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INSIGHT

December 2020

Economic News
Key Economic Indicators
Industry Articles
Trade News

U.S. Employers Added 245,000 Jobs In November Amid A Coronavirus Surge—The American economic recovery continues to slow, stranding millions who have yet to find a new job after being thrown out of work by the coronavirus pandemic.

The latest evidence came December 4 when the Labor Department reported that employers added 245,000 jobs in November, the fifth month in a row that the pace of hiring has tapered off. The figure for October was revised downward to 610,000, from the initially stated 638,000.

The unemployment rate in November was 6.7%, down from the previous month's rate of 6.9%. But that figure does not fully capture the extent of the joblessness because it doesn't include people who have dropped out of the labor force and are not actively searching for work.

November's job totals were dragged down in part by the loss of 93,000 temporary census workers who are no longer needed now that the official counting has wound down.

More than half those knocked out of a job early in the pandemic have been rehired, but there are still roughly 10 million more people out of work than there were in February. Many in that group are weeks away from losing their unemployment benefits, as the emergency assistance approved by Congress last spring is set to expire at the end of the year. Full Story
Source: NYTimes, 12.04.2020

U.S. Economy Grew At An Unrevised 33.1% Rate In The Third Quarter—Gross domestic product grew at an unrevised 33.1% annualized rate, the government said in its second estimate of third-quarter output, confirming the economy's historic pace of expansion in the third quarter. The economy contracted at a 31.4% rate in the second quarter, the deepest since the government started keeping records in 1947, the Commerce Department reported on November 23.

But the fiscal stimulus has largely expired and another rescue package is expected only after President-elect Joe Biden is sworn in on January 20. President Donald Trump is heavily focused on contesting his electoral loss to Biden.

Growth estimates for the fourth quarter are below a 5% annualized rate. Despite encouraging developments on vaccines, spiraling COVID-19 infections as the cold season starts have led economists to sharply downgrade their GDP growth forecasts for the first quarter of 2021.

Goldman Sachs cut its estimate to a 1.0% rate from a 3.5% pace. JPMorgan expects GDP to contract at a 1.0% pace in the January-March quarter.

But St. Louis Federal Reserve President James Bullard sees little risk of a resumed contraction in the economy. While some recent economic data has not been as strong as it had been earlier in the fall, nonetheless "so far I think we're holding up," he said on November 24.
Source: CNBC, 11.25.2020

Fed's Bullard Sees 'Light' At End Of Coronavirus Tunnel

A senior Federal Reserve official on November 24 said he expects the economic recovery to forge ahead despite a record increase in coronavirus cases, saying businesses have learned how to cope with the pandemic. "I think we have a great policy right now," said James Bullard, president of the St. Louis Federal Reserve Bank, though he remained open to additional measures if the economy needed more help. Bullard has been one of the more relatively optimistic voices at the Fed on the current recovery. He said the U.S. has learned a lot during the pandemic, allowing most businesses to work toward pre-crisis levels of production.

"A lot of learning has already occurred," he said. "It seems to me there is light at the end of the tunnel in terms of seeing an end to the crisis. It's very much a realistic view."

Bullard, told reporters on November 24 he thinks the economy is likely to expand at a steady pace in the waning months of 2020 and into early next year. While recent economic data "has not been as strong as it's been," Bullard acknowledged, he said businesses have learned how to keep their workers and customers safe. They are likely to continue to hire, produce and even invest more in anticipation of vaccines being widely available next year. At the same time, Bullard said, he expects Americans to modify their behavior again as they did last summer to slow the latest spread of the coronavirus. For now Bullard doesn't expect a change in the Fed's aggressive approach to supporting the economy.

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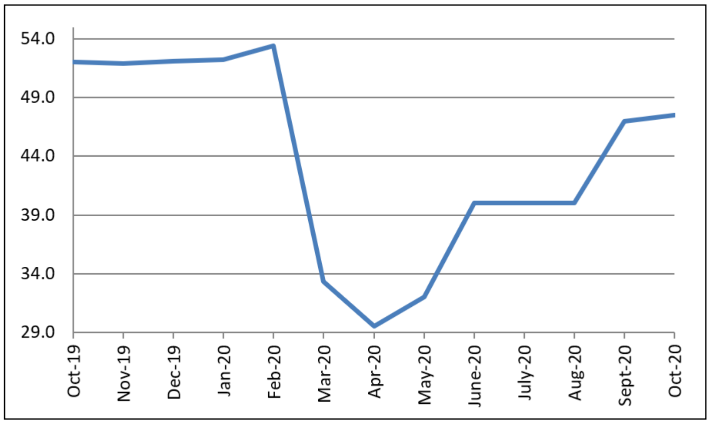
Key Economic Indicators

