



7405 E. Slauson Ave.
Commerce, CA 90040
800.388.8998
www.paragonsteel.com

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37 YEARS

WINTER 2025 NEWSLETTER



UPDATE ON THE US STEEL-NIPPON ACQUISITION

China's overproduction of steel is one of the most significant challenges facing the US and our allies. As we've reported in the past few newsletters, the possibility of a Nippon Steel's acquisition of US Steel is one of the most significant business events to affect the domestic steel industry in years. For much of 2024, the Biden administration opposed the proposed deal even if the deal imploded, it would likely result in many layoffs and hurt the unions they were attempting to protect. A few weeks before the end of Biden's term, the president nixed the deal due to national security concerns. It was reported that there were differing opinions within the government about the effect of this proposed takeover. In the end, Biden wanted his legacy to be one of the most pro-union presidents ever. This decision was consistent with that goal. Unfortunately, I believe the decision was short-sided and wrong for many reasons.

The impact of this deal will be great. The glut of underpriced Chinese steel has undermined fair competition and caused global economic fallout, putting many steelmakers around the world out of business and their employees out of work. It has also jeopardized America's steel supply chain, underscoring how the long term future of domestic steelmaking is critical to our country's national and economic security.

This backdrop to the Nippon Steel deal, makes its outcome all the more important. The deal would strengthen US Steel's current operations and production capacity, benefit its workers and enhance the competitiveness of the American steel industry. Nippon Steel's proposal to invest \$2.7 billion in union represented local steel facilities would also allow US Steel to compete on the world's stage. Without these upgrades, the domestic steel production will continue to fall behind.

President-elect Trump has a difficult decision to make. He is determined to protect American industries, but he would be doing so at a potentially

great expense. If he blocks the deal, China will perceive it as proof of a troubled US-Japan relationship. It would be a gift to the Chinese Communist Party's propaganda machine that promote the hypocrisy of the US and its empty promises we offer our allies. This is exactly the opposite message we should be sending. We should be encouraging investment by foreign countries into American enterprises (as we are doing with Taiwan and the chipmaking industry).

Ultimately, we need to have steel manufacturing in this country. That is what this deal would ensure. Nippon Steel's much needed capital and technological improvements would help US Steel produce stronger, cleaner, more advanced steel here at home and for the benefit of American companies and consumers.

Meanwhile, Nippon is suing the Biden administration for their actions. This will just draw it out until we have a new administration. Donald Trump has also opposed the deal, but knowing him he might want to renegotiate a better deal for US Steel. Stay tuned.

HAPPY NEW YEAR (HOPEFULLY) WELCOME TO



By Jim Stavits

Image credited to Gallup website December 30, 2024

I suppose every New Year is a time for renewal and optimism. We reflect upon the prior year, wipe the slate clean and set sail for the coming year. Predicting what will happen is perhaps the most challenging part. Last year we were so consumed by the November election results that it nearly clouded the entire year. Now that we have that part behind us, we can speculate about 2025.

2025 is certainly filled with uncertainty. In a poll of manufacturing businesses, over half predicted a recession in 2025 and only 11% characterized the future economic outlook as positive. I think the overall consensus is anxious to see if the new Trump administration will have success with their objectives and goals.

- 1. Nearshoring** – With all of the threats of tariffs and supply chain upheaval, there will be a greater incentive to have home grown sources who can offer reliability and dependability. The recent port strikes have only underscored the need for localized production that reduces the reliance on distant, often disrupted supply chains. Should the tariffs become a reality, it could serve to disrupt the steel industry as it did in 2018, the last time Trump limited imports from entering the country.
- 2. Automation and AI** – As more and more companies incorporate automation into their processes, it will likely eliminate jobs, but will serve to make companies operate more efficiently and cut costs. Then of course there is AI. This could disrupt businesses like nothing

we've ever seen in our lifetimes. As more and more businesses figure out how to implement the tools into their operations, there will be a huge impact on labor and cost reductions.

- 3. Labor Changes** – Since Covid we've seen quite a change in the way employees work. The remote office has certainly had an impact on real estate, commuting habits and where employees reside. As more and more companies are desiring to bring employees back into the office, it will likely result in a shortened work week and altered work days. Employers will need to be creative as a way to attract top talent.
- 4. Economy** – Underpinning all of these trends, barring any unforeseen hiccups, we may see some improvement to macroeconomic trends as inflation continues to stabilize and interest rates decline. According to the experts, industrial production is estimated to grow by 2.6% this year, up from the 2023 rate of 1.8%. Hopefully, this improvement materializes. Based on the current trends, manufacturers will have a lot of work to do to keep up with the increased business environment.