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INSIGHT

APRIL 2021

The U.S. Added 916,000 Jobs In March As The Recovery Gained Steam—The U.S. jobs rebound picked up steam last month, fueled by the accelerating pace of vaccinations and a new injection of federal aid. The unemployment rate fell to 6%, down from 6.2% in February.

The leisure and hospitality sector led the way, adding 280,000 jobs as Americans returned to restaurants and resorts in greater numbers. Construction firms added 110,000 jobs as the housing market stayed strong and activity resumed following winter storms in February.

The report came one year after the pandemic ripped a hole in the American labor market. The U.S. economy lost 1.7 million jobs in March 2020 and more than 20 million in April, when the unemployment rate peaked at nearly 15%.

The job market bounced back quickly at first, but progress began to slow as virus cases surged and states reimposed restrictions on businesses. Over the winter, the recovery stalled out, with employers cutting more than 300,000 jobs in December. Full Story
Source: NYTimes, 04.02.2021

Jerome Powell: Economy Is Better Thanks To 'Dunkirk'-Like Rescue By Fed, Congress—A year after the pandemic plunged the U.S. economy into it worst crisis since the Great Depression, Federal Reserve Chairman Jerome Powell is largely satisfied with the central bank's rapid-fire response. "I liken it to Dunkirk," Powell said in an interview with NPR's Morning Edition, referring to the emergency rescue of British and Allied forces from France in World War II. "It was time to get in the boats and get the people, not to check the inspection records and things like that. Just get in the boats and go."

With financial markets in free-fall last spring, the central bank rapidly mobilized its emergency lending powers and pumped trillions of dollars into the economy. The bond market quickly stabilized. A year later, the stock market has reached record highs. Powell also credited Congress for supplying trillions of dollars in support to struggling families and businesses. "The amount of fiscal support the economy has received is historically large and that's going to result in higher economic activity and hiring," Powell said.

Twelve months after Congress passed the first in a series of pandemic relief bills, the U.S. economy is not yet healthy but on a clear road to recovery. Last week, the central bank issued a new and improved forecast projecting that the economy will grow by 6.5% this year—the fastest pace in nearly four decades—and that unemployment will fall to 4.5% by year's end. Powell said that's a testament to both aggressive fiscal action as well as an improving public health outlook.

"Something like 85 million Americans have now had at least one shot" of COVID vaccine," Powell said. "Daily shots are running at 2.5 million, and that's going to enable us to reopen the economy sooner than might have been expected."
Full Story *Source: NPR, 03.25.2021*

Economist Bullish On Biden's $3 Trillion Infrastructure Plan

Economists are becoming positively giddy about the potential for economic growth this year as President Biden and Congressional Democrats look set to push forward a $3 trillion infrastructure bill.

What we're hearing:
"Stimulus helps build the bridge for the recovery to reach the other side, but an investment in infrastructure is the fuel to jump start the economic engine," Beth Ann Bovino, U.S. chief economist at S&P Global, says in an email.

- S&P predicts Biden's infrastructure plan will create 2.3 million jobs by 2024, inject $5.7 trillion into the economy—which would be 10 times what was lost during the recession—and raise per-capita income by $2,400.

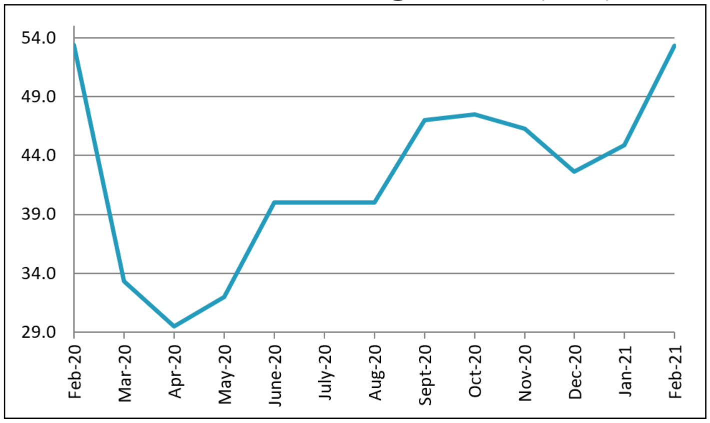
State of play:
Economists at Goldman Sachs again revised up their outlook for growth this year in a Sunday note to clients, predicting real consumption will grow by 9.5% in Q1 and 12.5% in Q2, citing retailer reopening, the reversal of winter storm effects and a decline in new COVID-19 infections.

