ONI O'NEAL INDUSTRIES

www.onealind.com

INSIGHT

FEBRUARY 2022

The U.S. Economy Added 467,000 Jobs In January Despite A COVID Surge—A record-setting spike in coronavirus cases wasn't enough to derail the job market recovery at the beginning of the year.

The report February 4 showed the resilience of the recovery in the face of a resurgent pandemic. The January data was collected in the first weeks of the year, when coronavirus cases topped 800,000 a day and millions of workers were kept home by positive tests, suspected exposures or child care disruptions. That led many economists—and even the White House—to set expectations for a weak report.

Instead, employers continued to add jobs at nearly the rate they did in December, when payrolls grew by more than half a million. That number was revised up from earlier estimates. Full Story
Source: NYTimes, 02.04.2022

U.S. Durable Goods Orders Post First Decline In Three Months—Bookings for all durable goods—or items meant to last at least three years—dropped 0.9% from November, reflecting a drop in orders for commercial aircraft and communications equipment. At the same time, durables orders for November were revised up to a 3.2% gain.

The value of core capital goods orders, a proxy for business investment in equipment that excludes aircraft and military hardware, was little changed after climbing a revised 0.3% in the prior month, Commerce Department figures showed January 27.

The median estimate in a Bloomberg survey of economists called for a 0.4% increase in core capital goods orders and a 0.6% decline in total durables bookings. *Source: Bloomberg, 01.27.2022*

U.S. Economy Grew By 5.7% Last Year—Its fastest pace since 1984, rebounding from a sharp but brief coronavirus-induced recession in March 2020. The nation's gross domestic product, a measure of all goods and services produced, expanded by 5.7% in 2021, the Commerce Department reported January 27. Growth accelerated even faster during the period from October to December, rising to 6.9% on annualized basis.

With inflation running hot and COVID-19 cases from the highly contagious omicron variant filling overworked hospitals and keeping workers at home, the economy is expected to grow at a slower rate in 2022. Economists have already slashed their forecasts for the first quarter, due to the impact of Omicron. Full Story
Source: NBC, 01.27.2022

Top Fed Official Sees U.S. Inflation Slowing As Supply Issues Resolve

The wave of U.S. price increases that have battered consumers in recent months should slow this year, as supply and transportation issues resolve, a top Federal Reserve official said January 14. New York Federal Reserve Bank President John Williams said he sees inflation falling to 2.5% this year, but cautioned that the ongoing COVID-19 pandemic means any forecast faces high uncertainty.

Given the rapid recovery and high inflation, he said the Fed is "approaching a decision" on raising lending rates. With inflation hitting its highest rate in nearly 40 years, the Fed already has begun to remove the massive stimulus pumped into the world's largest economy during the pandemic to aid in the recovery.

Many economists now expect the Fed's policy-setting Federal Open Market Committee to raise the benchmark interest rate off zero in March, with three or even four hikes possible this year. But Williams said the date will depend on how the recovery progresses.

"With growth slowing and supply constraints gradually being resolved, I expect inflation to drop to around 2.5% this year, much closer to the FOMC's 2.0% longer-run goal," he said in a speech to the Council on Foreign Relations. "And looking further ahead, I expect inflation to get close to 2.0% in 2023," he added.

"Given the clear signs of a very strong labor market," including the rapid drop in the unemployment rate, the Fed is nearing the time to start getting the policy interest rate "back to more normal levels," Williams said. However, "the timing of such decisions will be based on a careful consideration of a wide range of data and information."

The main factors behind rising prices are high demand and the supply chain snarls due in part to the lockdowns in Asia that have hampered production of key material.

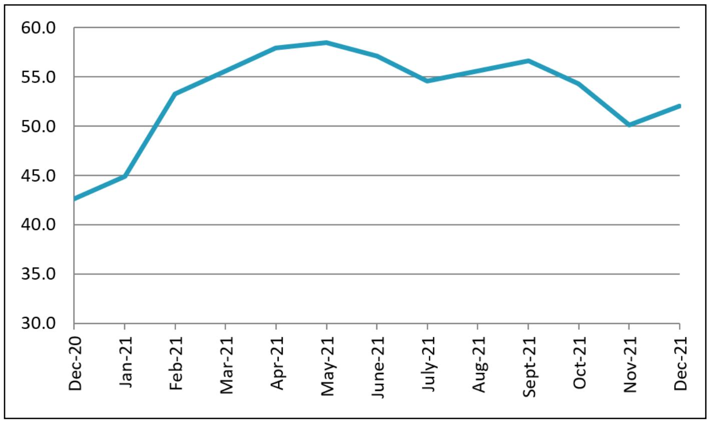
But Williams acknowledged that "elevated prices have real life consequences for so many, particularly for people who are struggling to cover the rising costs of food, housing and transportation."