Architecture Billings Index (ABI)

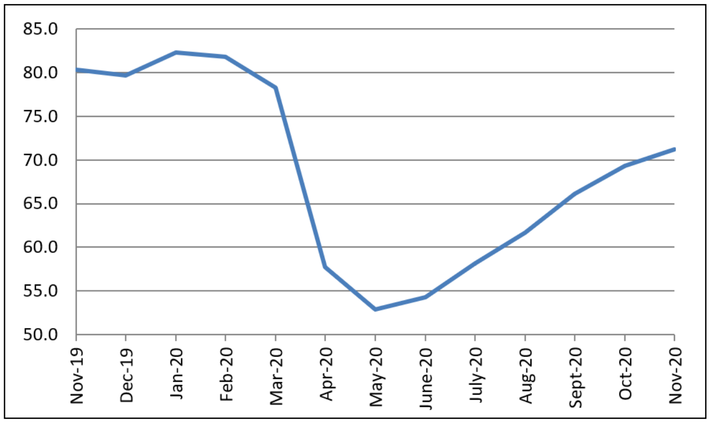


While architectural billings failed to show much progress during October, signs of improving business conditions at firms have emerged, according to a new report from the American Institute of Architects (AIA).

The pace of decline during October remained at about the same level as in September, posting an ABI score of 47.5 (any score below 50 indicates a decline in firm billings). Meanwhile, firms reported a modest increase in new project inquiries—growing from 57.2 in September to 59.1 in October—and newly signed design contracts jumped into positive territory for the first time since the pandemic began, with a score of 51.7.

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, 11.18.2020

Steel Capability Utilization

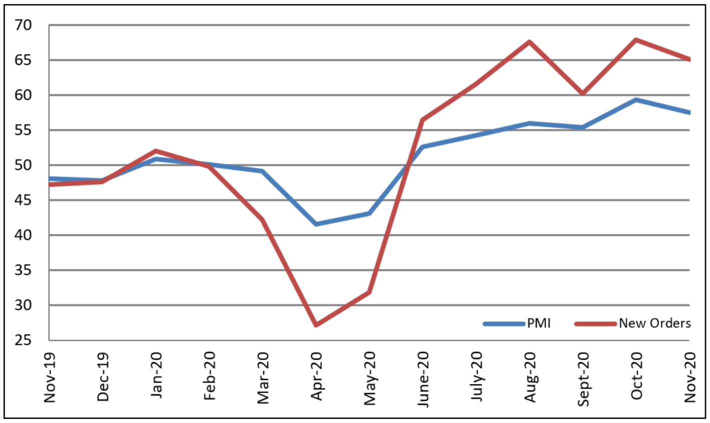


In the week ending on November 28, 2020, domestic raw steel production was 1,561,000 net tons while the capability utilization rate was 70.6%. Production was 1,823,000 net tons in the week ending November 28, 2019 while the capability utilization then was 78.8%. The current week production represents a 14.4% decrease from the same period in the previous year. Production for the week ending November 28, 2020 is down 1.3% from the previous week ending November 21, 2020 when production was 1,582,000 net tons and the rate of capability utilization was 71.5%.

Adjusted year-to-date production through November 28, 2020 was 72,186,000 net tons, at a capability utilization rate of 67.2%. That is down 18.4% from the 88,446,000 net tons during the same period last year, when the capability utilization rate was 80.0%.

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, 11.28.2020

Purchasing Managers Index (PMI)®



The November Manufacturing PMI® registered 57.5%, down 1.8 percentage points from the October reading of 59.3%. This figure indicates expansion in the overall economy for the seventh month in a row after a contraction in April, which ended a period of 131 consecutive months of growth. The New Orders Index registered 65.1%, down 2.8 percentage points from the October reading of 67.9%. The Production Index registered 60.8%, a decrease of 2.2 percentage points compared to the October reading of 63%. The Backlog of Orders Index registered 56.9%, 1.2 percentage points higher compared to the October reading of 55.7%. The Employment Index returned to contraction territory at 48.4%, 4.8 percentage points down from the October reading of 53.2%. The Supplier Deliveries Index registered 61.7%, up 1.2 percentage points from the October figure of 60.5%. The Inventories Index registered 51.2%, 0.7 percentage point lower than the October reading of 51.9%. The Prices Index registered 65.4%, down 0.1 percentage point compared to the October reading of 65.5%. The New Export Orders Index registered 57.8%, an increase of 2.1 percentage points compared to the October reading of 55.7%. The Imports Index registered 55.1%, a 3 percentage point decrease from the October reading of 58.1%.

