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 were slightly lower at the time of writing. Concerns over the economy kept prices for West Texas Intermediate (WTI) lower; WTI was trading at $71.59 in late May (down slightly from $75.79 a barrel in last month's report).

U.S. petroleum inventories were running in the middle of the 5-year average in late May (oil markets were well-supplied with oil going into the heavy first weekend of the summer travel season). The EIA continues to forecast a balanced supply/demand environment through 2024, but total global production of oil will have to continue to increase to keep pace with what is expected to be consistent and stable increases in demand.
Fuel prices are also slightly weaker at the time of writing. Diesel prices were $3.98 a gallon at the time of writing (Source: AAA), which was $1.58 per gallon lower than last year. Gasoline, in comparison, was $3.54 at a national level, which is now $1.05 a gallon lower than it was a year ago.

Economy: Macroeconomic conditions were still mixed through mid-May. Generally, consumer spending was stable on a historical basis, unemployment remained near historic lows and wage growth was averaging 4.4%. But there were also nearly as many signs pointing to sluggishness developing in the economy. The U.S. Leading Economic Indicators show that recession pressure remained, inflation is still too high, and some industries remained in sectoral recession. These crosscurrents also continued to keep the Federal Reserve hawkish on interest rates.

Average inflation (measured in the Trimmed Mean Personal Consumption Expenditures data) came in at 4.7% in March (the latest available) and this was essentially flat since August of last year. With the Fed's target rate still at 2% and little progress toward this goal, analysts are debating whether the Fed will hike rates again in 2023. Some Fed governors are estimating that they could raise rates by 50 basis points (25 basis points at a time) between now and the end of the year if average inflation does not start to ease.

U.S. corporate spending (measured as capex) was still decelerating in the last reading, falling by 1.1% month-over-month (revised downward and contracting at 0.4% last month), but it was stronger on a year-over-year basis by 1.2% (up 2.0% last month) on $72.7B in annualized spending.

Inflation-adjusted retail sales were flat in April M/M but were down against April of 2022 by 3.2% (latest available and down by 2.5% in last month's report). However, total inflation-adjusted retail spending is still running 13.8% above pre-pandemic spending levels. Monthly advanced retail sales in April (adjusted for seasonality but not inflation) were still running 1.6% higher than last year. When stripping out fuel and food, retail sales were up 0.5% (against average inflation of 4.7%).

Home improvement sales were slightly higher in April with sales rising by 0.5% month-over-month (-2.1% in the last report); but they were 3.7% lower year-over-year (0.6% higher in the last report). Spending on large home improvement projects has slowed, but spending on a variety of smaller projects remains stable.

Total new housing starts were up by 2.2% month-over-month in April (latest available and -4.5% last month). Starts came in at an annualized rate of 1.401-million-unit rate (1.420M adjusted rate last month). Starts were down 22.3% Y/Y (-20.0% last month) on a national basis. Single-family starts were up in April, rising by 1.6% month-over-month (-0.2% in the last report), but were down sharply by 28.1% Y/Y (-29.3% in the last report).

Lower inventories are still a factor for single-family home sales, but home builder sentiment inched up month-over-month in April as many markets still saw stable demand (despite higher interest rates). Multifamily starts can be volatile based on large project starts month to month, they were down in April by 11.7% Y/Y (down 0.8% Y/Y last month), but were up 5.2% M/M. Based on the range of total number of units started (542,000 annual rate), multifamily starts were still high on a historical basis, and the last three quarters represent the highest volume of starts since the 1980s.

Looking forward, total permits for new home construction were down in April by 21.1% Y/Y (-23.4% in the last update). Single family permits were still down 21.2% Y/Y but were up by 3.1% M/M. Multifamily permits were lower; they were down 23.0% Y/Y; they were also 9.7% lower sequentially M/M in April.

Total nonresidential construction spending (both commercial and public) was higher in March (latest available). It was up by 0.7% M/M (+0.4% last month); and it was up by 18.8% Y/Y (16.8% last month). Total nonresidential construction spending came in at an annual rate of roughly $997 billion in March and a new high (heavily impacted by inflationary pressures).

Manufacturing construction activity was up 62.3% Y/Y on $147.4 billion in annualized spending. Once again, infrastructure spending was rising year-over-year with water supply +26.3%, sewage and waste disposal +25.8%, conservation +25.3%, and highway and street construction +21.4%. Many other nonresidential areas of construction were growing at double-digit percentages year-over-year including lodging (motels) +38.1%, commercial +20.3%, amusement/recreation +12.6%, and health care +10.9%.

Domestic Malleable Iron/Carbon Steel Pipe Nipples/Grooved Product

No changes reported from the previous update listed below:
Domestic malleable iron: 8% increase announced and implemented first quarter 2023. Rising raw material, energy, labor, among other variable costs drove the increase.

Domestic carbon steel pipe nipples: 6% increase recently announced. Rising raw material steel cost responsible for increase and may be more on the horizon.

Grooved product: 8% industry wide increase recently announced.

Carbon Steel

Carbon steel pricing has hit some headwinds that are putting pressure on pricing recently. A lot of the downward pressure is due to China's slowing demand. Hot-rolled coil did see a slight rise in pricing in March 2023, but that price has fallen back to February levels. Typically, new construction starts falter in June and July, so analysts are expecting a depressed market until at least September.

Not pipe related, but Chinese rebar pricing has fallen to the lowest prices since April 2020 during the early days of the pandemic.

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 April and May 2023.

Stainless Steel Pipe & Fittings

LME nickel prices have declined roughly 20% year on year, driven mainly by a combination of subdued domestic demand in China, aggressive monetary policy tightening in the U.S., and the prospect of an imminent global recession.

The impending U.S. debt ceiling deadline has added further macroeconomic pressure to nickel and several other commodities. The current price correction to nickel and the other base metals is possibly overdone because of the debt ceiling drama. June's surcharges for 304/L are flat and 316/L are down around 2 1/2% as compared to May.

The stainless-steel market pricing is a bit softer with lower nickel prices recently dropping after a slight bump. We continue to see strong activity with projects and general business conditions remain favorable across most industrial sectors. Expectations are for continued strength for at least the next few quarters as companies are upgrading their facilities.

Forged Steel/Carbon/Stainless Fittings and Branch Connections

There was only one manufacturer that announced price increases at the end of April 2023. These increases were limited to welded nipples, merchant couplings and API couplings. There were no other price increase announcements on high-pressure forged steel carbon or stainless fittings and branch connections from any of the major domestic manufacturers.

Product availability remains strong with deliveries quoted stock to two weeks. Raw material availability for production is good with longer lead-times occurring on some sizes of pipe and tubing.