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**

Oil production continued to be strong in early December, despite a sharp drop in oil prices and some slight improvements in oil inventories. Weaker global demand continues to be the backstory, and why oil prices have dipped back below $70 a barrel. Crude oil prices were lower in early December, West Texas Intermediate (WTI) was sharply lower again this month at the time of writing at $68.67 ($75.28 a barrel in last month's report). Brent was also lower at $73.33, down from $80.36 a barrel last month.

Last month, U.S. petroleum inventories were still lower headed into the end of the year and remained at the lower end of the 5-year average through November. Inventories measured by the EIA at Cushing, Oklahoma, had been low, but have shown some recent improvement in the last two weeks. Inventories moved up to 25.9 million barrels in the week of Nov. 17, and continued higher through the first week of December, shooting up to 29.6 million barrels. This is still down from the prior post-pandemic peak of 61.6 million barrels hit in the week of Nov. 13, 2020.

Fuel prices were lower again at the time of writing. Diesel prices were $4.09 a gallon at the time of writing ($4.23 a gallon in the last briefing) (Source: AAA), which was $.81 per gallon lower than last year. Gasoline in comparison was at a national level of $3.14 a gallon ($3.25 per gallon in last month's briefing), which is now 13 cents a gallon lower than it was a year ago.

Diesel and gasoline inventories both remain tight, and uncertain demand in Europe could create more demand for U.S. exports (with the ongoing conflict in Ukraine). But a milder start to winter is keeping refining activity strong while consumption continues to be unabated. Heating oil prices are still 6% lower year-over-year, but weather patterns are lining up for colder snaps in the weeks ahead.

**Economy:** The running forecast for the fourth quarter has dipped to just 1.2% according to the Atlanta Federal Reserve. Forecasts still predict a full-quarter GDP growth rate to maintain 1.5%. The jobs market was still stable with 199,000 jobs added in November, although a chunk of those were due to returning workers in the wake of two strikes (UAW and Writers Guild of America). Still, 130,000 jobs created in the month were in higher-paying industries despite manufacturing shedding 2,000. Construction hiring also slowed with additions of just 2,000 in November vs. more than 19,000 added in November 2022.

As mentioned last month, the Federal Reserve is approaching the peak in its interest rate hike cycle. Inflation is cooling and over the past 6 months, a key Fed inflation indicator showed average inflation at 3.2%. This was directionally solid and is within distance of its 2% target rate. More importantly, it was well below the national wage growth rate of 4%, which is ultimately the Fed's objective (keep household wages growing faster than inflation). Current Fed forecasts show the potential for easing interest rates still in the second half of 2024 and early in 2025 – ultimately it will head back to the Fed's target long-term rate of 2%-3%.

Inflation-adjusted retail sales were lower by 0.2% in October M/M (latest available) and were lower against October 2022, falling by 0.7% (latest available and up 0.1% in last month's report). There had not yet been a retail sales update at the time of writing this month's report.

Home improvement sales were lower again in October with sales falling by 0.3% month-over-month (+0.2% in the last report); however, they were 5.6% lower year-over-year (4% lower in the last report). Preliminary estimates on retail sales in the home improvement category were $42.1 billion in October (vs. $43.5 billion last year).

Total residential construction spending was up 0.9% year-over-year on $895 billion in spending (which is still strong historically). Single-family construction spending was down 1.4% on $408.7 billion in spending and multi-family was up 16.7% on $135.6 billion.

Total new housing starts rose in October by 1.9% month-over-month (latest available and up 3.1% last month). Starts came in at an annualized rate of 1.372-million-unit rate (1.346M adjusted rate last month). Starts were down 4.2% Y/Y (-7.2% last month) on a national basis.

Single-family starts were marginally higher in October, rising by 0.2% month-over-month (2.1% in the last report) but are up 13.1% Y/Y (+9.1% in the last report). Home prices are falling and are 22% lower than their post-pandemic peaks. Efforts to offset higher interest rates are bringing home prices down, despite inventories in most markets remaining balanced. The national monthly supply of new homes was 7.8 months of supply (6 months is normally considered to be balanced).

Multifamily starts can be volatile based on large project starts month to month, they were sharply lower again in October by 31.8% Y/Y (-31.5% Y/Y last month), but were higher by 4.9% M/M (+4.0% in the last report). The total number of multifamily units was at an annual rate of 382,000 (364,000 in last month's adjusted annual rate).

