth to slow from 2021's pace with federal stimulus winding down and the Federal Reserve set to trim its support for the economy and raise interest rates thereafter.

Meanwhile, house sales remain strong, with sales of existing homes rising 1.9% in November to an annual pace of 6.46 million. That is a pace slightly below that of a year ago, but still robust. The median price of homes sold during November reached $353,900, a 13.9% gain from 2020.

"The prospect of higher interest rates in 2022 is accelerating the buying decision for buyers in an otherwise slower season," George Ratiu, manager of economic research at Realtor.com, said in a statement. "However, the low number of homes for sale remains the principal challenge, stumping both existing homeowners looking for their next house and first-time buyers seeking a place to call their own. There are fewer than half as many homes on the market now compared with two years ago."
Source: USNews, 12.22.2021

Key Economic Indicators

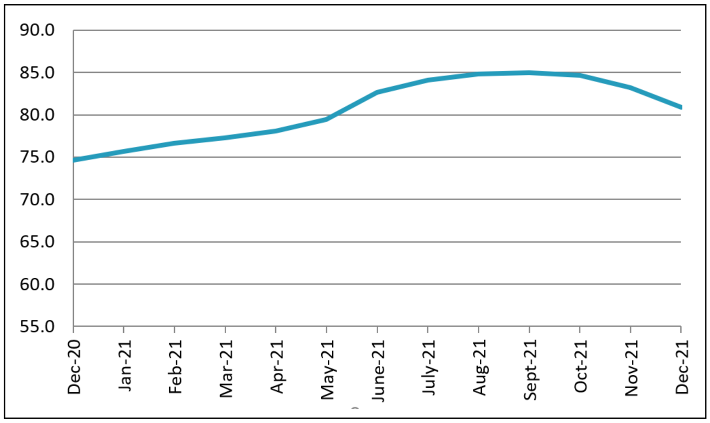
Architecture Billings Index (ABI)



Architecture firms reported increasing demand for design services for the tenth consecutive month in November, according to a report December 15 from The American Institute of Architects (AIA). The ABI score for November was 51.0, down from 54.3 the previous month. While this score is down slightly from October's score, it still indicates positive business conditions overall (any score above 50 indicates billings growth). During November, scoring for both the new project inquiries and design contracts moderated slightly, but remained in positive territory, posting scores of 59.4 and 55.8 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, 12.15.2021

Steel Capability Utilization

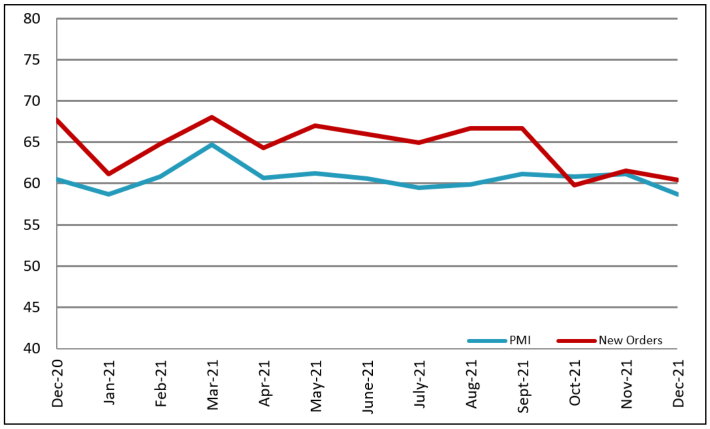


In the week ending on January 1, 2022, domestic raw steel production was 1,785,000 net tons while the capability utilization rate was 80.9%. Production was 1,630,000 net tons in the week ending January 1, 2021 while the capability utilization then was 73.4%. The current week production represents a 9.5% increase from the same period in the previous year. Production for the week ending January 1, 2022 is down 0.9% from the previous week ending December 25, 2021 when production was 1,802,000 net tons and the rate of capability utilization was 81.6%.

Adjusted year-to-date production through January 1, 2022 was 1,785,000 net tons, at a capability utilization rate of 80.9%. That is up 9.5% from the 1,630,000 net tons during the same period last year, when the capability utilization rate was 73.4%.