While he expects the situation to gradually resolve, the Fed official cautioned that the pandemic is unprecedented, and the Omicron variant wave continues to pose challenges to businesses and households.

"As we turn a page on the new year, it's clear that we have not yet reached the end of this pandemic story."
Source: Agence France-Presse, 01.14.2022

Key Economic Indicators

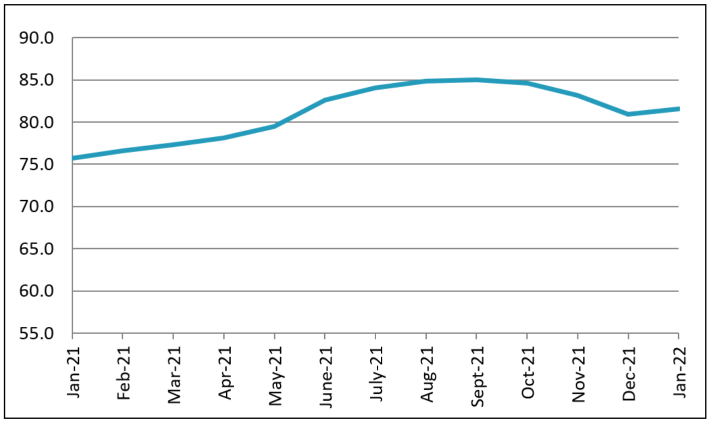
Architecture Billings Index (ABI)



December's Architectural Billings Index (ABI) score of 52.0 was an increase from 51.0 in November (any score over 50 indicates billings growth). Despite a variety of concerns related to the omicron variant, labor shortages, and rising prices as well as limited availability of construction materials, firms continued to report a robust supply of work in the pipeline. Inquiries into new work and the value of new design contracts both remained strong, and backlogs, at an average of 6.5 months, remained near their highest levels since the AIA began tracking this metric in 2010.

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, 01.19.2022

Steel Capability Utilization

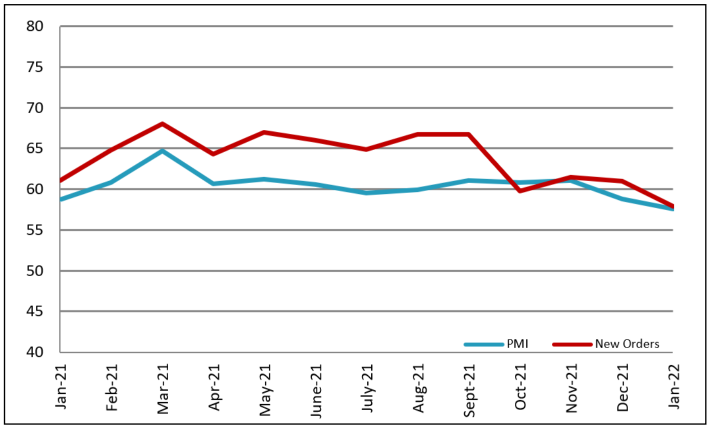


In the week ending on January 29, 2022, domestic raw steel production was 1,796,000 net tons while the capability utilization rate was 81.6%. Production was 1,736,000 net tons in the week ending January 29, 2021 while the capability utilization then was 76.6%. The current week production represents a 3.5% increase from the same period in the previous year. Production for the week ending January 29, 2022 is down 0.4% from the previous week ending January 22, 2022 when production was 1,803,000 net tons and the rate of capability utilization was 81.9%.

Adjusted year-to-date production through January 29, 2022 was 7,500,000 net tons, at a capability utilization rate of 82.2%. That is up 4.3% from the 7,192,000 net tons during the same period last year, when the capability utilization rate was 76.6%.

