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

Crude oil prices were essentially flat at the time of writing, despite inventories falling in the month and forecasts for lower OPEC+ production starting in May. Concerns over the economy kept prices for West Texas Intermediate (WTI) flat; WTI was trading at $75.79 in late April (up slightly from $73.75 a barrel in last month's report). U.S. petroleum inventories were running at the five-year average in late April despite refiners loading up on oil heading into the heavy summer fuel season.

Fuel prices are mixed, gasoline has reversed course and has stabilized but diesel remains weaker. Diesel prices were $4.16 a gallon at the time of writing (Source: AAA), which was $.92 per gallon lower than last year. Gasoline in comparison was $3.65 at a national level, which is now .48 cents a gallon lower than it was a year ago but $.20 cents a gallon higher than it was a month ago.

Economy: The economy continued to weaken on many fronts in April. Although Q1 will likely show growth of nearly 2.5%, most measures of broad economic activity show weakness. The U.S. Leading Economic Index was deeply in recession territory, falling 4.5% and the fourth-weakest period in 23 years. Labor conditions and certain sectors are keeping the country out of recession, and some of that is construction related. Geographic pockets of the country and some sectors of nonresidential construction continue to show strong demand. Infrastructure spending is ramping up and multifamily construction is also remaining stable. Some durable goods sectors are also still performing automotive, aerospace and energy sectors are still doing well. But consumer spending is starting to show signs of softening and some corporate spending has now shown some deceleration.

Average inflation (measured in the Trimmed Mean Personal Consumption Expenditures data) came in at 4.6% in February (the latest available) and this was flat against the 4.6% rate hit in January. With the Fed's target rate still at 2% and little progress toward this goal, there will likely be another quarter-point hike in interest rates in the May meeting if there is not an existential crisis of some sort that emerges before then.

U.S. corporate spending (measured as capex) was starting to slow in the most recent data, falling by 0.4% month-over-month (revised downward and contracting at 0.7% last month), but it was stronger on a year-over-year basis by 2% (up 4.3% last month) on $74.3B in annualized spending.

Inflation-adjusted retail sales slipped again in March M/M and were down by 0.7%; against March of 2022 they were down 2.5% (latest available and down by 0.6% in last month's report). However, total inflation-adjusted retail spending is still running historically high and is still well above pre-pandemic levels. Monthly advanced retail sales in March (adjusted for seasonality but not inflation) were still running 2.9% higher than last year and when stripping out fuel and food, retail sales were up 1.5% (against average inflation of 4.6%).

Home improvement sales were weaker again in March with sales slipping sharply by 2.1% month-over-month (-0.1% in the last report) and were 3.5% lower year-over-year (0.6% higher in the last report).

Total new housing starts were down marginally by 0.8% month-over-month in March (latest available and +9.8% last month). Starts came in at an annualized rate of 1.420-million-unit rate (1.450M adjusted rate last month). Starts were down 17.2% Y/Y (-18.4% last month) on a national basis.

Single-family starts were up in March, rising by 2.7% month-over-month (up 1.1% in the last report) but were down sharply by 27.7% Y/Y (-31.6% in the last report). Reports suggest that demand is still strong, but a combination of fewer new home inventories, higher prices for those homes being built, and delays in construction due to supply chain shortages of some materials is hampering growth. Multifamily starts can be volatile based on large project starts month to month, they were up in March by 6.1% Y/Y (down 14.3% Y/Y last month) and were down 6.7% M/M. Based on the range of total number of units started (542,000 annual rate), multifamily starts were still high on a historical basis, and the last 3 quarters represent the highest volume of starts since the 1980s. Looking forward, total permits for new home construction were down in March by 23.9% Y/Y (-16.5% in the last update). Single-family permits were still down 29.6% Y/Y but were up by 4.2% M/M. Multifamily permits were lower; they were down 15.5% Y/Y; they were also 22.2% lower sequentially M/M in February.

