The [American Supply Association (ASA)](http://www.asa.net) and its [Industrial Piping Division (IPD)]() is the national organization serving wholesaler-distributors and their suppliers in the industrial and mechanical pipe-valve-fitting industry. As a powerful alliance of channel partners, we provide a forum for your upstream trading partners to exchange critical information and address key issues.

In particular, ASA's IPD members constantly check the pulse of the materials and commodities they proudly supply to you. ASA's IPD members are knowledgeable industry leaders, and those who volunteer their service on the IPD Executive Council compile and prepare the *IPD Commodity Reports.* The *Reports* contain some of the most current and qualified market data and information available from the industry's leading manufacturers and distributors about emerging trends and other price-influencing actions and events.

This information is an example of how ASA's IPD manufacturer and distributor members are constantly looking ahead to ensure you have information and resources you need to be successful. Learn more at www.asa.net.

ECONOMIC SUMMARY

Oil and Gas

At the time of writing, stories were still surfacing regarding congestion and delays in tanker shipping on a global basis. But supplies continue to be sufficient to meet demand, and U.S. production continues to hover near historical daily output.

As mentioned last month, weaker global demand continues to be the backstory, and why oil prices remained stable in the mid-$70 a barrel range. Crude oil prices were stable in late February, West Texas Intermediate (WTI) was slightly higher this month at the time of writing at $77.62 ($76.74 a barrel in last month's report). Brent was also higher at $82.57, essentially unchanged from $82.26 a barrel last month.

Global shipping activity continues to be a challenge, specifically in the Red and Black Sea region.

Clean tanker rates (tankers that move refined fuels) are still at their fifth-highest level since 2008. Prices for clean tanker shipping continue to surge and were 72% higher since the beginning of the year.

Fuel prices were higher at the time of writing as refineries go through spring maintenance. Diesel prices were $4.07 a gallon at the time of writing ($3.91 a gallon in the last briefing) (Source: AAA), which was $.35 per gallon lower than last year. Gasoline in comparison was at a national level of $3.26 a gallon ($3.12 per gallon in last month's briefing), which is now 10 cents a gallon lower than it was a year ago.

The EIA is forecasting gasoline prices to average $3.31 in 2024 after averaging $3.52 last year. Diesel forecasts show an annual price of $3.92 after averaging $4.21 last year. exports (with the ongoing conflict in Ukraine).

Economy: First-quarter GDP is once again stronger than expected on the back of strong consumer spending, government investment and stable corporate spending (nonresidential construction). The current GDPNowcast from the Atlanta Fed is showing the economy growing at 2.9% (Blue Chip forecasters are expecting growth of 1.8% in the quarter). Most forecasts still show GDP unchanged or slightly contracting in Q2 and Q3, but if the labor environment remains stable, consumer spending will stay healthy, and the economy will continue to show growth.

The Federal Reserve is still signaling two rate cuts in 2024, both being a quarter-point. As we approach the presidential election, the Fed likely will be unwilling to change rate policy. That is a tradition (to not influence the election and to reaffirm the Fed's neutral status). Therefore, likely cuts would come in the June and July meetings with pauses afterwards in September and November. That leaves question marks in the March and April/May meeting (and many believe that the economy is still too hot and inflation too high to start cutting yet). After cuts then in June and July, pauses would take place until the December meeting in which a cut (or hike) would be possible by then after the election.

In total, most still believe that the year will end with a Fed Funds rate of 4.5%-4.75% (down from 5.25% today). Then in 2025, rate cuts would lead to a year-end rate of 3.25%.

Inflation-adjusted retail sales were lower by 1.1% in January M/M (latest available) and were lower against January 2023, dropping by 2.4% (latest available and up 1.9% in last month's report).

Home improvement sales were weaker in January on a month-over-month basis with sales down by 4.1% month-over-month (+0.4% in the last report), largely down due to seasonal issues; and they were 8.3% lower year-over-year (2.3% lower in the last report), which strips out some seasonality. Preliminary estimates on retail sales in the home improvement category were $39.7 billion in January (vs. $41.3 billion last year).

Total residential construction spending was up 6.8% year-over-year on $922.2 billion in spending through December (latest available and a strong historical rate). Single-family construction spending was up 9.9% Y/Y on $427.5 billion in spending and multi-family was up 11.9% on $135.9 billion.

Total new housing starts were down in January by 14.8% month-over-month (latest available and up 3.3% last month). Starts came in at an annualized rate of 1.331-million-unit rate (1.460M adjusted rate last month). Starts were down 0.7% Y/Y (+7.6% last month) on a national basis.

Single-family starts slipped in January, falling by 4.7% month-over-month (-8.6% in the last report) but are up 22% Y/Y (+15.8% in the last report). Thirty-year mortgage rates in the U.S. were 6.90% on 2/22, slightly higher from rates a month ago. The national monthly supply of new homes was 8.3 months of supply vs. 8.2 in the last update (6 months is normally considered to be balanced). This will continue to help pull prices down in some markets.

Multi-family starts can be volatile based on large project starts month to month, they were lower in January by 37.9% Y/Y (-9.5% Y/Y last month) but were lower by 35.8% M/M (+7.5% in the last report). The total number of multi-family units started at an annual rate of 314,000 (489,000 in last month's adjusted annual rate).

Looking forward, total permits for new home construction were up in January by 10% Y/Y (6% in the last update). Single family permits were up 36.5% Y/Y (33.6% last month) and were up by 2.2% M/M, which is a continuation of a strong near-term trend. Volatile multi-family permits were still lower; they were down 24.1% Y/Y (-27.3% last month); and they were down 5.8% sequentially M/M in January.