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, 0.01.2022

Purchasing Managers Index (PMI)®



The December Manufacturing PMI® registered 58.7%, a decrease of 2.4 percentage points from the November reading of 61.1%. This figure indicates expansion in the overall economy for the 19th month in a row after a contraction in April 2020. The New Orders Index registered 60.4%, down 1.1 percentage points compared to the November reading of 61.5%. The Production Index registered 59.2%, a decrease of 2.3 percentage points compared to the November reading of 61.5%. The Prices Index registered 68.2%, down 14.2 percentage points compared to the November figure of 82.4%. The Backlog of Orders Index registered 62.8%, 0.9 percentage point higher than the November reading of 61.9%. The Employment Index registered 54.2%, 0.9 percentage point higher compared to the November reading of 53.3%. The Supplier Deliveries Index registered 64.9%, down 7.3 percentage points from the November figure of 72.2%. The Inventories Index registered 54.7%, 2.1 percentage points lower than the November reading of 56.8%. The New Export Orders Index registered 53.6%, a decrease of 0.4 percentage point compared to the November reading of 54%. The Imports Index registered 53.8%, a 1.2 percentage point increase from the November reading of 52.6%.

The 15 manufacturing industries reporting growth in December—in the following order: Apparel, Leather & Allied Products; Furniture & Related Products; Textile Mills; Plastics & Rubber Products; Machinery; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Chemical Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Transportation Equipment; Primary Metals; and Petroleum & Coal Products. The three industries reporting a decrease in December compared to November are: Wood Products; Printing & Related Support Activities; and Paper Products. *Source: Institute for Supply Management, 01.01.2022*

Industry News

Inventory Levels Improve, Trade Deficit Soars

Manufacturers and retailers in November continued to rebuild inventories depleted by supply chain woes, but they did so primarily through imports, not domestic production, data from the U.S. Census Bureau show. The trade deficit between the U.S. and the rest of the world grew 17.5% to nearly $98 billion (seasonally adjusted) in November. Exports were down 2.1% from October in every category except food. Compared to November 2020, exports were up 22%, climbing in every category other than cars and trucks.

Imports were up in every category, but some of that could be a sign of investments in future industrial capacity. Industrial supply orders from overseas were up 10% in the month and were up 60.4% from November 2020. While automotive imports were up 4.5% in November, they're down 8.7% from last year.

The big increase in imports allowed stores to restock shelves and businesses to refill inventories to a limited degree. Wholesale inventories (a measure of spare parts, components needed for manufacturing and other non-retail supplies) grew 1.2% in November from October. Those inventories are up 15.7% from a year ago.

At the retail level, inventories grew 2% in November from October, Census Bureau data show. The biggest increase (4.1%) came from cars and trucks. Vehicle inventories fell slightly in October but rebounded. Still, the inventory hole created by chip shortages and other supply chain challenges is massive, and many dealer lots are still struggling to get inventory to sell. Compared to November 2020, motor vehicle inventories are still down 21.4%. ***Source: IndustryWeek, 12.29.2021***

White House Looks To Boost U.S. Trucking Industry

The Biden administration met with the trucking industry on December 16 as it looks to help add new drivers to a key part of U.S. supply chains. The White House says COVID-19 "exacerbated longstanding workforce challenges in the trucking industry, including high turnover rates, an aging workforce, long hours away from home, and time spent waiting."

Transportation Secretary Pete Buttigieg and Labor Secretary Marty Walsh will join National Economic Council Director Brian Deese in hosting a roundtable at the White House with leaders in the trucking industry, including business and labor leaders. The Transportation and Labor Departments are launching a joint "Driving Good Jobs" initiative. The White House says it is "asking industry, labor, and all levels of government ... to address these trucking workforce challenges and begin building a next-generation trucking workforce."

The Federal Motor Carrier Safety Administration will soon launch a pilot for drivers aged 18-21 as mandated under a new infrastructure law.

Teamsters President Jim Hoffa in a December 1 Detroit News opinion piece argued there "is no shortage of experienced truckers. However, there is a problem with these drivers getting fair pay and treatment from their employers." He added "truckers are being taken for granted by big business even after all the work they did to keep America running during the most difficult days of COVID-19."

The White House said the Transportation Department is providing $30 million to help states expedite issuance of commercial driver's licenses. They are also accelerating the expansion of registered apprenticeship programs.

In November, the Transportation Department projected freight tonnage will rise by 50% by 2050 to 28.7 billion tons. Trucks, which currently carry 65% of U.S. freight tonnage, are expected to remain the predominant freight carrier.

The American Trucking Associations (ATA) said the industry in 2020 employed 3.36 million truck drivers. It estimated that this year the driver shortage will hit a high of just over 80,000 drivers.
Source: Reuters, 12.16.2021

Source: Adobe Stock

Industry News

U.S. Manufacturing Rising

Several enormous, almost outrageous U.S. manufacturing expansion plans erupted in 2021. In March, Intel Corp. announced that it would construct two new computer chip factories at an investment of $20 billion. Six months later, the manufacturer broke ground on that promise. In April, Nacero Inc. said it would build a lower carbon gasoline manufacturing facility in Penwell, Texas: $6.5 billion to $7 billion in estimated spending. And one of biggest announcements occurred in September, when Ford Motor Co. announced BlueOval City and BlueOval SK Battery Park, two mega complexes planned for Tennessee and Kentucky to support the automaker's electric vehicle growth plans. In partnership with SK Innovation, the $11.4 billion investment is estimated to eventually create some 11,000 new jobs. That's big. If plans remain on schedule, production will begin in 2025.