Total nonresidential construction spending (both commercial and public) was higher in February (latest available). It was up by 0.4% M/M (+0.3% last month); and it was up by 16.8% Y/Y (15.9% last month). Total nonresidential construction spending came in at an annual rate of roughly $982 billion in February and a new high (heavily impacted by inflationary pressures). Manufacturing construction activity was up 53.5% Y/Y on $140.7 billion in annualized spending.

Once again, infrastructure spending and many nonresidential areas of construction were growing at double-digit percentages year-over-year, including lodging (motels) +34.3%, commercial +21.5%, public safety +12.5%, amusement/recreation +10%, and health care +12.1%.

Domestic Malleable Iron

An 8% increase was announced and implemented in the first quarter of 2023. Rising raw material, energy and labor among other variable costs driving the increase.

Domestic Carbon Steel Nipples

6% increase recently announced. Rising raw material steel cost responsible for increase and more may be on the horizon.

Grooved Product

An 8% industry-wide increase was recently announced.

Copper

While the market for copper experienced surging prices to kick off 2023, the start of the second quarter has been the opposite. The price of copper has retreated over the past few weeks and has broken below the $4-pound level of support. The front-month futures contract is currently trading around $3.85 per pound.

Concerns surrounding global economic growth, declining consumer confidence in the U.S., and weakening demand out of China have all contributed to the downward pressure in price for this metal.
Cambridge-Lee and Mueller Streamline shook up the market by releasing a new, lower list price sheet.

Carbon Steel

Carbon steel prices have fallen over the last 30 days, but don't expect steel pipe prices to follow suit just yet. Hot-rolled coil prices have fallen just over 5% over the last 30 days, settling at $1,086/ton, down from $1,140 at the end of March. Despite the softening of steel futures, demand is still better than expected and there have been some production delays at domestic mills, preventing finished good prices from reflecting the relative decline in commodity prices.

Expect pipe prices to drop slightly over the next 30 days.

Cast-Iron

The latest update: McWane (Tyler, AB&I Foundry) and Charlotte Pipe & Foundry reported that there was no price change for cast-iron pipe, fittings, and/or service weight gaskets-couplings for the month of April 2023.

Stainless Steel Pipe & Fittings

We continue to see strong activity for some larger projects. Pricing has been pulling back somewhat as surcharges are reducing from the mills. The year has been softer in certain commodity groups such as stainless flanges due to imports surging from India.

We have a sense that the rest of the year will remain active as more projects in the oil and gas sectors come online.

Prices have been corrected for nickel – and all base metals – since our last report. A significant contributor to the declines was news of the bank failures and fear of further contagion. There has been a rally of sorts over the last week, which provides some reason to believe a recent price bottom for a nickel has been reached.

Nickel remains exceptionally volatile due mainly to the fact that trading volumes have reduced substantially in the aftermath of last March's epic short squeeze that roiled nickel markets and the LME. A key catalyst to the chaotic short squeeze was the large global migration towards EV. Nickel as a key raw material for EV batteries, has been undergoing somewhat of an "identity crisis" with respect to its price drivers.

Long regarded as an industrial metal, nickel's price direction had been significantly dictated by activity in the energy and industrial sectors. With the broad, continuing development of nickel pig iron mined from laterite ores, most of the global trading of nickel is centered on lower-grade material which is not stocked on the LME.

To address the disconnect between high-grade nickel and lower-grade nickel, the UK-based, Hong Kong-owned LME has announced plans to collaborate with QianhaI Mercantile Exchange - which is also owned by the same parent company – to launch a lower-grade contract that should bring more clarity to actual cost drivers of stainless steel PVF.

This is welcome news for our space as this development should also help mitigate the effects of speculation by financial investors focused on raw material for EV batteries. While it's moved off its record highs, molybdenum prices look to remain elevated for the foreseeable future, which will impact costs and prices of 316 material.

Prices of key alloying ingredient chromium also appear poised for near future increases in the face of power supply shortages in South Africa.

Forged Steel

Forged Steel prices remain flat as A105 Bar and 304L, 316L bar prices have remained flat quarter over quarter.

The availability of raw material remains good. finished forged steel fittings remain available with deliveries stock to 2 weeks. There have been no price Increase announcements from any of the domestic fitting's manufacturers.