Of the 18 manufacturing industries, 16 reported growth in November, in the following order: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Textile Mills; Wood Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Plastics & Rubber Products; Primary Metals; Chemical Products; Machinery; Computer & Electronic Products; Paper Products; Miscellaneous Manufacturing; Transportation Equipment; Furniture & Related Products; and Food, Beverage & Tobacco Products. The two industries reporting contraction in November are: Printing & Related Support Activities; and Petroleum & Coal Products. *Source: Institute for Supply Management, 12.01.2020*

Industry News

November Sustains Growth In Manufacturing Despite Renewed Labor Shortages

A Manufacturing activity remained on the up in November despite headwinds, according to the Institute for Supply Management. The ISM's Purchasing Manager's Index fell 1.8 points to 57.5% in November from October's PMI of 59.3%. New orders, production, prices, inventories and imports all continued to grow in November, but at a slower rate than in October. The index for new orders fell 2.8 points to 65.1%, the production index fell 2.2 points to 60.8%, the inventory index fell 0.7 points to 51.2%, and imports fell 3.0 points to 55.1%. The rate of growth in prices was steady, as it fell just 0.1 points to 65.4%.

Meanwhile, two indexes—backlog of orders and new export orders—rose at a faster rate than in October. The order backlog index rose 1.2 points to 56.9% and the new export orders index rose 2.1 points to 57.8%.

Manufacturing employment returned to contraction after expanding in October, when it broke a 14-month streak of contraction: In November, the ISM's manufacturing employment index fell 4.8 points to 48.4%. In a release, Timothy Fiore, President of the ISM, said absenteeism and difficulties in returning and hiring workers was a limiting factor for manufacturing growth. The speed of supplier deliveries fell for a thirteenth straight month at a faster rate than previous months.

Of 18 surveyed manufacturing industries, 16 reported growth, with apparel and leather, nonmetallic mineral products, and textile mills reporting the strongest growth. Printing-related and petroleum manufacturers reported contraction.

Several survey responses indicated that the ongoing COVID-19 pandemic, which is currently riding its largest surge yet, is putting pressure on suppliers' labor demands. An executive in the Transportation Equipment industry noted: "The resurgence in COVID-19 cases is adding strain on our Tier-1 and Tier-2 suppliers. Multiple suppliers mentioned that finding new people is an issue with the COVID-19 situation."

A member of the food and beverage industry said they had to shut down production lines due to lack of staffing after sending employees home for 14 days to quarantine. Executives from the electronics and plastics industries also complained that their suppliers were suffering from labor shortages.

Besides from supplier labor, personal protective equipment continues to be in short supply, gloves in particular: the ISM reports that PPE gloves have now been listed as "in short supply" for 9 months now. Other commodities manufacturers are having trouble getting their hands on are aluminum products, corrugate boxes, disinfectant, electrical components, PPE masks, hot rolled steel, and steel products. Aluminum and steel products, as well as electrical components, have been listed as in short supply for two months now.

"Manufacturing performed well for the sixth straight month, with demand, consumption and inputs registering growth, but at slower rates compared to October. Labor market difficulties, both current and anticipated, at panelists' companies and their suppliers will continue to dampen the manufacturing economy until the coronavirus (COVID-19) crisis ends," says Fiore.
Source: IndustryWeek, 12.01.2020

Barclays Keeps 2021 Oil Price Outlook, Supported By Vaccine Boost

Barclays kept its "above consensus" 2021 oil price forecasts on November 23, predicting Brent at $53 a barrel based on output discipline by OPEC and its allies, and based on a potential COVID-19 vaccine boosting demand in the second half.

Potential rollouts of high-efficacy vaccines in the short term would be a turning point for demand as it could lead to a more sustainable economic recovery, the bank said in a note. It forecast Brent at an average $53 a barrel and U.S. West Texas Intermediate (WTI) crude at $50 per barrel in 2021.

Sources have told Reuters that the Organization of the Petroleum Exporting Countries, Russia and its allies, known as OPEC+, are leaning towards postponing of a planned January increase to oil output by at least three months. OPEC+ was due to raise output by two million barrels per day in January as part of a steady easing of record supply cuts agreed this year.

