The American Supply Association (ASA) 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

A combination of factors has recently started to push oil prices higher. Ukrainian attacks on Russian refineries have added a $2-$3 per barrel geopolitical premium to the price of oil, pushing West Texas Intermediate (WTI) to $82 ($77.62 a barrel in last month's report and up 14.1% year-to-date). Brent North Sea Crude was also higher at $86.68, sharply higher from $82.57 a barrel last month and 12.9% higher YTD.

Global inventories of crude oil are 99 million barrels lower than a year ago (a drop of 2.2%). However, being added to that is a Russian vow to hold to OPEC+ supply cuts soon. Coupled with longer transit times as tankers avoid the Red Sea and Suez Canal, it has led to weaker inventory replacement cycles. Even inventories in the U.S. have been slightly weaker of late, despite total production touching new highs of 13.2 million barrels a day of output.

According to the EIA, since January of 2022, crude oil inventories in the U.S. are still hovering near lows not seen prior since the midpoint of 2001. Much of this is due to the depletion of the Strategic Petroleum Reserves (SPR). Excluding the SPR, inventories are stable, which is largely why oil prices are not higher given global disruptions and ongoing conflicts. Slower replenishment of the SPR also allows production volumes to help fill depletion of crude oil in weekly storage.

Fuel prices were still elevated but largely unchanged month over month at the time of writing. Diesel prices were $4.04 a gallon at the time of writing ($4.07 a gallon in the last briefing) (Source: AAA), which was $.21 per gallon lower than last year. Gasoline was higher in contrast and was at a national level of $3.53 a gallon ($3.26 per gallon in last month's briefing), which is 9 cents a gallon higher 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.

Economy: The current GDPNowcast from the Atlanta Fed has started to decelerate from earlier forecasts in Q1 but is still showing the economy growing at 2.1% (2.9% in last month's report and Blue-Chip forecasters are now expecting growth of 2.0% as well in the quarter). New forecasts have removed contraction in the economy from the outlook. But full-year GDP is still expected to remain stable with growth of 1.9%. This is expected to be driven heavily by gains in the stock market and consumer spending, government spending, and construction activity (consistent with 2023 economic drivers.

The Federal Reserve is still maintaining current rates but was still signaling two to three rate cuts in 2024, all being a quarter-point. The first cuts are expected to begin in June but could come earlier. Key factors that the Fed will watch are a continued drop in inflation (currently at 2.5% against a Fed target of 2%), stable employment (3.9% unemployment rate), and general economic growth. 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 marginally higher by 0.1% in February M/M (latest available) and were lower against February 2023, dropping by 1.6% (latest available and down 2.4% in last month's report).

Home improvement sales were slightly stronger in February on a month-over-month basis with sales up by 2.2% month-over-month (-4.1% in the last report) largely being driven by smaller projects that don't require financing; but they were 6.1% lower year-over-year (8.3% lower in the last report) which strips out some seasonality. Preliminary estimates on retail sales in the home improvement category were $40.4 billion in February (vs. $39.5 billion last year).

Total residential construction spending was up 5.4% year-over-year on $912.2 billion in spending through January (latest available and a strong historical rate). Single-family construction spending was up 12.5% Y/Y on $430.1 billion in spending and multi-family was up 7.9% on $134.5 billion.

Total new housing starts rebounded and were up sharply in February by 10.7% month-over-month (latest available and down 12.3% last month). Starts surged and came in at an annualized rate of 1.521-million-unit rate (1.331M adjusted rate last month). Starts were up 5.9% Y/Y (+2.5% last month) on a national basis.

Single-family starts were very strong after weather-delayed starts in January, surging by 11.6% month-over-month (-4.9% in the last report) and were up 35.2% Y/Y (+23.0% in the last report). Thirty-year mortgage rates in the US were 6.87% on 3/21, slightly lower from rates of 6.90% a month ago. The national monthly supply of new homes was 8.4 months of supply vs. 8.3 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 February by 35.9% Y/Y (-31.4% Y/Y last month) but were higher by 8.6% M/M (-28.0% in the last report). The total number of multi-family units started at an annual rate of 377,000 (347,000 in last month's adjusted annual rate).

Looking forward, total permits for new home construction were up in February by 2.8% Y/Y (10.0% in the last update). Single family permits were up 29.6% Y/Y (36.5% last month) and were up by 1.1% M/M, which is a continuation of a strong near-term trend. Volatile multi-family permits were still lower; they were down 31.8% Y/Y (-24.1% last month); and they were up 3.8% sequentially M/M in February. Permits at a regional level are available in the ASA Monthly Economic Report.

