IPD COMMODITY REPORT

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 strong U.S. dollar and inventory volatility has kept West Texas Intermediate (WTI) elevated at $83.77 ($82.00 a barrel in last month's report and are up 16.6% year-to-date). Brent North Sea Crude was also higher at $89.24, up from $86.68 a barrel last month and 16.4% higher YTD.

U.S. crude oil inventories are 8.6 million barrels lower year-over-year (on total inventories of 819 million), but they remain in the middle of the 5-year average. Total crude oil production was still hovering at 13.1 million barrels per day. In short, production remains steady, and the outlook would suggest this production volume should continue as global demand increases slowly (as Asian and European markets emerge from sluggish macroeconomic activity).

Fuel prices were largely unchanged month over month at the time of writing. Diesel prices were $4.02 a gallon at the time of writing ($4.04 a gallon in the last briefing) (Source: AAA), which was $.15 per gallon lower than last year. Gasoline was higher in contrast and was nationally $3.66 a gallon ($3.53 per gallon in last month's briefing), which is the same price per gallon from 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 first quarter GDP report came as a surprise, to the downside. The Atlanta Federal Reserve and Blue-Chip forecasters were looking for GDP to grow by 2.5% in Q1 and it came in (preliminary) at just 1.6%. Consumer spending continued to be stable and nonresidential investments were still strong, but government spending softened in the quarter.

Inflation is generally remaining "sticky" despite coming off their recent peak inflation rates in 2023. This combination has some analysts concerned about the risk of stagflation (inflation remaining too hot while general growth slows). Yet, the core components of the economy remained stable, and the consumer was only showing some slight hints of distress in the latest data (spending was slightly cooler than recent trends).

Key elements that the Federal Reserve is watching are currently not conducive to aggressive rate cuts. Inflation is still too hot, unemployment is low, economic growth is stable, etc. The Fed is still pausing at current rates but are still signaling that two rate cuts are still possible in 2024, although most analysts believe a single reduction or no cut at all is more likely (especially given the Presidential election coming up in Q4). Treasury auctions have been more difficult of late, and the 10-Year U.S. Treasury is hitting its highest levels in more than 5 months. Mortgage rates are tied to the U.S. 10-Year Bond, and this is pushing them higher despite the Fed's pause.

Inflation-adjusted retail sales were marginally higher by 0.3% in March M/M (latest available) and were also slightly higher against March of 2023, rising by 0.8% (latest available and down 1.6% in last month's report).

Home improvement sales were slightly stronger in March on a month-over-month basis with sales up by 0.7% month-over-month (2.2% in the last report) largely being driven by smaller projects that don't require financing; but they were 0.6% lower year-over-year (6.1% lower in the last report). Preliminary estimates for retail sales in the home improvement category were $40.5 billion in March (vs. $43.1 billion last year).

Total residential construction spending was up 6.5% year-over-year on $912.7 billion in spending through February (latest available and a strong historical rate). Single-family construction spending was up 17.2% Y/Y on $438.8 billion in spending and multi-family was up 6.1% on $133.2 billion.

Total new housing starts fell in March by 14.7% month-over-month (latest available and up 12.7% last month). Starts came in at an annualized rate of 1.321-million-unit rate (1.521M adjusted rate last month). Starts were down 4.3% Y/Y (+7.9% last month) on a national basis.

Single-family starts reversed course and continued to be volatile. Starts were down by 12.4% month-over-month (+14.6% in the last report) but were still up 21.2% Y/Y (+39.8% in the last report). Thirty-year mortgage rates in the US were 7.17% on 4/25, higher from rates of 6.87% a month ago. The national monthly supply of new homes was 8.3 months of supply vs. 8.4 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 March by 43.7% Y/Y (-37.8% Y/Y last month) but were lower by 20.8% M/M (8.0% in the last report). The total number of multi-family units started at an annual rate of 290,000 (366,000 in last month's adjusted annual rate).

Forward looking data on permits for new home construction were up in March by 3.2% Y/Y (1.8% in the last update). Single family permits were up sharply by 18.4% Y/Y (29.5% last month) but were down by 4.7% M/M. Volatile multi-family permits were still sharply lower; they were down 19.8% Y/Y (-33.6% last month); and they were unchanged sequentially M/M in March.

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 February (latest available) despite some deceleration sequentially between January and February. Spending was lower by 1.0% M/M (0.2% last month); but it was still up sharply by 14.2% Y/Y (11.7% last month). Total nonresidential construction spending came in at an annual rate of roughly $2.1 trillion in February. Manufacturing construction activity was up 31.9% Y/Y on $222.9 billion in annualized spending (against an average year of $60 billion). Once again, infrastructure spending was rising by double-digit growth rates year-over-year and should continue to experience more infusions of capital as additional Federal programs hit funding strides over the course of 2024. Sewage and Waste Disposal and Water Supply are both up 12.4% and 15.1% respectively. All other nonresidential areas of construction were still growing, many at double-digit rates year-over-year including:

