ASA
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

Oil production continued to be stable in January, 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 remained stable in the mid-$70 a barrel range. Crude oil prices were higher in late January, West Texas Intermediate (WTI) was higher this month at the time of writing at $76.74 ($68.67 a barrel in last month's report). Brent was also higher at $82.26, up from $73.33 a barrel last month.

Despite the disruptions in the Red Sea, Strait of Hormuz (near the Persian Gulf), Black Sea and now extending into the Baltic Sea (Gulf of Finland specifically), oil prices have not experienced a significant surge in geopolitical premiums. In previous economic cycles, uncertainty like this would have pushed oil prices into the $100 per-barrel range. But a global manufacturing recession has kept demand weaker. But within the past week, clean tanker rates (tankers that move refined fuels) have surged by more than 66% over last year's rates due to global maritime congestion. This could start to push rates higher and increase U.S. export volumes at the same time. Could that tighten supplies enough to push U.S. oil prices higher? On a monthly basis, prices are nearly $10 a barrel higher thus far, and prices remain volatile.

Fuel prices were lower again at the time of writing. Diesel prices were $3.91 a gallon at the time of writing ($4.09 a gallon in the last briefing) (Source: AAA), which was $.78 per gallon lower than last year. Gasoline in comparison was at a national level of $3.12 a gallon ($3.14 per gallon in last month's briefing), which is now 40 cents a gallon lower than it was a year ago. Diesel and gasoline inventories have improved, and exports to Europe continue to create demand for U.S. exports (with the ongoing conflict in Ukraine).

Economy: The initial readings on GDP for the fourth quarter came in stronger than expected on the back of strong consumer spending, government investment, stable corporate spending (nonresidential construction) and good energy export volumes. Most expect this trend to continue early in the first half of the year, but consumer spending could slump as consumers work to pay down debt in the first half. With that spending accounting for about 70% of GDP, softening in spending could lead to some weaker Q1 and Q2 GDP readings. But those general trends that drive ASA business volumes should continue to trend positively.

The Federal Reserve is still signaling perhaps two rate cuts in 2024, both being a quarter-point. Wall Street analysts are expecting 3-4, but the Fed will likely address cuts in the second half of the year, pulling the prime rate down to 4.75% by the end of the year if current inflation, unemployment, and economic growth remains consistent with current trends.

Inflation-adjusted retail sales were higher by 0.2% in December M/M (latest available) and were higher against December of 2022, rising by 2.2% (latest available and up 0.8% in last month's report).

Home improvement sales were higher slightly in December on a month-over-month basis with sales rising by 0.4% month-over-month (+0.3% in the last report); and they were 2.3% lower year-over-year (5.6% lower in the last report). Preliminary estimates on retail sales in the home improvement category were $41.7 billion in December (vs. $42.1 billion last year).

Total residential construction spending was up 3.7% year-over-year on $907 billion in spending (which is still strong historically). Single-family construction spending was up 5.5% Y/Y on $422.6 billion in spending and multi-family was up 13.6% on $135.6 billion.

Total new housing starts were down in December by 4.3% month-over-month (latest available and up 10.8% last month). Starts came in at an annualized rate of 1.460-million-unit rate (1.372M adjusted rate last month). Starts were up 7.6% Y/Y (-4.2% last month) on a national basis.

Single-family starts slipped in December, falling by 8.6% month-over-month (0.2% in the last report) but are up 15.8% Y/Y (+13.1% in the last report). Thirty-year mortgage rates in the U.S. were 6.69% on 1/25, flat from rates a month ago. The national monthly supply of new homes was 8.2 months of supply vs. 7.6 in the last update (6 months is normally considered to be balanced). This will 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 December by 9.5% Y/Y (-36.3% Y/Y last month) but were higher by 7.5% M/M (+4.9% in the last report). The total number of multi-family units started at an annual rate of 417,000 (382,000 in last month's adjusted annual rate).

Looking forward, total permits for new home construction were up in December by 6% Y/Y (4.6% in the last update). Single-family permits were up 33.6% Y/Y (22.9% last month) and were up by 2.3% M/M, which is a continuation of a strong near-term trend. Volatile multi-family permits were still lower; they were down 27.3% Y/Y (-26.0% last month); but they were up 0.5% sequentially M/M in December.

