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 continue to be in a period of volatility and were trending lower with West Texas Intermediate falling to $75.68 at the time of writing (from $80.90 a barrel in last month's report). Petroleum inventories in the U.S. have shown some slight building and the EIA is forecasting those inventories to build into the upper range of the 5-year average over the course of 2023, but production will remain steady with global conflict risk higher and the Strategic Petroleum Reserve still in need of replenishment.

Fuel prices are fluctuating. Diesel prices were $4.45 a gallon at the time of writing (Source: AAA), which was still $.50 per gallon higher than last year. Gasoline, in comparison, was $3.38 at a national level, which is now 16 cents a gallon lower than it was a year ago. Refiners are expected to go into a heavy maintenance mode this spring after two years of heavy production, and this could affect fuel supplies. Some easing of consumption has helped some, and any further economic pressure later in 2023 would also hurt demand.

Economy: The economy continues to show feast and famine characteristics. Consumer spending and the macro jobs environment continues to remain strong. In fact, Q1 GDP was expected to be down 0.5% but current GDP trackers showing it growing at 2.5% through mid-February. Most recession indicators are still flashing red, and concern continues that the U.S. will visit recession at some point in 2023. But pockets of construction will remain stable and some areas of durable manufacturing continue to show strong new order activity (automotive, aerospace, some machinery, electrical equipment, enterprise computer systems, etc.).

Inflation measures in February came in hotter than expected. The Personal Consumption Expenditures index (PCE), which is used by the Federal Reserve to measure inflation, came in at 5.4% with core inflation (stripping out food and energy) rising 4.7% (higher than the 4.4% rate reported last month). With inflation well above the Fed's 2% target rate, interest rates will continue to remain high in the interim with a best-case scenario being that the Fed "pauses" in its rate hikes.

U.S. corporate spending (measured as capex) remained stable in the most recent data, falling marginally by 0.1% month-over-month (down 0.2% last month), and it was stronger on a year-over-year basis by 5.1% (up 5.6% last month) on $74.9B in annualized spending. Spending data shows some continuous deceleration, and it is early in the cycle.

Inflation-adjusted retail sales rebounded in January M/M and were stronger by 2.4%; against January of 2022 they were flat (latest available and weaker by 0.5% in last month's report). Total inflation-adjusted retail spending is still running historically high and is still certainly well above pre-pandemic levels.

Monthly advanced retail sales in January (adjusted for seasonality but not inflation) were still running 6.4% higher than last year, and when stripping out fuel and food, retail sales were up 3.9% (against core PCE inflation of 4.4%).

Home improvement sales were slightly stronger again in January with sales inching up by 0.3% month-over-month (also up 0.3% in the last report) and were 1.1% higher year-over-year (2.3% higher in the last report).

Total new housing starts were down 4.5% month-over-month in January (latest available and -1.4% last month). Starts came in at an annualized rate of 1.309-million-unit rate (1.382M adjusted rate last month). Starts were down 21.4% Y/Y (-21.8% last month) on a national basis across both single and multi-family sectors. Single-family starts reverted and fell in January, dropping by 4.3% month-over-month (up 11.3% in the last report) but were down 27.3% Y/Y (-25.0% in the last report). Multifamily starts can be volatile based on large project starts, they were down in January by 8.4% Y/Y (down 18.9% Y/Y last month) and were down 5.4% M/M. Based on the range of total number of units started (457,000 annual rate), and despite the sequential drop, they are still among some of the strongest start levels since the 1980s.

Looking forward, total permits for new home construction were down in January by 27.3% Y/Y (-29.5% in the last update). Like starts, single-family permits were down 40% Y/Y and were down by 1.8% M/M. Multifamily permits were mixed; they were down 4.1% Y/Y; but were 0.5% higher sequentially M/M in January. Permits for multifamily were still in a range that would be considered the strongest since the mid-1980s.

Total nonresidential construction spending (both commercial and public) was mixed in December (latest available). It was down by 0.5% M/M (+0.9% last month); but it was up by 13.8% Y/Y (11.8% last month). Total nonresidential construction spending came in at an annual rate of roughly $943 billion in December and barely off the all-time high peak of $948 billion.

Manufacturing construction activity was up 42.9% Y/Y on $122 billion in annualized spending. Aside from infrastructure spending, many other nonresidential areas of construction were growing at double-digit percentages year-over-year including lodging (motels), commercial, public safety, amusement/recreation, and health care.

Malleable Fittings

Rising energy and labor costs have necessitated a domestic malleable fitting price increase first quarter 2023.

Service levels and capacity remain in a favorable position, and product demand remains strong.

Carbon Steel Pipe

The end of 2022 saw hot-rolled coil prices descend to prices not seen since the early days of the COVID-19 pandemic. HRC prices have strongly rebounded and are now trading north of $1,000/ton; an increase of over 70% in two months.

There is some concern within the industry that the recent, frequent increases will have the unintended effect of slowing purchases, leading to destabilized prices.

Cast-Iron Pipe, Fittings, Gaskets, No-Hub Couplings

Representatives from McWane (Tyler - AB&I) and Charlotte Pipe reported no changes regarding pricing for cast iron pipe, fittings, service-weight gaskets and/or no-hub couplings for the month of February.

Markets around the country remained flat to a slight increase regarding tonnage shipped.

Stainless Steel Pipe & Fittings

2023 continues to see surprisingly strong demand for stainless fittings and flanges. While quoting continues to be active, the number of orders exceeds expectations. Inventories are also solid, with very few holes which enables projects to be supplied quickly.

The talk of recession is still discussed for the near future, but so far, the industrial sectors remain positive through the rising rate environment as the fed tries to aggressively manage inflation while hoping for a soft landing.
Nickel prices were fluctuating without a clear direction. Expectations of healthy demand levels in Asia following the Lunar New Year holidays have not come to fruition and prospects for Q1 price rallies continuing appears to have diminished, at least for the moment.

It should also be noted that while nickel prices have fallen from their January peak, they are significantly higher than they were at the outset of Russia's invasion into Ukraine, which was the catalyst for the dramatic volatility that ensued last March.

Other base metals did not follow nickel's price trend because threats to global supply – had Russia opted to apply export bans — were nowhere near as pronounced as they were (or are) with nickel.

Perhaps nickel's price direction will become clearer in the coming weeks as central banks determine if monetary policies will be tightened further? Lower nickel prices were partially offset by higher ferrochrome prices, and welded stainless steel pipe surcharges for March were set marginally lower than February (-1.55%) for 304/L, but 316/L surcharges increased (+4.79%) as molybdenum prices continue to ascend.

Forged Steel Fittings and Branch

There have been no announced price increases in the first quarter 2023 for A105 forged steel pipe fittings and branch connections. There had been speculation that carbon steel mills were prepared to raise prices but that has not materialized.

There have not been any price increase announcements for stainless forged steel or branch connections in 304L or 316L. Nickel prices have risen along with several key components. We are expecting mills to pass these added costs along.