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 slightly higher with West Texas Intermediate rising to $80.90 at the time of writing (up from $75.03 a barrel in last month's report). The China "reopening story" is beginning to push oil speculation higher. As China emerges from its zero-Covid policy, domestic Chinese demand will likely increase and refiners in China have started to buy crude oil to stockpile for the second half of 2023. This could push oil prices higher, despite some U.S. economic softening.

Fuel prices have also inched up as crude oil prices have increased. Some refinery issues were also starting to affect prices. Diesel prices were $4.66 a gallon at the time of writing (Source: AAA), which was still $1.00 per gallon higher than last year. Gasoline in comparison was $3.48 at a national level, which is now .15 cents a gallon higher than it was a year ago.

Economy: Economic forecasts are beginning to show pressure building across the economy in some respects, and yet some sectors are remaining resilient. Current Real GDP forecasts show the country contracting for the first three quarters, although the contraction in Q1 and Q3 is expected to be marginal.

The current outlook shows Q1 contracting at -0.6%, Q2 at -1.5%, and Q3 at -0.4%. Obviously, economic winds can blow from different directions and with marginal contraction rates, this likely is shaping up to be a mild recession (the proverbial soft landing). The Federal Reserve has kept the Effective Federal Funds Rate at 4.33%, the highest rate since December 2007. But the Federal Reserve is still signaling that it could push the peak rate to 5.2% or higher, depending on the labor market.

Wage inflation is one of the key drivers of U.S. macro inflation. With job openings at 10.5 million (6 million is "normal") and the U-6 unemployment rate at all-time lows, wage pressures continue. Estimates suggest that the Fed will have to push the unemployment rate to 4.6% to cool wage inflation enough to bring down overall inflation.

More than 63% of U.S. households are now living check-to-check and the U.S. savings rate is at its second-lowest level in history. Credit card utilization rates in this category of household are also high, some estimates suggesting this segment is using up to 97% of their allowable credit limit (at a time when credit card interest rates just hit all-time highs at an average of 19.1%).

This majority of U.S. households cannot afford inflation rates that exceed wages for a prolonged period. That is largely why the Federal Reserve is willing to risk recession vs. sustained inflationary pressure. They can't allow 63% (or 78 million households) to fail.

U.S. corporate spending (measured as capex) remained stable in the most recent data, rising marginally by 0.1% month-over-month (up 0.6% last month) and it was stronger on a year-over-year basis by 5.6% (up 6.6% last month) on $75.1B in annualized spending. Spending data shows some continuous (but mild) deceleration, and it is early in the cycle.

Inflation-adjusted retail sales were weaker by 0.4% Y/Y in December (latest available and weaker by 0.7% last month). Total inflation-adjusted retail spending is still running historically high and is still certainly well above pre-pandemic levels. Monthly advanced retail sales in December (adjusted for seasonality but not inflation) were still running 6.0% higher than last year and when stripping out fuel and food, retail sales were up 5.2% (against inflation of 6.4%).

Home improvement sales were slightly stronger in December with sales inching up by 0.3% month-over-month (up 2.5% in the last report) and were 2.3% higher year-over-year (3.6% higher in the last report).

Total new housing starts were down 1.4% month-over-month in December (latest available and -0.5% last month). Starts came in at an annualized rate of 1.382-million-unit rate (1.427M adjusted rate last month). Starts were down 21.8% Y/Y (-16.4% last month) on a national basis across both single and multi-family sectors. Single-family starts got an unexpected bounce in December, they were up 11.3% month-over-month (down -4.1% in the last report) but were down 25.0% Y/Y (-32.1% in the last report). Multi-family starts can be volatile based on large project starts, they were down in December by 18.9% Y/Y (up 24.5% Y/Y last month) and were down 18.9% M/M. But overall, based on the range of total number of units started (463,000 annual rate), they are still among some of the strongest start levels since the 1980's.

Looking forward, total permits for new home construction were down by 29.9% Y/Y (-22.4% in the last update). Like starts, single family permits were down 34.7% Y/Y and were down by 6.5% M/M. Multi-family permits were mixed; they were down 21.8% Y/Y; but were 7.1% higher sequentially M/M in December.

Total nonresidential construction spending (both commercial and public) was higher in November (latest available). It was up by 0.9% M/M (-0.3% last month); and it was up by 11.8% Y/Y (9.8% last month). Total nonresidential construction spending came in at an annual rate of roughly $930 billion in November and a new all-time high peak.

Inflation does play a role here, but many growth rates across industries such as manufacturing, infrastructure, commercial, lodging and many others were up double-digits, far outpacing inflation. This year will likely be a year in which backlogs of work get processed and projects that have been on hold come off the sidelines and start. Much of that will depend on raw material availability, and some materials are showing shortages again.

Copper

Copper prices have surged to begin the new year, rising 13.3% over a 10-day period, and are at its highest price in 6 months. Copper futures are now up 35% since the July lows and are currently trading around $4.20/lb. level on the COMEX.