Total nonresidential construction spending (both commercial and public) was still very strong in November (latest available). Spending was lower by 0.1% M/M (+0.6% last month); and it was up sharply by 18.1% Y/Y (10.7% last month). Total nonresidential construction spending came in at an annual rate of roughly $1.14 trillion in November and a new high (heavily impacted by inflationary pressures). Manufacturing construction activity was up 59.1% Y/Y on $209.8 billion in annualized spending (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 in 2024. Many other nonresidential areas of construction were still growing at double-digit rates year-over-year including:

Type of Construction	Nov 2023p	Oct 2023r	Nov 2022	Percent change Nov 2023 from - Oct 2023	Percent change Nov 2023 from - Nov 2022
Total Construction	**2,050,058**	**2,042,518**	**1,842,206**	**0.4**	**11.3**
Residential	907,395	898,151	874,829	1.0	3.7
New single family	422,579	410,546	400,397	2.9	5.5
New multifamily	135,630	135,544	119,431	0.1	13.6
Nonresidential	1,142,663	1,144,367	967,377	-0.1	18.1
Manufacturing	209,778	208,756	131,816	0.5	59.1
Religious	3,585	3,657	2,735	-2.0	31.1
Sewage and waste disposal	43,819	44,316	34,619	-1.1	26.6
Public safety	14,181	14,481	11,574	-2.1	22.5
Water supply	29,301	29,496	24,393	-0.7	20.1
Power	128,115	127,461	109,430	0.5	17.1
Educational	123,033	123,285	105,446	-0.2	16.7
Highway and street	136,972	136,512	118,786	0.3	15.3
Health care	63,348	63,323	56,724	0.0	11.7
Transportation	64,355	64,769	59,958	-0.6	7.3
Amusement and recreation	33,370	33,521	31,446	-0.5	6.1
Office	100,945	100,924	95,466	0.0	5.7
Lodging	23,156	23,941	21,956	-3.3	5.5
Commercial	131,982	132,610	126,631	-0.5	4.2
Communication	25,373	25,404	25,002	-0.1	1.5
Conservation	11,351	11,911	11,394	-4.7	-0.4

Thermoplastics

As 2023 ran to a close, the industry noticed a return to normalization of thermoplastic piping products in terms of price, availability, lead times and predictability. Entering 2024, the industry as a whole anticipates a continued return to pre-pandemic stability across the board. Resin suppliers based in the Gulf Coast were able to dodge a repeat catastrophe by closing vulnerable processes during a recent cold snap. These measures resulted in only minimal production disruption, unlike the extensive damage caused by the freeze of 2021. As of the time of this report, all plants are operating with no restrictions.

PVC and CPVC products have held steady on pricing and supply for over 6 months. This trend is expected to continue without price increases in the foreseeable future. PVDF continues to hold stable pricing while related project work continues to materialize at a sustainable pace.

Manufacturers of PVDF have improved inventory levels and have greatly improved supply chains in comparison to a year ago. PPR/PPR-CT suppliers expect demand to continue to grow at a pace that will complement product availability. Resin and raw material costs are expected to remain firm, resulting in another product group holding steady on pricing.

The competitive world of HDPE is also expecting a relatively stable 2024. Resin pricing is expected to hold steady limiting the potential for major swings in cost. Expect some type of increase by the end of Q1. Experts expect any increase to be relatively minimal with the potential for slight adjustments, increases and reductions throughout the year as demand fluctuates.

The smaller diameter pipe backlog is universally healthy with most manufactures at under 3 weeks. Larger diameter (over 20”) is currently sitting between 6-10 weeks on average.

Malleable Iron

A 6% industrywide domestic malleable increase was implemented Jan. 1. Rising energy, labor and raw material costs drove the increase.

Carbon Steel Fittings and Flanges

It has not been a great month for hot-rolled coil or steel in general. Carbon steel prices have been in decline since the start of the new year. HRC pricing is down 26% year-to-date. This is due primarily to new, additional capacity having been brought online, as well as a decline in demand. It is anticipated that steel pipe pricing, both import and domestic will face serious price erosion soon.