Total nonresidential construction spending (both commercial and public) was still very strong in December (latest available). Spending was higher by 0.9% M/M (-0.1% last month); and it was up sharply by 13.9% Y/Y (18.1% last month).

Total nonresidential construction spending came in at an annual rate of roughly $2.1 trillion in December and a new high (heavily impacted by inflationary pressures). Manufacturing construction activity was up 60.5% Y/Y on $213.9 billion in annualized spending (an average year is $60 billion). Once again, infrastructure spending was rising by double-digit growth rates year-over-year and should continue to experience investments and spending as additional Federal programs hit funding strides in 2024. Sewage and waste disposal and water supply are both up 25.8% and 21.4% respectively. Many other nonresidential areas of construction were still growing at double-digit rates year-over-year including:

Value of Construction Put in Place in the United States, Seasonally Adjusted Annual Rate
(Millions of dollars. Details may not add to totals due to rounding.)

Type of Construction	Dec 2023[P]	Nov 2023[r]	Dec 2022	Percent change Dec 2023 from - Nov 2023	Percent change Dec 2023 from - Dec 2022
Total Construction	**2,096,012**	**2,078,267**	**1,840,896**	**0.9**	**13.9**
Residential	**922,161**	**909,487**	**863,102**	**1.4**	**6.8**
New single family	427,435	420,734	388,774	1.6	9.9
New multifamily	135,932	135,554	121,435	0.3	11.9
Nonresidential	**1,173,851**	**1,168,780**	**977,794**	**0.4**	**20.1**
Manufacturing	213,892	214,173	133,244	-0.1	60.5
Public safety	14,921	14,724	11,122	1.3	34.2
Religious	3,818	3,827	2,908	-0.2	31.3
Highway and street	152,375	146,327	121,021	4.1	25.9
Sewage and waste disposal	44,050	44,519	35,017	-1.1	25.8
Conservation and	11,903	11,721	9,768	1.6	21.9
Water supply	29,162	29,897	24,029	-2.5	21.4
Power	130,644	130,388	110,002	0.2	18.8
Educational	124,456	124,616	106,736	-0.1	16.6
Health care	65,640	65,690	57,602	-0.1	14.0
Amusement and recreation	34,453	34,199	31,090	0.7	10.8
Transportation	65,001	64,488	60,369	0.8	7.7
Office	101,408	101,429	96,321	0.0	5.3
Lodging	23,681	23,687	22,546	0.0	5.0
Communication	25,254	25,284	24,686	-0.1	2.3
Commercial	133,194	133,811	131,333	-0.5	1.4

Domestic Malleable Iron

An industry-wide price increase of 6% went into effect Jan. 1 with labor and energy being the primary cost-increase drivers. Of note, ASC Engineered Solutions recently acquired Ward Mfg. Co.

Cast-Iron

Charlotte Pipe and Tyler Pipe did not have any new news during the month of February. It looks like January's 5% price increase may hold.

Stainless Steel Pipe & Fittings

The market seems to have hit a bit of a lull in January. Still active for quoting projects, but orders have not been following as quickly. Pricing has remained stable with plenty of inventory available. Optimism is still stronger for the balance of the year.

There is concern about the pause for LNG projects going forward. This sector has been one of the strongest in our industry, especially since the Russians disrupted the world. We have plenty of supply in this country and the facilities are great consumers of stainless products and create good-paying jobs.

A tug-of-war of sorts is currently framing the outlook for nickel and in turn, stainless steel PVF prices. Bulls are hoping for significantly increased demand post Lunar New Year holidays and that the increasing costs of raw materials and other factory inputs will result in sustained, higher price levels.

LME nickel had its largest weekly increase since last July as news of potential increased sanctions against Russian metals triggered short covering of bets of lower prices by traders.

Additionally, the rampant destocking that occurred throughout 2023 as prices fell, may be coming to an end as buyers move off the sidelines.

On the bearish side of the equation is the prospect that China's economic growth will slow further than it did during 2023; moreover, neighboring countries Japan and South Korea both forecast tepid growth this year.

The "wild cards" include the stimulus efforts being applied by China designed to increase activity levels – particularly in its property sector, which may spark increases to the broad steel complex. The U.S. dollar has also moved lower recently, making it cheaper for holders of foreign currencies to purchase dollar-denominated commodities.

Forged Steel Fittings and Branch

High-pressure forged steel fittings and branch connections have had no price increase announcements throughout the winter months. Carbon and stainless-steel bar remain readily available. Raw material pricing has remained stable. Finished high-pressure forged steel fittings and branch connections are available for delivery from stock to 2 weeks.

From the Distributor:

PVF market thoughts from ASA distributor members:

- "Activity levels have remained stronger than normal as we head into the end of Q1. While the seasonably warmer weather in the Midwest might slow down some of our HVAC equipment sales, other areas in our business have benefited. Additionally, our customer base is optimistic overall about the work they have lined up for the year. I am feeling more bullish today than I did six months ago regarding the prospects for a solid performance in 2024."
- "January was slower than expected and February is starting out sluggish, but we are seeing jobs coming on the horizon."
- "February brings us an uptick in quoting on meaningful projects. Our customer base is optimistic based on the number of large to mid-size projects in the books. Sales were down in January vs a very strong 2023, but February is showing signs of a slight gain over 2023."
- "We were over plan in our revenue, gross profit and order booking goals in January and the same is true MTD for February, although we feared a slowdown in the first 6 months of 2024 — to date that has not been the case."