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, 01.29.2022

Purchasing Managers Index (PMI)®



The January Manufacturing PMI® registered 57.6%, a decrease of 1.2 percentage points from the seasonally adjusted December reading of 58.8%. This figure indicates expansion in the overall economy for the 20th month in a row after a contraction in April and May 2020. The New Orders Index registered 57.9%, down 3.1 percentage points compared to the seasonally adjusted December reading of 61%. The Production Index registered 57.8%, a decrease of 1.6 percentage points compared to the seasonally adjusted December reading of 59.4%. The Prices Index registered 76.1%, up 7.9 percentage points compared to the December figure of 68.2%. The Backlog of Orders Index registered 56.4%, 6.4 percentage points lower than the December reading of 62.8%. The Employment Index registered 54.5%, 0.6 percentage point higher compared to the seasonally adjusted December reading of 53.9%. The Supplier Deliveries Index registered 64.6%, down 0.3 percentage point from the December figure of 64.9%. The Inventories Index registered 53.2%, 1.4 percentage points lower than the seasonally adjusted December reading of 54.6%. The New Export Orders Index registered 53.7%, up 0.1 percentage point compared to the December reading of 53.6%. The Imports Index registered 55.1%, a 1.3 percentage point increase from the December reading of 53.8%.

The 14 manufacturing industries reporting growth in January—in the following order: Apparel, Leather & Allied Products; Furniture & Related Products; Miscellaneous Manufacturing; Nonmetallic Mineral Products; Machinery; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Transportation Equipment; Primary Metals; Fabricated Metal Products; Computer & Electronic Products; Chemical Products; Petroleum & Coal Products; and Plastics & Rubber Products. The only industry reporting a decrease in January compared to December is Paper Products. ***Source: Institute for Supply Management, 02.01.2022***

Industry News

Global Steel Production Climbs 3.7% In 2021

Global steel production in 2021 totaled 1.95 million tons, a 3.7% increase from the prior year, the Brussels-based World Steel Association reported. Global production was down 3.0% in December to 158.7 million tons. The U.S. produced 86 million tons of crude steel last year, an 18.3% increase compared with the prior year. Production in December of 7.2 million tons was up 11.9% compared with 2020.

For all of North America, 2021 production of 117.8 million tons was up 16.6%. Crude production for December totaled 9.7 million tons, up 7.5%. Global leader China's 2021 production declined 3.0% to 1.03 billion tons. The country's production in December was down 6.8%, the fifth straight month of decreasing production.

Besides China, the other top producers all saw production gains in 2021, including Indian production up 17.8% to 118.1 million tons, Japan up 14.9% to 96.3 million tons and Russia up 6.1% to 76 million tons. ***Source: MCN, 01.27.2022***

Oil Posts Its Strongest January In Decades As Market Tightens

Oil had its biggest January gain in at least 30 years as robust demand outpaced fresh supply. The global benchmark settled above $91 a barrel, posting a 17% gain this month. The combination of booming demand, scratchy supply and dwindling stockpiles has helped crude soar this month, with top banks and oil companies saying prices may soon pass $100 a barrel.

Crude's rally is really "a supply story," said Rob Haworth, senior investment strategist at U.S. Bank Wealth Management. "Crude is flying in the face of a strong U.S. dollar and a weak global stock market. It comes down to its own fundamentals more than anything else."

Traders were greeted January 31 with a familiar set of drivers, from the weather to stockpiles. Low temperatures in the U.S. have been boosting demand for fuels, as Boston reported a daily snow record over the weekend and New York's Central Park received more than 8 inches (20 centimeters.) An oil pipeline in Ecuador was damaged by a rock slide, potentially endangering supply. Meanwhile, oil held on tankers fell by more than 20% last week, the latest sign of ebbing inventories. While the advance has gained extra support as Russia amasses troops near Ukraine, it also has been compounded by the inability of the Organization of Petroleum Exporting Countries and its allies to meet planned supply output increases. The OPEC+ alliance gathers February 2 to assess the market.

As economies continue to recover from the pandemic, oil product markets are roaring. Refiners across the globe are making robust profits from producing gasoline, with the demand outlook signaling continuing strength.
Source: Bloomberg, 01.31.2022

Source: Nymex, ICE, Bloomberg

Industry News

Worried About Cybersecurity? U.S. Homeland Security Agency Has Advice For Businesses

Last week, the U.S. Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) released a new report outlining efforts that businesses, local and state governments, and other organizations can take to enhance their cybersecurity. As CISA said, every organization is at risk from cyber threats. Indeed, over the past year, cyber incidents have impacted many companies, nonprofits, and other organizations, large and small, across multiple sectors of the economy.

The report, titled "Implement Cybersecurity Measures Now to Protect Against Potential Critical Threats," is intended to ensure senior leaders at all organizations are aware of critical cyber risks and take urgent, near-term steps to reduce the likelihood and impact of a potentially damaging compromise. CISA advised that all organizations, regardless of sector or size, should immediately:

- Reduce the likelihood of a damaging cyber intrusion.
- Take steps to quickly detect a potential intrusion.
- Ensure that the organization is prepared to respond if an intrusion occurs.
- Maximize the organization's resilience to a destructive cyber incident.