These announcements build on several known challenges facing the manufacturing industry: the growth of EVs, the lack of semiconductor supply (as well as the geographic imbalance of chip factory locations) and the focus on low-carbon living. Nevertheless, as big as these announcements are, they represent just a fraction of the new manufacturing facilities, revamped existing facilities and expansions that were reported or are underway in 2021 across the U.S.

As has become a year-end tradition at *IndustryWeek*, it is time again for review of manufacturing expansion across the U.S. We looked at some numbers, dropped in on two manufacturers that recently have broken ground—fitness company Peloton Interactive Inc. and solar module maker First Solar Inc.—and shared a short menu of manufacturers who in 2021 reported plans to build new sites (plus one recent opening). Our takeaway: There's a lot to be excited about when it comes to U.S. manufacturing, even as the industry battles against significant headwinds.

The Data Say

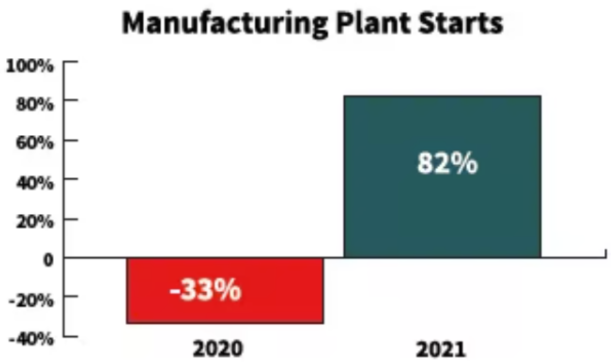
First, let's discuss a few numbers to help define the manufacturing construction landscape. Construction starts took a big hit in 2020, according to data shared by the Dodge Construction Network, which tracks the commercial construction industry. The decline likely is not surprising, given the devastating collapse of the manufacturing industry in the second half of the year due to COVID. Petrochemical plant starts were down 72% in dollar value compared with the previous year, and manufacturing retreated by 33%.

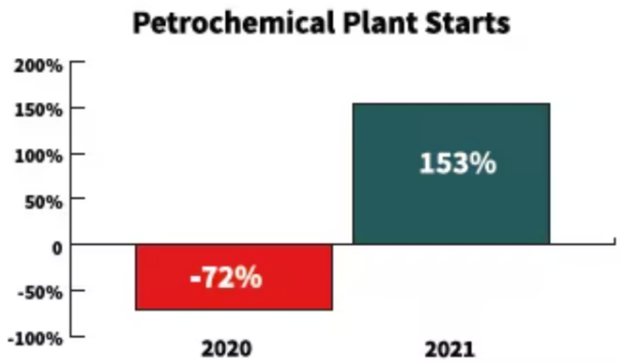
This year's data tells a different story, with manufacturing plant starts up by 82% year over year, and petrochemical plant starts up by 153%.

"Manufacturing construction is advancing in 2021 on the back of several notable projects, including petrochemical plants. Outside of petro activity, manufacturing construction related to motor vehicles and parts (such as battery plants for EVs), food-related production and chip fabrication plants are moving forward," says Richard Branch, chief economist for Dodge Construction Network.

The manufacturing construction advance is marching in step with industry's improving fortunes. Manufacturing activity has been growing for 17 consecutive months as of October, according to the Institute for Supply Management data, rebounding robustly. Despite the bounce back, however, manufacturers continue to struggle finding people and getting materials to build product.

Branch noted the challenge—and opportunity: "The supply chain issues that the economy is facing will continue to exert positive pressure on manufacturing construction in the years to come in the sense that domestic producers will want more control over their supply chain and more options for supply other than international sources. That, of course, is a huge positive for manufacturing construction starts. This potential, however, is not without its challenges. The manufacturing sector is facing a severe shortage of skilled labor that will inhibit growth."
Full Story ***Source: IndustryWeek, 12.15.2021***





Source: Dodge Construction Network

Special Section: Trade

Biden Administration Adjusts Section 232 Tariffs For EU Countries

The Biden administration reached a deal with the European Union (EU) regarding the U.S. Section 232 steel and aluminum tariffs. On December 27, President Joe Biden issued two proclamations related to that deal. The proclamations set a quarterly tariff rate quota (TRQ) so that the first 3.3 million metric tons of steel imported into the U.S. will not be subject to the Section 232 penalties put into place by the Trump administration. Any steel imported above the quota will be subject to the 25% tariff rate set by the previous administration. The approved aggregate TRQ volume for aluminum articles is 18,000 metric tons of unwrought aluminum and 366,040 metric tons of semi-finished wrought aluminum. Any imports above that level will be subject to the 10% tariff put in place by the Trump administration.

