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 have reversed course and were rising at the time of writing. Concerns over supply pressures and weaker inventory levels pushed prices for West Texas Intermediate (WTI) higher; WTI was trading at $79.32 in late July (up sharply from $70.27 a barrel in last month's report).

U.S. petroleum inventories were slipping and are still in the lower end of the 5-year average through late July (oil markets were "adequately" supplied with oil going into the heavy summer travel season but production will need to continue to ramp up to keep inventories stable).

The EIA has inverted its long-term forecast and now shows a "net draw" from global inventories each quarter through the end of 2024. Some of this supply will also be impacted if the U.S. begins to replenish the Strategic Petroleum Reserves. But some speculate that this might be a slow process through next year's presidential election. On a global basis, OPEC+ cuts in production have now also started to work in pushing the price of oil higher.

Fuel prices were mixed at the time of writing. Diesel prices were $3.90 a gallon at the time of writing (Source: AAA), which was $1.51 per-gallon lower than last year. Gasoline in comparison was $3.63 per gallon at a national level, which is now 71 cents a gallon lower than it was a year ago. The U.S. dollar is fluctuating more wildly and that could push dollar-denominated commodities like oil higher, even if production remains unchanged.

An upper-level Saharan dust storm and changing El Nino-induced weather patterns over the Gulf of Mexico are keeping tropical storm activity to a minimum. The outlook seems to favor a much weaker- than-expected storm season if these conditions continue, and that will keep oil production offshore strong and will limit impacts to refinery infrastructure in the southern regions.

Economy: Second quarter GDP was still trending above 2.3% according to the Atlanta Fed's GDPNow tracker. Several economic indicators were pushing GDP estimates for the quarter higher, including stable consumer spending, strong nonresidential construction, pockets of durable goods orders remaining robust, and services spending on recreation and entertainment remaining strong.

The Federal Reserve is expected to remain hawkish over the next three quarters with two potential rate hikes of 25 basis points possible over that time. If the Fed follows through on that plan, it will push the Fed Effective Funds rate to its highest levels since the year 2000.

Average inflation (measured in the Trimmed Mean Personal Consumption Expenditures data) was finally beginning to show some positive deceleration with rates at 4.3% over the past six months and just 3.2% over the past 30 days but remain well above the Fed's target rate of 2%.

Wages are growing at 4.4% annually. If the next inflation report comes in weaker than 4.4% (wages growing faster than macro inflation), the Fed could start to signal that it might be at the end of this hike cycle, the stock market has already turned optimistic, and many firms are considering jumping back into investments, IPOs, and expansion projects.

U.S. corporate spending (measured as capex) rebounded in May (latest available). Capex increased by 0.7% month-over-month (down 1.3% last month) and it was stronger on a year-over-year basis by 2.3% (up 2.5% last month) on $74.1B in annualized spending.

Inflation-adjusted retail sales were flat in June M/M but were down against June 2022 by 1.6% (latest available and down by 2.4% in last month's report). However, the robust spending trend continued, total inflation-adjusted retail spending is still running 12.8% above pre-pandemic spending levels from June 2019. For comparison, e-commerce retail sales are 82% higher vs. their pre-pandemic levels.

Home improvement sales were slightly higher in June with sales falling by 1.2% month-over-month (+2.2% in the last report); and they were 3.2% lower year-over-year (0.9% lower in the last report). Spending on large home improvement projects has slowed, but spending on a variety of smaller projects remains stable.

When adjusting for inflation, home improvement retail sales are roughly $1.95 billion higher between pre-pandemic and post-pandemic periods. Total volumes are still running high, which could explain why some firms are still posting near-record production levels.

Total new housing starts fell in June by 8% month-over-month (latest available and +21.7% last month). Starts came in at an annualized rate of 1.434-million-unit rate (1.631M adjusted rate last month). Starts were down 8.1% Y/Y (+5.7% last month) on a national basis. Single-family starts were down in June, falling by 7% month-over-month (18.5% in the last report) and were down by 7.4% Y/Y (-6.6% in the last report).