Looking forward, total permits for new home construction were down in October by 3.7% Y/Y (-7.4% in the last update).

Single-family permits were up 14% Y/Y (11.3% last month) and were up by 0.6% M/M, which is a continuation of a strong near-[term trend. Volatile multifamily permits were still lower; they were down 26% Y/Y (-31.6% last month); but they were up 4.8% sequentially M/M in October.

Total nonresidential construction spending (both commercial and public) was still very strong in October (latest available). Spending was higher by 0.6% M/M (+0.3% last month); and it was up sharply by 10.7% Y/Y (19.0% last month). Total nonresidential construction spending came in at an annual rate of roughly $1.13 trillion in October and a new high (heavily impacted by inflationary pressures). Manufacturing construction activity was up 71.2% Y/Y on $206.8 billion in annualized spending (an average year is $60 billion). Once again, infrastructure spending was rising by double digits year-over-year and should continue to experience investments and spending as additional Federal programs hit funding strides in 2024. Many other nonresidential areas of construction were still growing at double-digit rates year-over-year including:

| | | |
|---|---|---|
| • Religious | +34.8% | $3.5 billion |
| • Sewage and waste | +29.4% | $43.2 billion |
| • Public Safety | +22.8% | $ 14.0 billion |
| • Conservation | +22.6% | $ 12.2 billion |
| • Education | +18.3% | $121.4 billion |
| • Water Supply | +16.1% | $ 28.7 billion |
| • Power | +15.9% | $124.9 billion |
| • Highway and Street | +12.7% | $132.9 billion |
| • Health Care | +11.9% | $ 62.6 billion |
| • Lodging | +11.2% | $ 24.3 billion |

## Valves

Milwaukee Valve, NIBCO and Apollo Valves have announced a 4% increase across the board for January.

ASA
IPD COMMODITY REPORT

December 2023

## Carbon Steel

Carbon steel has had a period of rising prices over the last 60 days. Hot-rolled coil increased over 15% toward the end of November but has stabilized since then. HRC futures have settled around $1,070.00 as of 12/13/2023.
We anticipate the pricing to remain level through the end of the month as manufacturers finish the year and manage inventory levels.

Carbon steel pipe has remained at its newer, elevated pricing with no change predicted as of publish date. It is worth noting, that while carbon steel pipe prices have increased, they are near where they fell in spring 2023 and still far off the highs of 2021-2022.

## Cast-Iron

As previously noted, McWane (Tyler, AB&I Foundry) and Charlotte Pipe & Foundry both reported that on Jan. 1, 2024, there will be list price and multiplier changes producing an overall 5% price increase for the market. Included in the change will be service weight/no-hub pipe and fittings, specialties & plugs, and XH pipe/fittings. There was no mention of price changes for service weight gaskets or no-hub couplings.

## Forged Steel Pipe Fittings and Branch Connections

High-pressure forged steel fittings and branch connections have had no price increase announcements throughout the fall months. Both 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

We wish everyone a safe and healthy holiday as we look forward to a bright 2024 filled with hopes of interest rate cuts to help spur an overall improvement with regards to the uncertainty of 2023. It is an election year, so we may be celebrating in energy markets with a positive outcome of industry supporters being voted into office, or we fear industry pullback with pessimism that more renewables brings to the PVF sector.

The stainless steel fitting market has largely stabilized over the past few months. Lead times for finished goods were somewhat extended, but as they've returned to normal. Modest pricing pressure has been observed.

Raw material prices have remained exceptionally volatile and nickel prices recently fell to 16-month lows on the Shanghai Futures Exchange. But, SHFE prices have rebounded fairly sharply recently amid reports Indonesian officials will soon establish a new nickel prices index that is not tied to LME (Class One) nickel.

## What the Distributor Says:

"There are signs of cautious improvement in the PVF sector. The steady price increases lately on steel pipe (CW, ERW and sprinkler pipe) will help offset some of the bleeding of inventory value experienced earlier this year when rampant deflation on steel products was out of control!"

"We see the markets slowing, however we have markets that we are expecting to pick back up after the first of the year. We are mainly expecting multifamily and assisted living to pick back up. The rest of our markets we anticipate will stay soft."