CISA has asked that organizations report incidents to CISA and/or to their local FBI field office or to the FBI by calling (855) 292-3937 or emailing CyWatch@fbi.gov. Information about how to report incidents to CISA is here. Read CISA's report here.
Source: MSCI, 01.24.2022

U.S. House To Take Up Bill On China Competition, Chips Industry

The U.S. House of Representatives took up a bill this week aimed at increasing competitiveness with China and supporting the U.S. chip industry, including $52 billion to subsidize semiconductor manufacturing and research. House Majority Leader Steny Hoyer said on January 28 that the House would vote on the 2,900-page bill, called the "America Competes" act, saying it would "make further strides in innovation, technology, and advanced manufacturing." The bill also authorizes $45 billion to support supply-chain resilience and manufacturing of critical goods, industrial equipment, and manufacturing technology.

President Joe Biden's administration is pushing Congress to approve funding to subsidize chip production in the U.S., as shortages of the components used in autos and computers have increased supply chain bottlenecks. Commerce Secretary Gina Raimondo said on January 28 the bill would "create thousands of jobs all over America. We need Congress to pass that bill in order to revitalize American manufacturing."

The Senate passed the U.S. Innovation and Competition Act last year, which includes $52 billion to increase U.S. semiconductor production and authorizes $190 billion to strengthen U.S. technology and research to compete with China. The House bill has some differences with the Senate version. If it passes the House, leaders of both chambers will negotiate to resolve differences.

The House bill also includes a number of trade provisions and would impose additional sanctions on China for what the U.S. says are rights abuses against Uyghurs and other Muslim minority groups in the Xinjiang region. China denies the allegations. The bill would also offer refugee status for qualifying people from Hong Kong, where Beijing has cracked down on pro-democracy activists.

Liu Pengyu, a spokesman for the Chinese Embassy in Washington, said in a statement China was "firmly against the U.S. making an issue of China and taking it as an imaginary enemy." The bill "gravely interferes in China's domestic affairs and "is 'Hinder China to Compete Act' rather than 'The America COMPETES Act.'"

The House bill also reauthorizes and revises Trade Adjustment Assistance programs, which help workers whose jobs or pay is hurt by imports, and reforms the Generalized System of Preferences, a preferential tariff system for imports.
Source: Reuters, 01.28.2022

Special Section: Trade

Canada Joins Mexico's Official Complaint Arguing U.S. Violating Trade Pact Over Auto Parts Provision

Canada is joining Mexico's official complaint January 14 requesting a dispute settlement panel to resolve a claim that the U.S. is violating the new NAFTA by insisting on a stricter interpretation of a key provision on auto parts. Motor vehicles are the most valuable product traded between the three countries. Canada argues that the way the U.S. views the Canada-U.S.-Mexico Agreement on trade (CUSMA) would make it harder for Canadian vehicles and essential auto parts—engines, transmissions and steering wheels—to qualify as duty-free. Canada argues the U.S.'s view of the rules is "inconsistent" with the trade deal the three countries agreed to.

"Canada, Mexico and the U.S. would all benefit from certainty that CUSMA is being implemented as negotiated, and Canada is optimistic that a dispute settlement panel will help ensure a timely resolution of this issue," wrote International Trade and Export Promotion Minister Mary Ng in a statement issued January 14. Canada and Mexico have been working to resolve this dispute for more than a year. The dispute centers on how the three countries define a North American vehicle. A provision in CUSMA states that by 2025, 75% of each vehicle and of certain core components must be manufactured in the country of origin in order to cross a North American border duty-free. If those products fail to meet that threshold, the U.S. can charge tariffs under World Trade Organization rules.

The U.S. interpretation of the provision is more stringent than Canada's and could make it harder for entire vehicles to qualify for duty-free treatment. Mexico and Canada argue that if 75% of an essential car component is manufactured regionally, that's enough to define it as a duty-free North American part in a fully assembled vehicle. The U.S. doesn't agree—which could make it harder for entire vehicles containing those parts to meet the 75% threshold for duty-free trade.

A Canadian senior government official told CBC News the U.S. interpretation could be overly burdensome for the industry and regulators. Flavio Volpe, president of the Automotive Parts Manufacturers' Association, said that if the U.S goes ahead with its interpretation, it could have major implications across North America. Volpe said auto makers might opt not to try to comply with the new rules—to instead source auto parts outside of North America and accept the 2.5% WTO tariff.