Once again, lower inventories are still a factor for affordable single-family home sales, but home builder sentiment continued to improve month-over-month in June as many markets still saw stable demand (despite higher interest rates). Multi-family starts can be volatile based on large project starts month to month, they dipped in June by 11.2% Y/Y (+39.6% Y/Y last month) and were down 11.6% M/M. The total number of multi-family units fell to an annual rate of 482,000.

Looking forward, total permits for new home construction were down in June by 15.3% Y/Y (-12.7% in the last update). Single-family permits were still down 2.7% Y/Y but were up by 2.2% M/M, which is a great near-term trend. Multi-family permits were lower; they were down 33.1% Y/Y; and they were 13.5% lower sequentially M/M in June.

Total nonresidential construction spending (both commercial and public) remained stable in May (latest available). Spending was marginally weaker by 0.2% M/M (+1.9% last month); but it was up sharply by 17.3% Y/Y (25.3% last month).

Total nonresidential construction spending came in at an annual rate of roughly $1.06 trillion in May and a new high (heavily impacted by inflationary pressures).

Manufacturing construction activity was up 76.3% Y/Y on $194 billion in annualized spending (an average year is $60 billion). Once again, infrastructure spending was rising year-over-year with water supply +15.8%, sewage and waste disposal +22.8%, conservation +29.5%, and highway and street construction +14.0%.

Many other nonresidential areas of construction were growing strong year-over-year including lodging (motels) +20.9%, commercial +5.3%, and healthcare +11.7%.

Copper
In the past month, the price of copper has experienced a decline due to weak inflation data and slower-than-expected industrial production figures in the United States. This combination of factors has put downward pressure on copper prices.

Additionally, there were concerns surrounding the state of China's economy and whether the government would intervene to provide support. These worries were put to rest when China, the world's top consumer of copper, confirmed its commitment to implement policies to bolster the economy.

As a result, market volatility has remained high during this period. Currently, the copper front month futures contract is trading around $3.92 per pound on the COMEX, marking an increase of about 3% over the last month.

In response to the recent uptick in prices, manufacturers have taken action by publishing a new price sheet.

Stainless Fittings
The market for stainless weld fittings is still showing strong demand with prices continuing to remain consistent.

There are some softer raw prices showing with domestic mills as nickel had been averaging slightly lower over the past month.

Overall projects continue to show strength in most areas.

Cast Iron
McWane (Tyler, AB&I Foundry) and Charlotte Pipe & Foundry reported that there were no price changes for cast iron pipe, fittings, and/or service weight gaskets-couplings for the months of July-August 2023.

Thermoplastics
Thermoplastic supplies have generally recovered from post pandemic shortages. Polypropylene has found stability in terms of inventory and pricing. PVDF material is slowly recovering from lead times that extended beyond 50 weeks.

As material availability improves, users should be wary of potential future disruptions as projects tied to batteries, solar and microelectronics continue to expand, stressing the supply.

PVC/CPVC was on a relatively stable track until a recent resin plant fire disrupted recovery. PVC is expected to increase at least temporarily in the coming weeks.

High-pressure forged steel fittings
There have been no price increases announced by any of the major domestic forged steel manufacturers on A105, 304L or 316L. Availability of finished goods is stock to 2 weeks. Raw material prices have remained stable, and availability is good.

Carbon Steel
Carbon steel pricing, specifically hot rolled coil, has fallen just over 10% off in the last month. Steel producers have attempted to stabilize pricing by implementing some small increases, but that has had no effect on spot pricing.

Demand remains relatively flat as to inventories. Couple this with the reality that any type of shortage fears has likely been extinguished, and we are left with a relatively soft market for carbon steel.

One steel producer saw average transaction prices fall 16% compared with last year.