ONI
O'NEAL INDUSTRIES
www.onealind.com

# INSIGHT

NOVEMBER 2021

ECONOMIC NEWS
KEY ECONOMIC INDICATORS
INDUSTRY ARTICLES
TRADE

The U.S. Economy Added 531,000 Jobs In October—This is a sharp rebound from the prior month and a sign that employers are feeling more optimistic as the latest coronavirus surge eases.

Economists polled by Bloomberg had been looking for a gain of 450,000 jobs. The unemployment rate declined to 4.6%, from 4.8%.

The October gain was an improvement from the 312,000 positions added in September — a number that was revised upward on November 5.

Hiring has seesawed this year along with the pandemic, especially in vulnerable sectors like hospitality and retail, where workers must deal face to face with customers. White-collar employees have fared better, since many can work remotely. ***Source: NYTimes, 11.05.2021***

U.S. Service Sector Expands At Record Pace In October—The rate of expansion in the U.S. services sector, where most Americans work, hit a record high in October as demand remained strong even as supply chain problems persisted. The Institute for Supply Management reported November 3 that its monthly survey of service industries jumped to a reading of 66.7. That follows September's reading of 61.9.

Readings for the categories of business activity, new orders, supplier deliveries and backlog of orders all surpassed previous records. All 18 services industry categories reported growth in October, led again by retail trade.

Any reading above 50 indicates growth in service industries. The services index has shown growth for the past 17 months after two months of contraction in April and May of 2020 when the coronavirus triggered widespread shutdowns and millions of job losses. Full Story
***Source: AP, 11.03.2021***

3Q GDP Growth Falls To 2%, Below Expectations, As Consumers Pull Back—The pace was dramatically slower than the 6.3% and 6.7% rates of the first and second quarter, respectively. Economists had expected a number around 3%.

The U.S. economy slowed markedly in the third quarter to an annual growth rate of 2%, as consumers turned skittish and businesses grappled with supply shortages, the Bureau of Economic Analysis reported November 4.

"The deceleration in real GDP in the third quarter was led by a slowdown in consumer spending," according to the report. "A resurgence of COVID-19 cases resulted in new restrictions and delays in the reopening of establishments in some parts of the country. In the third quarter, government assistance payments in the form of forgivable loans to businesses, grants to state and local governments, and social benefits to households all decreased." Full Story
***Source: USNews, 10.28.2021***

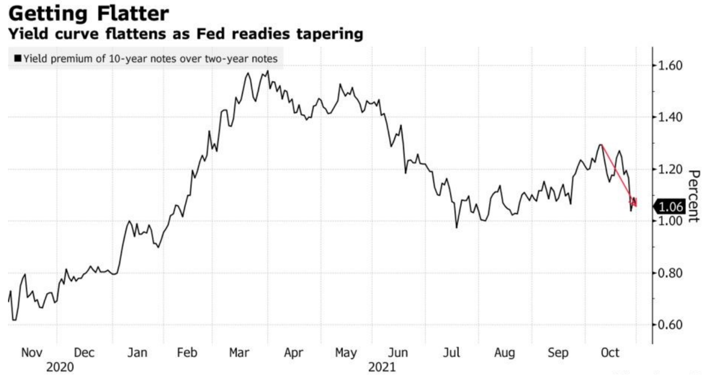
## Yellen Dismisses Treasury-Market Jitters, Sees 'Solid' Recovery

Treasury Secretary Janet Yellen dismissed recent moves in the bond market that have signaled concern about monetary policy makers squelching economic growth, and expressed confidence in the continuing recovery from the Covid-19 pandemic. Asked in an interview with Bloomberg News October 31 if she was worried by sharp movements in Treasury yields, she responded, "No, not me. I think what we're going to see is a good, solid recovery. The unemployment rate has gone down considerably, and this is nothing like the recovery from the 2008 financial crisis."

The U.S. yield curve -- as measured by the gap between two-year and 10-year Treasury yields -- flattened the most last week since the summer of 2020. The move has been triggered in part by expectations the Federal Reserve will start raising interest rates sooner than previously anticipated, to quell inflation.