Total nonresidential construction spending (both commercial and public) was still very strong in January (latest available). Spending was slightly lower by 0.2% M/M (0.9% last month); but it was up sharply by 11.7% Y/Y (13.9% last month). Total nonresidential construction spending came in at an annual rate of roughly $2.1 trillion in January.

Manufacturing construction activity was up 36.6% Y/Y on $224.9 billion in annualized spending, a new record (and 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 over the course of 2024. Sewage and waste disposal and water supply are both up 23.9% and 22.2% respectively. All other nonresidential areas of construction were still growing, many 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	Jan 2024	Dec 2023	Jan 2023	Percent change Jan 2024 from - Dec 2023	Jan 2023
Total Construction	**2,102,434**	**2,105,791**	**1,882,199**	**-0.2**	**11.7**
Residential	**912,206**	**910,225**	**865,778**	**0.2**	**5.4**
New single family	430,129	427,532	382,298	0.6	12.5
New multifamily	134,477	135,006	124,644	-0.4	7.9
Nonresidential	**1,190,228**	**1,195,566**	**1,016,421**	**-0.4**	**17.1**
Manufacturing	224,947	220,394	164,649	2.1	36.6
Public safety	14,765	15,211	11,196	-2.9	31.9
Sewage and waste disposal	44,016	44,515	35,516	-1.1	23.9
Religious	3,921	3,895	3,174	0.7	23.5
Water supply	29,226	29,815	23,923	-2.0	22.2
Highway and street	151,080	154,437	123,802	-2.2	22.0
Educational	126,546	127,618	105,769	-0.8	19.6
Amusement and recreation	34,507	34,825	29,616	-0.9	16.5
Power	134,476	134,190	115,869	0.2	16.1
Health care	67,361	67,378	59,559	0.0	13.1
Office	101,975	102,105	95,597	-0.1	6.7
Conservation and development	11,823	11,844	11,121	-0.2	6.3
Lodging	23,807	23,957	22,579	-0.6	5.4
Transportation	65,341	64,803	62,518	0.8	4.5
Communication	25,473	25,367	24,609	0.4	3.5
Commercial	130,964	135,214	126,925	-3.1	3.2

The Distributor Says:

* “Our first quarter was a pleasant surprise. With the forecast at the end of last year for a weak to flat first quarter, we have grown both in revenue and gross profit nicely. Second quarter looks to be strong as well as a few projects seem to be breaking free.”

* “Overall business continues to perform above expectations to start the year. Quoting activity is solid and project starts are taking place as planned. We are monitoring the acceptance of cost increases implemented by vendors over the first few months of 2024 as pricing pressures throughout the market remain elevated.”

* “Concern on where our markets are headed next 12 months. The industrial/commercial side of our business is flat as we predicted. The natural gas utility business is down, and projects have gone from optimistic to cautious. This has led to some delays in greenlighting projects.

* ”Quote activity has increased as well as larger projects breaking ground. The first quarter was slow to start but we see positive gains moving forward. Sales for March are flat compared to a very good month in 2023, but margin is up slightly.”

* ”Our sales have been down to start the year. We did not have much of a heating season, so our equipment sales are way down. We anticipate getting very busy very quickly. There are several large jobs in Bufalo (stadium being the biggest).”

* ”We are falling behind last year in most areas. We are bidding a fair amount, which makes us a little optimistic.”

Copper Update

Copper jumped up above $4 last week and is still there. We are waiting to see if it stays or goes back down.

Cast Iron

Charlotte Pipe and Tyler Pipe did not have any new updates for the month of March.

Carbon Steel

Carbon steel futures are down 3% this month and 30% year-to-date. International markets are seeing more stress than domestic, as historically high interest rates in Europe have put massive pressure on inventories. Overall economic skepticism on the part of Europe hasn’t done much to prop up carbon steel pricing.

As has become customary, landed carbon steel pipe price trends are nearly mirroring those of hot-rolled coil futures. Absent any outside forces, we suspect that to continue. It is worth mentioning that steel prices have recovered from their 2023 lows.

Stainless Steel Pipe & Fittings

Stainless fittings continue to be flat with pricing, but domestic raw material pricing is moving upward in April. The surcharges are reflecting higher costs for nickel and chrome. Inventory remains strong and projects are showing signs of activity.

Forged Steel Fittings and Branch

High-pressure forged steel fittings and branch connections have had no price increase announcements throughout the winter and early spring 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.