- Further, they note that OpenTable restaurant reservations are nearing 70% of normal nationwide and are back above their pre-crisis level in Texas.
- They also anticipate the pace of fiscal support to U.S. consumers will accelerate by $1 trillion on an annualized basis (or 5% of GDP) for March and the second quarter, relative to the previous six months.

The big picture:
"We have to have a big public works program," Lawrence Baxter, director of the Global Financial Markets Center at Duke, tells Axios.
Source: Axios, 03.29.2021

Key Economic Indicators

Architecture Billings Index (ABI)

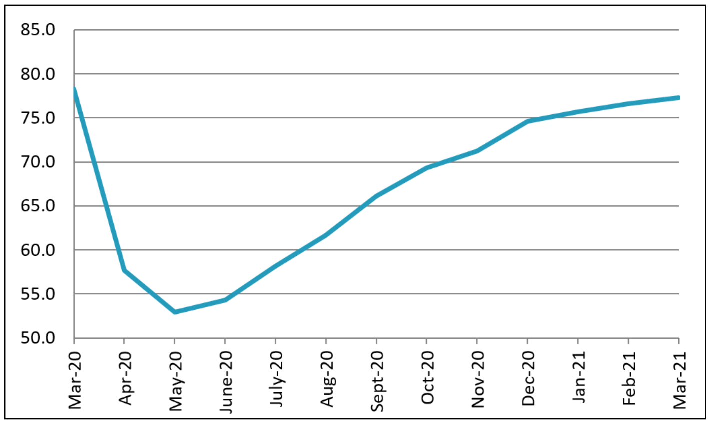


Continuing the positive momentum of a nearly three-point bump in January, the Architecture Billings Index (ABI) reached its first positive mark since February 2020, according to a new report today from The American Institute of Architects (AIA).

AIA's ABI score for February was 53.3 compared to 44.9 in January (any score above 50 indicates an increase in billings). February also marked the first time the design contract score rose back into positive territory since the pandemic began with a score of 51.6 compared to 48.8 in January. The new project inquiries score for February reached a 22-month high water mark with a score of 61.2 compared to 56.8 in January.

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, 03.24.2021

Steel Capability Utilization

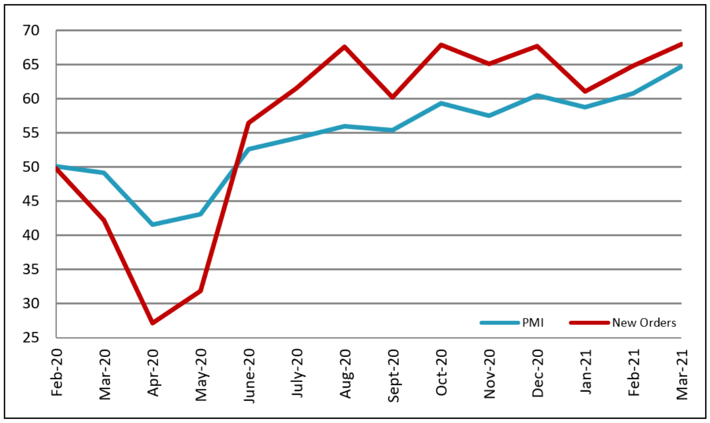


In the week ending on March 20, 2021, domestic raw steel production was 1,753,000 net tons while the capability utilization rate was 77.3%. Production was 1,741,000 net tons in the week ending March 20, 2020 while the capability utilization then was 75.3%. The current week production represents a 0.7% increase from the same period in the previous year. Production for the week ending March 20, 2021 is down 0.5% from the previous week ending March 13, 2021 when production was 1,761,000 net tons and the rate of capability utilization was 77.7%.

Adjusted year-to-date production through March 20, 2021 was 19,626,000 net tons, at a capability utilization rate of 76.8%. That is down 6.2% from the 20,917,000 net tons during the same period last year, when the capability utilization rate was 79.6%. Broken down by districts, here's production for the week ending March 20, 2021 in thousands of net tons: North East: 164; Great Lakes: 620; Midwest: 184; Southern: 724 and Western: 61 for a total of 1753.