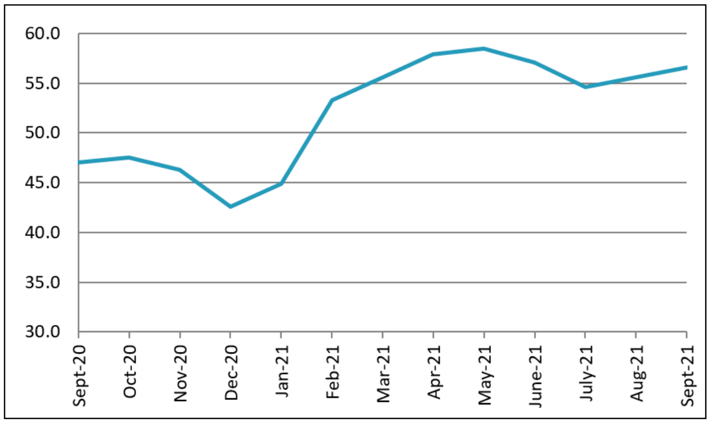
Yellen, who was chair of the Fed from 2014 to 2018, declined to comment directly on monetary policy, but offered an oblique vote of confidence in how the U.S. central bank plans to approach the issue of removing its stimulus. "The Fed has a framework that it's using to decide what to do," she said.

"They've made clear they're going to begin tapering asset purchases," she noted. She spoke days before the Fed's Wednesday policy decision, where it's forecast to unveil the phasing out of its quantitative-easing program—a precondition for raising rates. Yellen noted that Fed Chair Jerome Powell has said he believes the current bout of inflation will diminish over time, a view that aligns closely with hers. Full Story
***Source: Bloomberg, 11.01.2021***



# Key Economic Indicators

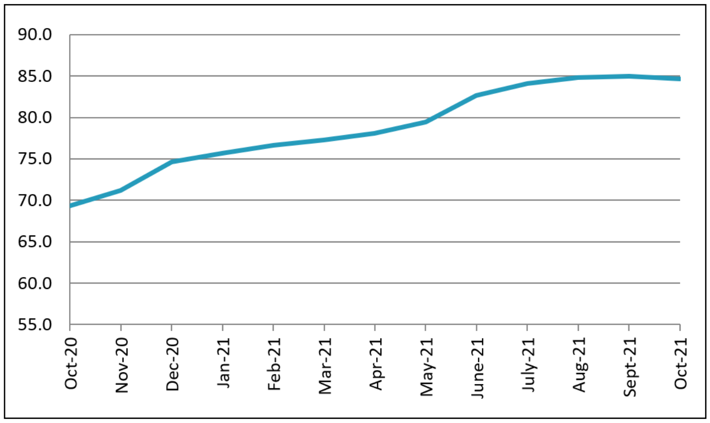
## Architecture Billings Index (ABI)




The Architecture Billings Index (ABI) score for September was 56.6, which is up from August's score of 55.6. Any score above 50 indicates an increase in billings from the prior month. During September, scoring for both the new project inquiries and design contracts moderated slightly, but remained in positive territory, posting scores of 61.8 and 54.7 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, 10.20.2021*

## Steel Capability Utilization

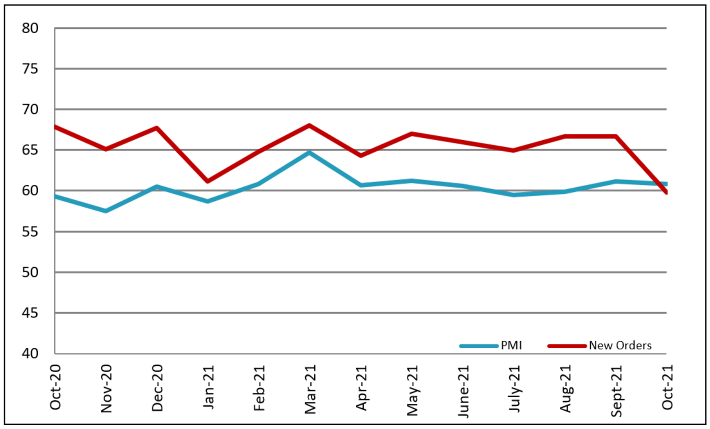



In the week ending on October 30, 2021, domestic raw steel production was 1,860,000 net tons while the capability utilization rate was 84.3%. Production was 1,549,000 net tons in the week ending October 30, 2020 while the capability utilization then was 70.1%. The current week production represents a 20.1% increase from the same period in the previous year. Production for the week ending October 30, 2021 is down 0.5% from the previous week ending October 23, 2021 when production was 1,870,000 net tons and the rate of capability utilization was 84.7%.

Adjusted year-to-date production through October 30, 2021 was 78,879,000 net tons, at a capability utilization rate of 81.4%. That is up 20.3% from the 65,579,000 net tons during the same period last year, when the capability utilization rate was 67.1%.