"The biggest winners are the low-cost Asian or Eastern European countries who make those same parts with very cheap labor," said Volpe. "They'll just become part of the Canadian cars we all see on the road today." He said that undermines the entire goal of the provision in CUSMA—to boost production in North America. Volpe said that while Canada, Mexico and the U.S. would suffer, the U.S. has the most at stake since it makes about 50% of all car parts in North America.

"The Trump administration, though it was tough and sometimes brainless in the negotiation of this agreement, ultimately came to a tripartisan place with rules we all agree to," said Volpe. Volpe said he was relieved when President Joe Biden took office but now believes there are "a lot of very protectionist leaders in that administration as well." "Some of us are really surprised to see the Americans go back on the commitments made during this negotiation," he added.

While re-negotiating NAFTA in 2019, Canada, Mexico and the U.S. agreed on a dispute mechanism process; that process will now be used to settle this dispute. The dispute resolution panel requested today by Mexico and Canada should have time to review submissions from all three countries and issue its report before the new rules take effect in 2025. Ng wrote the Canadian government will "always stand up for our auto industry and workers as we build toward a sustainable economic recovery."

This matter is not related to Canada's dispute with the U.S. over its electric vehicle tax incentive for American-made vehicles. ***Source: CBC, 01.14.2022***

Source: Norm Betts/Bloomberg

Special Section: Trade

U.S.-China Trade Relations In 'Difficult' Stage: Tai

Canada is joining Mexico's official Trade relations between Washington and Beijing are at a "difficult" stage but President Biden's administration is committed to protecting the U.S. economy from negative impacts of China's policies, the top American trade official said January 31. U.S. Trade Representative Katherine Tai said her team will "engage robustly" with China in ongoing talks over Beijing's commitments to buy American goods under a deal signed under former president Donald Trump.

"We're in a very difficult stage of this trade relationship," Tai said, adding that "the conversations are not easy." The two countries signed a so-called "phase one" agreement in January 2020, in which Beijing pledged to increase its purchases of American products and services by at least $200 billion over 2020 and 2021. But amid the COVID-19 pandemic, Beijing has fallen fall short of those targets.

Calling the relationship "one of the defining issues we work on," Tai said she has started the "step one" discussions with China on the trade deal but they have not yielded results as yet.

The administration's broader aim is to "defend the American economy, our workers and our businesses from the negative impacts" of China's nonmarket policies, she said in a fireside chat with the National Asian Pacific American Bar Association.

Biden recently said he is not yet ready to remove the tariffs his predecessor imposed in 2018 on Chinese products worth $370 billion, citing "unfair" trade practices.

In her comments January 31, Tai also said she is "heartened" by the prospects of reforming the World Trade Organization. She pointed to a "universal commitment... that the WTO as an institution is important, and deserves our attention."

The Trump administration paralyzed the WTO's dispute resolution body, but Tai pledged the U.S. would take a leadership role in the reform effort. "We might have different visions about what we would like the WTO to be specifically, but let's engage in that process," she said.
Source: IndustryWeek, 01.31.2022

Special Section: COVID-19

Remind Employees: Federal Government Providing Free Masks, COVID Tests

The U.S. government is making free at-home COVID-19 tests available through a federal website, COVIDTests.gov.

Households can order four tests at a time. The tests will typically ship within 7-12 business days of ordering and will come via the U.S. Postal Service. All orders in the continental U.S. will be sent through First Class Package Service while shipments to Alaska, Hawaii, and the U.S. Territories and APO/FPO/DPO addresses will be sent through Priority Mail. The federal government also has launched a free call-in phone line so that Americans who have difficulty accessing the internet or need additional support can phone-in orders for their tests.

After launching the testing effort, on January 18 the Biden administration announced that it will make 400 million N95 masks available for free to U.S. residents over the coming weeks. As The Hill explained, the masks will be available for pickup at certain local pharmacies and community health centers. They became available week of January 24 and are being dispensed on a first-come, first-served basis.

The masks are being deployed from the Strategic National Stockpile, which currently has more than 750 million N95 masks. *Source: MSCI, 01.24.2022*

Get free at-home COVID-19 tests

Every home in the U.S. is eligible to order 4 free at-home COVID-19 tests. Orders will usually ship in 7-12 days. Order your tests now so you have them when you need them.

Order Free At-Home Tests

Need help placing an order for your at-home tests?
Call 1-800-232-0233 (TTY 1-888-720-7489).

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