The Biden administration said only steel melted and poured in the EU will be eligible for inclusion under the quota, which means steel produced in China and sent to Europe to be finished will still be subject to the 25% tariff.

The agreement took effect January 1, 2022 and will last through 2023. Over the next two years, the U.S. and EU will continue negotiations on global steel and aluminum arrangements "to restore market-oriented conditions and support the reduction of carbon intensity of steel and aluminum across modes of production," the proclamations said. These negotiations should conclude by October 31, 2023.

Read the steel proclamation here and the aluminum proclamation here.
Source: MSCI, 01.03.2022

Source: Adobe Stock

Special Section: Covid-19

Crunch Time For Workplace Vaccine Mandates: U.S. Supreme Court To Weigh In

In the midst of the latest surge in omicron COVID-19 cases, the U.S. Supreme Court heard arguments December 31 on whether the Biden administration can force private-sector firms to vaccinate or test tens of millions of employees.

The court is expected to make a decision swiftly that could freeze the vax-or-test mandates on businesses with more than 100 workers—and the threat of fines—or let the Biden plan be implemented, legal experts say. The Occupational Safety and Health Administration, or OSHA, which regulates workplace safety, has said it could begin fining businesses that fail to comply with the mandates on January 10.

Employers "are waiting to see the outcome in the courts," Wendell Young IV, president of the United Food and Commercial Workers Local 1776, which represents 35,000 Pennsylvania union members, said last week.

John S. Ho, co-chair of OSHA-Workplace Safety Practice at Cozen O'Connor, said that companies should be developing a "roster of vaccination status" of employees to show OSHA "good faith" in complying with the mandates. "You should have that roster in place by January 10," he said. But Ho also is advising companies to take a "wait-and-see approach" on implementing the vaccination mandates that could lead some employees to quit.

A firm can be fined $13,600 per violation. OSHA is expected to mostly enforce the mandate through employee complaints. "It's a politically charged issue. There is no way to avoid that," Ho said.

The Biden administration says the emergency rules could save the lives of 6,500 workers and prevent 250,000 hospitalizations in the next six months as COVID-19 presents a "grave danger" to employees where they work. Nationally, two out of three employers fall under it, representing about 80 million workers.

Firms, business trade associations, and 27 states say that the Biden administration has exceeded its authority at the workplace safety agency with the mandates that appear designed to boost vaccination rates and that many workers remain unpersuaded in vaccine benefits.

The case has made it to the U.S. Supreme Court in lightning speed. OSHA announced the mandates in early November, and they were immediately challenged in court. On November 12, the appeals court in New Orleans stayed, or froze, the mandates, saying that they were "staggeringly overbroad." The ruling added that they raised issues of the government's "virtually unlimited power to control individual conduct under the guise of a workplace regulation."

Meanwhile, mandate cases filed nationwide were consolidated in the appeals court in Cincinnati. A panel of judges there lifted the stay on December 17. "COVID has continued to spread, mutate, kill and block the safe return of American workers to jobs. To protect workers, OSHA can and must be able to respond to dangers as they evolve," the court said in its decision.

The Supreme Court justices also will hear arguments on January 7 on whether the federal government can impose mandates on health-care workers who are employed in nursing homes and hospitals funded through Medicare and Medicaid in a similar case. "What the justices have to weigh is whether this is a public emergency that justifies extraordinary measures," Laura Little, professor at the Temple University Beasley School of Law, said of the OSHA case. She said that there is "not a lot of case law dealing with vaccinations."

Michael Dimino, professor at the Widener Law Commonwealth in Harrisburg, said that "the issue is whether [OSHA] has taken discretion too far. There has been push-back on some of these [federal] agencies gone wild." Young, the food workers union leader, said he does not believe the mandates will be a "heavy lift" and "would have had them implemented already" if they had not been blocked by the courts.

Young said that a "vocal minority" of his members oppose vaccines. He said that some employers have offered incentives for employees to get the jab. JBS, the meatpacking company with a plant in Souderton, has offered employees $2,100 to be vaccinated, Young said. ***Source: Philadelphia Inquirer, 01.04.2022***

In this October 21, 2020, file photo, an Exam Corp Lab employee, right, wears a mask as she talks with a patient lined up for COVID-19 testing in Niles, IL.
Source: AP Photo, Nam Y. Huh

CELEBRATING OUR PAST

1921  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 four 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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