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, 03.20.2021

Purchasing Managers Index (PMI)®



The March Manufacturing PMI® registered 64.7%, an increase of 3.9 percentage points from the February reading of 60.8%. This figure indicates expansion in the overall economy for the 10th month in a row after contraction in April. The New Orders Index registered 68%, up 3.2 percentage points from the February reading of 64.8%. The Production Index registered 68.1%, an increase of 4.9 percentage points compared to the February reading of 63.2%. The Backlog of Orders Index registered 67.5%, 3.5 percentage points above the February reading of 64%. The Employment Index registered 59.6%, 5.2 percentage points higher than the February reading of 54.4%. The Supplier Deliveries Index registered 76.6%, up 4.6 percentage points from the February figure of 72%. The Inventories Index registered 50.8%, 1.1 percentage points higher than the February reading of 49.7%. The Prices Index registered 85.6%, down 0.4 percentage point compared to the February reading of 86%. The New Export Orders Index registered 54.5%, a decrease of 2.7 percentage points compared to the February reading of 57.2%. The Imports Index registered 56.7%, a 0.6 percentage point increase from the February reading of 56.1%.

Of the 18 manufacturing industries, 17 reported growth in March, in the following order: Textile Mills; Electrical Equipment, Appliances & Components; Machinery; Computer & Electronic Products; Apparel, Leather & Allied Products; Furniture & Related Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Primary Metals; Plastics & Rubber Products; Paper Products; Transportation Equipment; Chemical Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Printing & Related Support Activities; and Petroleum & Coal Products. No industries reported contraction in March. ***Source: Institute for Supply Management, 04.01.2021***

Industry News

Global Stainless Production Dips In 2020

Global stainless steel melt shop production in 2020 decreased 2.5% to 50.9 million metric tons, the International Stainless Steel forum reported. Global production was up 13.7% in the fourth quarter to 14.1 million tons.

The year-over-year decline was particularly steep in the U.S., where production dropped 17.3% to 2.1 million tons. Only the Asian region excluding China and South Korea saw a more precipitous decline, falling 18.6% to 6.4 million tons. European mills also cut production in 2020, down 7.1% to 6.3 million tons.

China defied the global trend, increasing production 2.5% to 30.1 million tons. Chinese stainless output represented about 60% of the global total ***Source: MetalCenterNews, 03.16.2021***

Biden To Accelerate Offshore Wind Energy Projects

The White House moves to speed up leasing and reviews for sea-based turbines off both coasts and in the Gulf of Mexico. White House officials said March 29 they want to fast-track leasing for wind turbines in federal waters. The administration said it is pushing wind energy for job creation and economic opportunity along the Atlantic Coast, in the Gulf of Mexico, and in Pacific waters. Through its Interior, Energy, Transportation and Commerce Departments, the administration announced a shared goal to deploy 30 gigawatts of offshore wind power by 2030, "while protecting biodiversity and protecting oceans," White House Press Secretary Jen Psaki said during a briefing March 29. The New York and New Jersey coasts are seen as a priority for wind-power interests and state officials.

The wind-power industry will also spawn new supply chains into the nation's interior, as illustrated by the 10,000 tons of domestic steel that workers in Alabama and West Virginia are supplying to a Texas shipyard where Dominion Energy is building the nation's first Jones Act-compliant wind turbine installation vessel. Full Story
Source: MarketWatch, 03.29.2021

Regional U.S. Manufacturing Readings Strong In March

The U.S. Department of Commerce announced on March 25 that the nation's economy expanded at a 4.3% annualized rate in the fourth quarter of 2020 after expanding at a 33.4% rate in the third quarter. The growth rate for the last three months of the year was slightly higher than the 4.1% level, the Commerce Department estimated just a month ago. Read the full report here. In related news, the Federal Reserve Bank of Chicago announced that its National Activity Index, a key gauge of future growth, was -1.09 in February, down from +0.75 in January.

The Federal Reserve Bank of Kansas City announced that its manufacturing index for the Midwest region rose to +26 in March from +24 in February. The bank said the growth in district manufacturing activity was driven more by durable goods plants for primary metals, machinery, transportation equipment, furniture, and miscellaneous manufacturing. Month-over-month indexes for shipments, new orders, and order backlog expanded at a faster pace in March and supplier delivery time was very high as well.

The Federal Reserve Bank of Richmond said its manufacturing index rose from +14 in February to +17 in March due to a sharp increase in the shipments index and steady levels for new orders and employment. Manufacturers also noted that finding workers with the necessary skills remained difficult and expected these trends to continue in the next six months. Full Story
Source: MSCI, 03.29.2021

U.S. Steel Imports in February Down 22% From Previous Month

U.S. steel imports reached 1.71 million metric tons in February, according to preliminary data from the Census Bureau. Imports fell from 2.20 million metric tons in January. Meanwhile, February 2021 imports were up from the 1.37 million metric tons imported in February 2020.