**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, 10.31.2021*

## Purchasing Managers Index (PMI)®

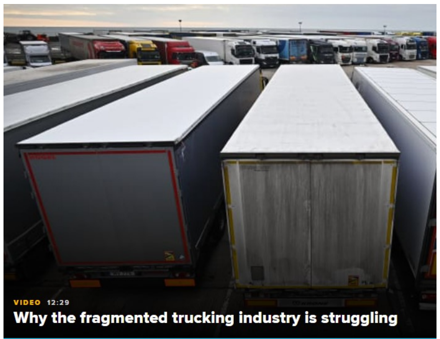



The October Manufacturing PMI® registered 60.8%, a decrease of 0.3 percentage point from the September reading of 61.1%. This figure indicates expansion in the overall economy for the 17th month in a row after a contraction in April 2020. The New Orders Index registered 59.8%, down 6.9 percentage points compared to the September reading of 66.7%. The Production Index registered 59.3%, a decrease of 0.1 percentage point compared to the September reading of 59.4%. The Prices Index registered 85.7%, up 4.5 percentage points compared to the September figure of 81.2%. The Backlog of Orders Index registered 63.6%, 1.2 percentage points lower than the September reading of 64.8%. The Employment Index registered 52%, 1.8 percentage points higher compared to the September reading of 50.2%. The Supplier Deliveries Index registered 75.6%, up 2.2 percentage points from the September figure of 73.4%. The Inventories Index registered 57%, 1.4 percentage points higher than the September reading of 55.6%. The New Export Orders Index registered 54.6%, an increase of 1.2 percentage points compared to the September reading of 53.4%. The Imports Index registered 49.1%, a 5.8 percentage point decrease from the September reading of 54.9%.

The 16 manufacturing industries reporting growth in October in the following order: Apparel, Leather & Allied Products; Furniture & Related Products; Textile Mills; Electrical Equipment, Appliances & Components; Machinery; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Computer & Electronic Products; Chemical Products; Fabricated Metal Products; Miscellaneous Manufacturing; Petroleum & Coal Products; Plastics & Rubber Products; Paper Products; Primary Metals; and Transportation Equipment. The two industries reporting a decrease in October compared to September are Wood Products; and Nonmetallic Mineral Products. *Source: Institute for Supply Management, 11.01.2021*

# Industry News

## The Trucking Industry Is One Of The Most Fragmented Ones In The U.S.—Here's Why




Article/Video Link

Trucking is an $800 billion dollar industry that has proven too tough for one company to dominate. Low barriers to entry make it easy for aspirants to start companies, and competition is fierce. There are thousands of trucking companies in the U.S., and the fragmentation of the market produces huge boom-and-bust cycles.

Some companies have tried to consolidate or roll up smaller operations, but the industry is resistant to it.

New technological developments, such as self-driving trucks, could spur consolidation by removing one factor that keeps the industry so competitive: drivers. That will not be easy—companies are still perfecting the technology, and the regulatory landscape would need to be changed to accommodate these vehicles. ***Source: CNBC, 11.03.2021***

## Global Crude Steel Productions Falls For Fourth Consecutive Month

September global crude steel production fell to 144.4 million metric tons, the World Steel Association reported this October 28. Metals producers around the world have felt the burden of rising energy costs, as we've noted in previous articles. Zinc prices, for example, have since retraced but earlier in October soared to 14-year highs. Belgian zinc producer Nyrstar said it would slash production in response to rising energy costs. As for steel, September output declined from 154.4 million metric tons the previous month. Meanwhile, output declined by 8.9% on a year-over-year basis.

Top producer China saw its output fall from 83.2 million metric tons to 73.8 million metric tons in September. The China Iron and Steel Association overviewed the sector's third-quarter performance on October 25. "The steel industry has actively responded to changes in domestic and international demand and made efforts to overcome difficulties such as high raw and fuel material prices and rising pressure on 'double carbon' environmental protection," CISA said. "The overall operation trend in the first three quarters was good, making outstanding contributions to meeting the steel demand of downstream industries and ensuring the sustainable recovery of the national economy. However, it also faces challenges such as a more complex market environment and difficulty in reducing costs and increasing efficiency."

India, the second-largest steel producer, churned out 9.5 million metric tons amid a coal crisis of its own. The total marked a 7.2% year-over-year increase. However, output declined from August's 9.9 million metric tons. Meanwhile, Japanese output reached 8.1 million metric tons, or up 25.6% year over year. E.U. production totaled 12.7 million metric tons, or up 15.6% year over year. ***Source: MetalMiner, 10.28.2021***

## New EEOC Guidance Focuses On Religious Exemptions From Vaccine Mandates

The Equal Employment Opportunity Commission has provided further insight into when companies must exempt workers from COVID-19 vaccine mandates for religious reasons, an issue that has already spurred closely watched litigation.

The EEOC on October 25 updated guidance it first issued at the outset of the pandemic to clarify that under Title VII of the Civil Rights Act of 1964, workers must inform employers if they intend to seek a religious exemption but do not have to utter "magic words" such as "religious accommodation" or "Title VII" to trigger an employer's legal obligations.