The primary factor driving this run appears to be the reopening theme coming out of China in addition to a U.S. yields continuing to drop, and other positive economic data released in China.

A new copper tubing price sheet was released mid-January with list prices increasing 5%. Lead times from manufacturers/mills have returned to a more traditional 7-10 while fill rates also seem to be improving.

Thermoplastics

Just before publication of this report, severe weather in late January caused significant damage to petrochemical and resin manufacturing plants in the Gulf Coast.

Read the full report here from polymerupdate.com.

https://www.polymerupdate.com/News/Details/1210418

There is still uncertainty as to which HDPE manufacturers are directly impacted, but the domino effect will be universal. Four buildings at a key resin manufacturer were destroyed. Distributors are scrambling to place large orders in expectation of significant shortages and price increases. The length of the disruption is likely significant due to the extensive damage.

Prior to the severe weather, resin manufacturers in Texas proactively shut down production temporarily to avoid issues related to an unseasonably cold weather disruption. A similar disruption last year resulted in extensive damage and supply chain disruption. The actions resulted in the avoidance of any physical plant damage and production was restored immediately following the threat.

As a result, prices of polyethylene piping may see a slight but temporary increase in the month of February. PVC resins and finished product inventory has caught up to demand, price and availability should remain stable for the near future. PVDF-based products remain challenged in terms of availability and pricing. With lead time extending beyond 52 weeks in many cases product cost is not being realized until product delivery.

Carbon Steel Fittings and Flanges Year-End Update 2022

OVERVIEW

Sales and quote activity have bounced back from the typical seasonal slower December activity; however, more aggressive pricing, especially for larger orders, has accelerated.

PRICES

Domestic flange manufacturers, Boltex, Galperti and Ameriforge have increased their prices 7% for list and discount A105 flange items. Imported product costs continue to decrease.

SHIPPING COSTS

Shipping container costs have stabilized to 4K-8K. Domestic freight costs continue to be elevated.

DELIVERIES

Generic import flange deliveries remain in the 2-4 months range, with generic import fittings in the 4–8-month range. Domestic A105 flange manufacturers have been catching up on their backlog. High yield flange delivers are extending out.

LOOKING FORWARD

Quote activity remains healthy for carbon steel weld fittings and flanges, despite a choppy national picture with recessionary fears.

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

Tyler and Charlotte Pipe reported no changes or updates for cast iron pipe, fittings, and/or gaskets-no-hub couplings for the month of January 2023.

Stainless Steel Pipe & Fittings

The market stability remains for stainless fittings and flanges. Prices for domestic product is gradually going up in line with surcharge increases from the mills. Overall, activity is a bit stronger starting with the end of 2022 and continuing in January. With the new Congress in place, expectations are higher for more sensibility with capital projects in industries that were being targeted with a negative view, such as fossil fuels.

Consumption of base metals typically plunges throughout the Lunar New Year holiday, and in certain years “bears” take control since China is the largest importer of oil and most other commodities. Chinese factories often start their New Year at a very swift pace and, of course, this is what “bulls” hope for.

Nickel is currently up around 30% year-on-year. If COVID is largely held in check in China (infections and deaths spiked there during the first half of January), it appears that nickel, and in turn, stainless steel prices will remain strong.

Stainless steel surcharges have been on an upward trajectory since November, and February’s 304/L prices are at the highest level since July of last year. 316/L surcharges are at the highest level since June and several analysts expect molybdenum to continue rising.

An Administrative Review on stainless steel welded pipe was recently conducted against India at the request of petitioners. This Review stemmed from the antidumping case that was finalized in 2016. The U.S. Department of Commerce preliminarily determined that for the period November 1, 2020, through October 31, 2021, the following dumping margins exist. Results are due in April. If the preliminary findings hold, the AD rates will increase as follows for those companies under the scope of the review:

Exporter/producer	Weighted- average dumping margin (percent)
Ratnamani Metals & Tubes Ltd	34.32
Non-Selected Companies	34.32

An Administrative Review on stainless steel ANSI flanges was recently conducted against India at the request of petitioners. This review stemmed from the antidumping case that was finalized in 2018. The U.S. Department of Commerce preliminarily determined that for the period October 1, 2020, through September 30, 2021, that the AD rates will be adjusted as per the details below; the table indicates that one Mandatory Respondent received a lower rate and the other one received a higher rate. Accordingly, a weighted-average calculation (based on export volumes) yields preliminary rates for other companies not individually examined. Results are due in May and all exporters are covered within the scope of the review.

Exporter/producer	Weighted- average dumping margin (percent)
Chandan Steel Limited	0.63
Good Luck Engineering Co., a unit of Goodluck India Limited	49.30
Companies Not Individually Examined	12.85

Forged Steel Fittings and Branch

There have been no price changes on A105, 304L or 316L in high pressure forged steel pipe fittings and branch connections. Availability remains stock to 2 weeks on domestic products.