Cast-Iron

McWane (Tyler, AB&I Foundry) and Charlotte Pipe & Foundry executed a List Price and Multiplier change, producing an overall approximate 5% price increase for the market on Jan. 1,2024. The increase affected service weight/no-hub pipe and fittings, specialties & plugs and XH pipe/fittings. There were no price increases for service weight gaskets or no-hub couplings at this time. At the time of this update, the increase seems to be holding in the market.

Stainless Steel Pipe & Fittings

2024 has started as a promising year for projects and stainless steel to be used on those projects. Prices have leveled out with some signs that we will see an upward movement, like carbon steel prices. Most customers are expecting the economy to strengthen as interest rates may be reduced in the coming months. It is an election year, so who knows what November will bring. Most in the PVF industry support projects that use our products. Fingers crossed!

Forged Steel Fittings and Branch

High-pressure forged steel fittings and branch connections have had no price increase announcements throughout the winter months. As the New Year begins, 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.

From the Distributor:

PVF market thoughts from ASA distributor members:

- Growth is strong in Florida, south Florida operations, our space, is very strong. Commercial construction is doing very well and infrastructure in water & sewer, water treatment, multifamily and others is doing well. 2023 was an excellent year for us with significant revenue increases (30% +). Just started 2024 and it is about even with prior year, a good thing! Maintenance, improvements, and repairs are also helping the PVF markets as south Florida reached a large size over the last decade that must be maintained. The outlook is very good, State and business finances are in good shape. The government, from what we see, is doing reasonably well by investing in infrastructure and avoiding wasteful projects. Our biggest challenge is finding competent people wanting to work, possibly a common problem these days.

- In our market we saw a slight uptick in copper prices 3% yesterday. Domestic steel has increased recently but that trend seems to have slowed. PVC is a disaster. Pipe and fitting prices in our market are being reduced Feb. 1 — significantly. This is largely due to different market prices where competitors are servicing our market using the pricing from their own markets.

- Business levels weakened in the last two months of 2023, partially due to the weather in the Northeast, shorter working day months, and overall business softening. Our goal in the first six months of 2024 is to "repeat" our performance that we enjoyed in the same period in 2023 (the best first 6 months in our history) with no projected growth. We are looking for conservative growth (5-7%) in the second half of 2024 with the easing of interest rates, which is currently postponing industrial capital investment projects in our area. Overall, we are looking for 2024 to be another solid year with 2-3% overall growth on our 2023 results, which were the BEST results in our company's history!!

- I would say we saw a slowdown from November through the beginning of January, but we are starting to see more quotes and larger projects to bid on in the last few weeks. We will have decent January sales and margins are holding steady for us. We are slightly optimistic that 2024 will have an increase in sales for us but we keep hearing that economists are saying it will slow down this year. We also have recently had to hire 2 new employees and it seems like we are getting more candidates applying and better quality with the right skill sets than we did last year.

- As is normally the case, economic headwinds are particularly turbulent during presidential election year cycles. There's plenty of money "sitting on the sidelines" right now waiting to see what future direction America is headed in, depending on the candidate of your choice. It's the primary reason we feel bearish in 2024 and our forecasted sales growth to be very soft. Add to that the ISM's PMI index indicating manufacturing has been in a downturn for 13+ months, the myriad geopolitical calamities, and rising debt and immigration, and well, frankly, it's hard to champion American optimism now. However, with history being a great teacher, challenges like these usually never prevail for as long as we think and are not always as dire as we might be led to believe.

- To that end, there are many reasons to be bullish for the fourth quarter of 2024 and well into 2025. With many companies' inventories slowly being "right sized" and with the Federal Reserve staying put on interest rates and working to keep inflation in check, their efforts seem to be paying off. Additionally, America is poised to come out of the global recession better than others.

- That bodes well for not only the well-disciplined ASA distributors and manufacturers, but for all Americans.

- That is indeed promising, and we look forward with renewed optimism to a brighter economic outlook in the years to come.