"We expect the OPEC+ group to delay the ratcheting up of production targets by three months when the group meets later this month," the bank said.

Goldman Sachs also said this month that it expected the group to delay their planned output increase.

Brent traded around $45.30 on November 2 and WTI was around $43, lifted by optimism about a recovery in demand thanks to successful coronavirus vaccine trials, although new lockdowns around the world capped gains.
Source: Reuters, 11.03.2020

Industry News

Fed: October 2020 Industrial Production Rises 1.1%

October 2020 Industrial Production Rises—Per the Fed, October 2020 industrial production rose but remained 5.6% lower than the pre-pandemic level in February. However, the Fed also noted the industrial production index has recovered most of the 16.5% decline posted from February to April.

Manufacturing Gains—As the U.S. continues to battle the pandemic and its impacts across the board, manufacturing showed positive signs in October. Manufacturing output ticked up 1.0% last month after a 0.1% increase in September. Nonetheless, the sector still has a ways to go. Manufacturing output in October remained 5.0% below its February level.

Manufacturing capacity utilization rose 0.7 percentage point to 71.7%, up 11.6 percentage points from April. However, the rate remained 6.5 points below the long-run average (1972-2019).

“The index for durable manufacturing stepped up 0.9%, as small drops in the indexes for furniture and related products, fabricated metal products, and motor vehicles and parts were outweighed by gains elsewhere, especially for aerospace and miscellaneous transportation equipment and for miscellaneous manufacturing,” the Fed reported. Meanwhile, the index for nondurables ticked up by 1.2%.

Mining Output Slips—Meanwhile, mining output in October fell 0.6%, the Fed reported. Furthermore, oil and gas extraction fell in October after rising in September.

On the other hand, the utilization rate for mining dropped to 77.9%. The long-run average for mining is 87.2%.

Employment Gains—Meanwhile, on the job market, the Bureau of Labor Statistics reported manufacturing sector jobs rose by 38,000 in October. Even so, manufacturing employment remained down by a whopping 621,000 jobs compared with February.

In the metals sectors, the fabricated metals sector saw employment rise by 7,000. Meanwhile, the primary metals sector added 6,000 jobs. ***Source: MetalMiner, 11.23.2020***

Funding Bill Includes System For Monitoring Aluminum Imports

The Aluminum Association, Arlington, Virginia, says it is pleased that the Senate Committee on Appropriations has included funding for a new aluminum import monitoring (AIM) system in its fiscal year 2021 Commerce, Justice, Science and Related Agencies appropriations bill. The AIM system has been a longtime policy priority for the Aluminum Association.

In the proposed bill, the committee allocated $1.3 million to fund the program, which the Commerce Department listed as a priority in its FY21 budget request earlier this year. The committee also encouraged the department to consult with the aluminum industry on implanting the program. The AIM system will enable government officials and the industry to better identify trends in trade flows and address misclassification, transshipment and evasion of duties, the Aluminum Association says.

“We are grateful for the committee’s leadership on this high-priority issue for the U.S. aluminum industry, and we look forward to Congress taking action soon to enact this important provision in FY21 appropriations,” says Aluminum Association President and CEO Tom Dobbins. “Getting bipartisan support in Congress is a crucial step to ensuring strong trade enforcement and a level-playing field for U.S. aluminum companies and the nearly 660,000 American workers they support. We look forward to working closely with the Commerce Department to launch a successful system that benefits the full aluminum value chain here in the U.S. As massive structural subsidies and overcapacity in China continue to drive the unfair trade of aluminum worldwide, it’s all the more important that the U.S. government is able to adequately track metal flows.”

The House and Senate Commerce, Justice, Science and Related Agencies appropriations bills for FY21 include funding for aluminum import monitoring, which the Aluminum Association says echoes support from the bipartisan Congressional Aluminum Caucus. The Aluminum Association has called for a strong commitment to trade enforcement in North America as part of the recently approved U.S.-Mexico-Canada Agreement.

Last year, 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 says it would strongly support. 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, the association adds.

“It is vital that we have strong trade enforcement to support a robust aluminum trade in North America. An integrated import monitoring system within the USMCA region is a critical step in this direction,” Dobbins says.