Type of Construction	Feb 2024^p	Jan 2024^r	Feb 2023	Percent change Feb 2024 from - Jan 2024	Feb 2023
Total Construction	**2,091,511**	**2,096,922**	**1,889,562**	**-0.3**	**10.7**
Residential	**912,718**	**906,285**	**857,211**	**0.7**	**6.5**
New single family	438,786	432,715	374,548	1.4	17.2
New multifamily	133,219	133,435	125,529	-0.2	6.1
Nonresidential	**1,178,793**	**1,190,637**	**1,032,350**	**-1.0**	**14.2**
Public safety	15,786	15,827	11,634	-0.3	35.7
Manufacturing	222,875	224,300	168,976	-0.6	31.9
Religious	3,922	3,983	3,225	-1.5	21.6
Highway and street	148,349	150,655	125,146	-1.5	18.5
Educational	125,751	127,724	107,916	-1.5	16.5
Amusement and recreation	34,128	34,649	29,588	-1.5	15.3
Water supply	28,621	29,133	24,856	-1.8	15.1
Power	132,934	133,528	118,122	-0.4	12.5
Sewage and waste disposal	43,140	43,445	38,380	-0.7	12.4
Health care	66,479	67,948	60,362	-2.2	10.1
Conservation and development	11,535	11,585	10,809	-0.4	6.7
Transportation	66,389	65,960	62,252	0.7	6.6
Office	101,546	101,655	96,085	-0.1	5.7
Lodging	23,398	23,704	22,754	-1.3	2.8
Communication	25,355	25,502	24,661	-0.6	2.8
Commercial	128,585	131,041	127,585	-1.9	0.8

Copper Update

Copper continues to go up in price. Not sure where it will stop. 12% up so far this year.

More on copper: With copper tube having record jumps over the last 2 weeks, it has caused some chaos in the market with some distributors choosing to move to the new number to quote large jobs and others continuing to work on blended average and causing huge variations in pricing branch to branch and quote to quote.

Carbon Steel

After a brief producer-initiated spike to welcome the start of April, hot-rolled coil prices have largely settled back into a lower station. Officially, HRC is trading 12% down from the start of April. STEEL MARKET UPDATE reports that flat-roll producers are more willing to negotiate on pricing than in the recent past. Specifically, the increased proliferation of import steel pipe in the market has contributed to suppressing prices this year. The delta between import and domestic has grown, putting pressure on domestic producers to keep pricing low.

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.

Stainless Steel Pipe & Fittings

Stainless steel pipe and fittings prices had remained under consistent, downward pressure since the end of 2022. The major reason was the precipitous fall of nickel prices following the astonishing runup of LME (Class I) nickel prices during the first half of 2022.

A massive supply response of Class II nickel (NPI & nickel sulfate) followed the huge price spike on the LME and threw supply and demand out of any semblance of balance.

Stainless steel raw material prices seemingly bottomed out in early February of this year but finished product prices have remained depressed in lieu of mediocre global demand levels.

Coil and pipe prices have firmed and are beginning to rise in line with increased surcharges, and fittings and flange prices are rising in the face of higher replacement costs. The recent announcement pertaining to sanctions that will ban imports of Russian-produced nickel on the LME and CME may provide additional tailwinds for demand and pricing in (at least) the short-term.

The Distributor Says:

(Thoughts and opinions from ASA-member distributors doing business in the PVF space).

**After a disappointing first quarter things have turned around. I feel as though there is an increase in activity as well as stalled jobs being reopened. We have a very strong backlog and are very optimistic for the remainder of the year on multiple fronts. Keeping an eye on commodities such as copper. We hedged our bets and increased inventory at the right time, so we hope to capitalize on some good margins.

**Our first quarter results were much better than we had anticipated!! We had projected and budgeted for 0% growth in the first six months of 2024 and were pleasantly surprised with 13.2% (same store) growth in the first quarter!!

** We are running about the same as last year for the month but still trying to climb out of the hole created by the first quarter. Competition is getting very aggressive with cutting margins. The quote requests are picking up.

**I so very much hate being the harbinger of bad news, however, the fact that inflation is still very "red-hot" is troubling. Coupled with the insanity coming out of the traditional "financial media" as it relates to the latest GDP report, it is simply astonishing to me.

The Distributor Says Cont.

"The price index for gross domestic purchases increased 3.1 percent in the first quarter, compared with an increase of 1.9 percent in the fourth quarter (table 4). The personal consumption expenditures (PCE) price index increased 3.4 percent, compared with an increase of 1.8 percent. Excluding food and energy prices, the PCE price index increased 3.7 percent, compared with an increase of 2.0 percent."

All of these figures, including the core, are WELL ABOVE the Fed's target of 2%. In fact, it is almost "doubling" said target.

Take for instance "the increase in consumer spending reflected an increase in services that was partly offset by a decrease in goods. Within services, the increase primarily reflected increases in health care as well as financial services and insurance."

A "decrease in goods?" This is not welcomed news for American distributors.

Neither are health care or insurance premiums "discretionary purchases." They're necessary purchases. So many folks out there are talking about 20% increases in insurance premiums.

The calls for rate cuts are pollyannaish, at best. This is an election year and craziness are on the table. Everywhere.

Given myriad geopolitical situations playing out across the globe, I wish I could give a more positive outlook on where we stand and where we're going. For us, we're still planning and budgeting as if we are navigating through a recession (in my opinion we are).