Furthermore, imports were down over 7% in the year to date compared with the first two months of 2020. According to the American Iron and Steel Institute (AISI), finished steel import market share reached an estimated 18% in February. Meanwhile, through the first two months of the year, import market share reached 17%. In addition, after reaching 35% in 2017, steel import penetration fell to 26% by 2019, according to the Economic Policy Institute.

By import source, Canada led the way in February, sending 468,161 metric tons to the U.S. However, imports from Canada declined by 8.8% from the previous month. Furthermore, U.S. steel imports from Mexico fell 30.9% from January to February, reaching 228,925 metric tons in the latter month.

Meanwhile, imports from the EU nearly doubled. Imports from the EU totaled 382,411 metric tons in February, up 95.9% from the previous month.
Source: MetalMiner, 03.29.2021

Special Section: Trade News

Senators Plan Bipartisan Revamp Of National-Security Tariffs

A bipartisan group of senators introduced a bill to revamp a 1962 trade law that former President Donald Trump used to justify tariffs on billions of dollars worth of imports on national-security grounds.

Section 232 of the Trade Expansion Act allows for duties without a vote by Congress if imports are deemed a national-security threat. The Trump administration used the legislation to put tariffs on foreign steel and aluminum. Lawmakers complained about the White House's actions, and the controversial duties have drawn legal challenges both in U.S. courts and at the World Trade Organization.

The proposed Trade Security Act would reform section 232 "to better align the statute with its original intent as a trade-remedy tool for the president and Congress to respond to genuine threats to national security," seven senators including Republican Rob Portman of Ohio and Democrat Dianne Feinstein of California said in a statement March 15.

Congress would be able to annul the president's actions with a joint resolution of disapproval, the lawmakers said, and the measure would require consultation with Capitol Hill throughout the process.

The law would also see the process split, with the Department of Defense leading an investigative phase and the Department of Commerce handling the so-called remedy phase "to ensure that the statute is used for genuine national-security purposes," the senators said.

Other lawmakers backing the bill are Republicans Joni Ernst of Iowa, Deb Fischer of Nebraska, Roger Wicker of Mississippi and Todd Young of Indiana, as well as Democrat Kyrsten Sinema of Arizona.

In a separate statement on March 15, the Coalition of American Metals Manufacturers and Users, representing companies and workers in industries from aerospace to consumer goods, sent a letter to Commerce Secretary Gina Raimondo complaining about the damage caused by the 25% tariffs on steel and 10% on aluminum. Trump slapped the duties on trade partners from the European Union to Mexico and Canada in 2018.

Raimondo said earlier this month that data show the tariffs have "been effective" and left open the possibility that they would be maintained after the Biden administration completes a review process.

"Over 6.2 million Americans work in industries that use steel, while the steel industry itself directly employs only 141,700 workers," the manufacturing group said. "The tariffs have shifted injury from one industry to a much broader segment of the economy." *Source: Bloomberg, 03.16.2021*

Special Section: COVID-19

OSHA Launches New National Emphasis Program—COVID-19

On March 19, the Occupational Safety and Health Administration (OSHA) launched a national emphasis program (NEP) that will focus the agency's enforcement efforts on companies and specific industries that have demonstrated the highest risk of spread of COVID-19. This NEP is effective immediately. A list of primary targets can be found here while a list of secondary targets is here.

The agency said the NEP seeks "to substantially reduce or eliminate coronavirus exposure for workers in companies where risks are high, and to protect workers who raise concerns that their employer is failing to protect them from the risks of exposure." The program dictates that "inspections should be conducted in a manner to achieve expeditious issuance of COVID-19 related citations and abatement."

The NEP also alluded to a potential Emergency Temporary Standard (ETS) for COVID-19-related safety that could soon be coming from OSHA. Specifically, the NEP said, "In the event that OSHA issues an [ETS], those provisions will take precedence over citations of the general duty clause." More information on the NEP can be found here.

OSHA also has issued an updated response plan for COVID-19 that provides new guidance for handling COVID-19 related complaints, referrals, and severe illness reports. According to a press release, "OSHA will only use remote-only inspections if the agency determines that on-site inspections cannot be performed safely." This new memorandum rescinds May 26, 2020 enforcement guidance. Click here for more information. *Source: MSCI, 03.23.2021*

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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