Like the House version of the bill, the Senate bill also includes additional funding for the Department to implement its Section 232 exclusion review process. The association says it submitted a number of recommendations to the Commerce Department earlier this year in response to a public inquiry about potential changes to the Section 232 exclusion program. ***Source: RecyclingToday, 11.16.2020***

Special Section: Trade News

U.S. Commerce Department Issues Second Ruling Highlighting Currency Devaluation

On November 24, right before the U.S. Thanksgiving holiday, U.S. Secretary of Commerce Wilbur Ross announced the results of another trade case alleging currency devaluation. While the case involves a non-metal product—in this case, twist ties from China—the allegation of a deliberately undervalued currency could have important implications for future trade cases. As *The American Journal of Transportation* noted, this case is the second time that the Commerce Department has countervailed a foreign currency with a unitary exchange rate. It is the first time a case has been directed against the Chinese currency. These decisions could suggest an increasing willingness by the U.S. government, or at least the outgoing Trump administration, to address currency manipulation.

Commerce Secretary Ross said the decision "reaffirms the Trump Administration's commitment to free, fair, and reciprocal trade" and promised his agency "will continue to use the legal tools at our disposal to aggressively counter currency undervaluation and other unfair subsidies, further ensuring a level playing field for American businesses and workers." Specifically, the Commerce Department preliminarily determined that exporters/producers from China received countervailable subsidies at a rate of 122.5%. As a result of the decision, the agency will instruct U.S. Customs and Border Protection to collect cash deposits from importers of twist ties from China based on the preliminary rate of 122.5%. The Commerce Department will announce its final determination in this case on or about February 17, 2021, but that deadline could be extended. Notably, that date will occur after President-elect Joe Biden will take office. President-elect Biden's approach to these matters still is not fully clear. Since the beginning of the Trump administration, the Commerce Department has initiated 306 new AD and CVD investigations, a 283% increase from the comparable period in the previous administration. If the Commerce Department makes an affirmative final determination in this case, the U.S. International Trade Commission (ITC) will be scheduled to make its final injury determination on or about April 2, 2021.

If the Commerce Department makes an affirmative final determination in this investigation and the ITC makes an affirmative final injury determination, Commerce will issue a CVD order. If the Commerce Department makes a negative final determination or the ITC makes a negative final determination of injury, the investigation will be terminated and no order will be issued. Click here to read Secretary Ross's announcement.
Source: MSCI, 11.30.2020

World's Largest Trade Pact Signed

Fifteen countries signed the Regional Comprehensive Economic Partnership (RCEP) on November 15, including the 10-member ASEAN countries - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. The other members are China, Japan, South Korea, Australia and New Zealand. They make up nearly a third of the world's population and account for 29% of global GDP. The trade deal was signed on 15 November, on the sidelines of the 37th ASEAN Summit hosted virtually by Vietnam.

Investors are upbeat that the free trade detail will boost Asia's economic recovery from the coronavirus pandemic. The RCEP will eliminate tariffs for at least 92% of traded goods among participating countries within 20 years, with additional preferential market access for exports. Asian markets were also supported by positive economic data from China the next day.

Industrial output in the world's second-biggest economy increased by 6.9% year on year in October, with the automotive industry expanding by 12.5% as vehicle sales grew, data from the National Bureau of Statistics showed.

Japan, which is the world's third-biggest economy, beat expectations to post a 21.4% year-on-year expansion in the third quarter. ***Source: ICIS, 11.15.2020***

U.S. Commerce Department Issues Second Ruling Highlighting Currency Devaluation

NLMK Indiana and NLMK Pennsylvania, NLMK Group's American division companies, have reached an amicable settlement with the U.S. government resolving NLMK's lawsuit challenging the Department of Commerce's denial of NLMK's requests for exclusion from Section 232 steel tariffs. The government has agreed to refund NLMK USA a significant portion of the tariffs it had paid, with accrued interest.

NLMK filed the suit in the U.S. Court of International Trade on February 27. It covered 86 requests for slab exclusions submitted by NLMK USA in 2018. The Department of Commerce denied NLMK's exclusion requests based on statements and representations from other U.S. steel companies that they were willing and able to supply the products NLMK USA required. NLMK USA challenged this, insisting that American mills did not manufacture the products in the quality and quantity required.

The government agreed to the settlement without admitting it had acted improperly.

NLMK Group operates three steel mills in Indiana and Pennsylvania. NLMK has invested more than $800 million in these facilities. The facilities' production capacity is 800,000 metric tons of steel and 2.9 million tons of rolled products.
Source: MetalCenterNews, 11.23.2020