The commission also said employers should assume that workers' professed religious beliefs are sincere, but can seek more facts in a limited manner. A worker who fails to provide requested information risks losing any subsequent claim that the employer improperly denied an accommodation, the EEOC said.

The guidance comes as many more employers are adopting vaccine mandates, either voluntarily or in response to President Joe Biden's executive order requiring federal contractors to do so. The Occupational Safety and Health Administration is also expected to unveil a rule as early as this week requiring companies with 100 or more employees to mandate vaccines or require regular testing.

Religious exemptions are the focus of several lawsuits involving vaccine mandates, including cases against United Airlines Inc, New York, and Maine.
Many business groups have called on the EEOC for an update, including the HR Policy Association. In an October 21 letter to the commission, the trade group, which represents about 400 of the largest employers in the U.S., said its members have received thousands of exemption requests. Full Story

***Source: Reuters, 10.26.2021***

# Special Section: Trade

## U.S. Drops Tariffs On European Steel, Aluminum

The U.S. Department of Commerce announced October 31 that it would drop tariffs on steel and aluminum imported from the E.U. and replace them with a quota system to allow for some duty-free tax imports. In exchange, the E.U. dropped its own retaliatory tariffs on imported U.S. goods like bourbon and Harley-Davidson motorcycles. The deal also includes a framework for the U.S. and E.U. to cooperate on environmental standards and global steel overproduction in the future.

Instead of a static import on all tariffs, the new tariff-rate quota system will allow for duty-free imports above a certain tonnage per year, after which new tariffs of 25% on steel and 10% aluminum will kick in. Although officials did not disclose how much steel would be let in before tariffs are applied, a source cited by *Reuters* put the number at 3.3 million tons.

The announcement, which effectively undoes Trump-era tariffs on imported metals from Europe, was warmly received by the American Iron & Steel Institute (AISI) and Cleveland-Cliffs CEO Lourenco Goncalves, who had previously called for the tariff-rate quota system. The U.S. Chamber of Commerce and the Coalition of American Metal Manufacturers and Users (CAMMU) both praised negotiators for dropping tariffs but called for further action.

The announcement is "great news for America's steel and aluminum industries and workers," said Secretary of Commerce Gina Raimondo, and added it would provide relief for manufacturers struggling with supply shortages. The deal will also allow both parties to take carbon emissions into account for future negotiations and counteract China, she said.

"The lack of environmental standards in places like China is part of what drives down their costs," Raimondo said, and thanked EU President Ursula von der Leyen and Executive VP Valdis Domrovskis for their role in the negotiation.

With the dispute in the rearview mirror, Trade Ambassador Katharine Tai said, the U.S. is in a better position to address China's overproduction of steel. Lourenco Goncalves, CEO of Cleveland-Cliffs, praised the deal for its tariff-rate quota framework and recognition of different climate-change standards.

"This tariff rate quota arrangement will guard against a harmful surge of steel imports from the EU," said Goncalves, who also said the deal "recognizes that the U.S. has the most environmentally friendly steel industry in the world."

American Iron & Steel Institute CEO Kevin Dempsey echoed Goncalves's praise of the tariff-rate quota and expressed hope that it would lay the groundwork for the two parties to address global steel overproduction by China. "We urge the U.S. and EU to take active steps to hold China and other countries that employ trade-distorting policies to account," he said.

The U.S. Department of Commerce and the Coalition for American Metal Manufacturers and Users (CAMMU) both praised the negotiators for lowering tariffs but questioned the decision to replace it with a tariff-rate quota.

CAMMU expressed concern the tariff-rate quota system could lead to inflexibility in the face of a sudden spike in demand for metal and noted that one such spike could be on the horizon thanks to President Biden's infrastructure bill. "The U.S. domestic steel sector does not need protection from competition," the Coalition said.

Chamber of Commerce Executive VP Myron Brilliant, in a statement, said "The deal announced today offers some relief for American manufacturers suffering from soaring steel prices and shortages, but further action is needed." He said that Section 232 tariffs against imports from other countries like the U.K., Japan, and Korea should also be dropped.
***Source: IndustryWeek, 11.01.2021***

*Source: Adobe Stock*


## 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 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.

ONI
O'NEAL INDUSTRIES

2311 Highland Avenue South, Suite 200 | Birmingham, AL 35205 | 205.721.2880 | onealind.com

G&L TUBE · Leeco Steel · LOCATE Supplies Ltd · O'Neal Manufacturing Services, Let's Build Things · O'NEAL STEEL The Metals Company · STP Stainless Tubular Products · TW METALS · UNITED Performance Metals