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

West Texas Intermediate (WTI) was easing at the time of writing at $77.52 ($83.77 a barrel in last month's report and is up 8.13% year-to-date). Brent North Sea Crude was also lower at $81.96, down from $89.24 a barrel last month and 16.4% higher YTD.

US crude oil inventories are 1.8 million barrels higher year-over-year (on total inventories of 827.6 million), but they continue to remain in the middle of the 5-year average. Total crude oil production was still hovering at 13.1 million barrels per day (vs. 12.3 million a year ago). In short, production remains steady, and the outlook would suggest that this production volume should continue as global demand increases slowly (as Asian and European markets emerge from sluggish macroeconomic activity).

Fuel prices were slightly lower month over month at the time of writing. Diesel prices were $3.89 a gallon at the time of writing ($4.02 a gallon in the last briefing) (Source: AAA), which was $.11 per gallon lower than last year.

Gasoline was also slightly lower and was nationally $3.61 a gallon ($3.66 per gallon in last month's briefing), which is 4 cents per gallon higher from a year ago. The EIA is forecasting gasoline prices to average $3.31 in 2024 after averaging $3.52 last year. Diesel forecasts show an annual price of $3.92 after averaging $4.21 last year.

The Biden administration is planning to release 1 million gallons of gasoline from northeast reserves over the next 6 weeks, which is targeted to reduce the price per gallon at retail by the Fourth of July weekend. That will reduce gasoline inventories and will likely push refiner activity higher (to a degree).

Economy: Second quarter GDP is currently running much hotter than expected. The Atlanta Federal Reserve and Blue-Chip forecasters were looking for GDP to grow by 0.9% in Q2 and it is currently trending at more than 3.5%. Consumer spending continues to be stable and nonresidential investments were still strong, total gross domestic investment from private sources was expected to be growing at a 5.1% rate.

Stronger general economic growth and sticky inflation continues to give the Federal Reserve a difficult time in forecasting rate cuts. At this time, speculation suggests that the Fed may be forced to make just one rate cut in 2024 (instead of 2-3, quarter-point cuts previously forecasted).

Current forecasts are still looking at either September or December for the first cut. Given concerns over election interference, unless the economy is in dire straits, the Fed will likely not make a move until December, if it does not see enough evidence to warrant a cut by the July meeting.

Mortgage rates are tied to the 10-Year U.S. Treasury and the yield on the U.S. bond has been fluctuating. Currently, yield rates are running at 4.46%, coming down from their peak of about 4.6% hit in June of 2023.

Prior to that, we would have to go back to March of 2007 and a rate of 5% to find a higher period. The U.S. is reportedly going to issue a lot of new bonds to cover debt payments and restructuring maturing debt. Flooding the market with paper would theoretically push bond yields higher. But much of that will depend on foreign markets and more attractive investment opportunities in those markets (which lures U.S. bond investors away). For now, the U.S. is still finding sufficient buyers of U.S. paper at these lower yield rates.

Inflation-adjusted retail sales retreated lower by 0.3% in April M/M (latest available) and were also slightly lower against April 2023, falling by 0.3% (latest available and up 0.3% in last month's report).

Home improvement sales were slightly stronger again in April on a month-over-month basis with sales up by 0.5% month-over-month (0.7% in the last report); once again largely being driven by smaller projects that don't require financing; but they were 1% lower year-over-year (0.6% lower in the last report). Preliminary estimates for retail sales in the home improvement category were $40.7 billion in April (vs. $41.1 billion last year).

Total residential construction spending was up 4.5% year-over-year on $895.9 billion in spending through March (latest available and a strong historical rate). Single-family construction spending was up 18.3% Y/Y on $436.9 billion in spending and multi-family was up 3.5% on $131.4 billion.

Total new housing starts rebounded in April by 14.7% month-over-month (latest available and down an adjusted 16.8% last month). Starts came in at an annualized rate of 1.360-million-unit rate (1.287M adjusted rate last month). Starts were down 0.6% Y/Y (-4.1% last month) on a national basis.

Single-family starts reversed course and continued to be volatile. Starts were down by 0.4% month-over-month (-8.7% in the last report) but were still up 17.7% Y/Y (+25.9% in the last report). Thirty-year mortgage rates in the US were 6.94% on 5/24, lower from rates of 7.17% a month ago.

The national monthly supply of new homes was 9.1 months of supply vs. 8.3 in the last update (6 months is normally considered to be balanced). This will continue to 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 April by 32.9% Y/Y (-50.8% Y/Y last month) but were higher by 31.4% M/M (-38.1% in the last report). The total number of multi-family units started at an annual rate of 322,000 (290,000 in last month's adjusted annual rate).

Forward looking data on permits for new home construction were down in April by 2.0% Y/Y (adjusted down 0.5% in the last update). Single family permits were up sharply by 11.5% Y/Y (16.0% last month) but were down by 0.7% M/M. Volatile multi-family permits were still sharply lower; they were down 23.2% Y/Y (-23.9% last month); and they were down 9.4% M/M in April. Permits at a regional level are available in the ASA Monthly Economic Report.

Total nonresidential construction spending (both commercial and public) was still very strong in March (latest available) despite some deceleration once again sequentially between February and March. Spending was lower by 0.2% M/M (1.0% last month); but it was still up by 9.6% Y/Y (14.2% last month). Total nonresidential construction spending came in at an annual rate of roughly $1.2 trillion in March.

Manufacturing construction activity was up 25.9% Y/Y on $223.5 billion in annualized spending (against an average year of $60 billion). Once again, infrastructure spending was rising by double-digit growth rates year-over-year and should continue to experience more infusions of capital as additional federal programs hit funding strides over the course of 2024.

Sewage and waste disposal and water supply are both up 10.6% and 17% respectively. All other nonresidential areas of construction were still growing, many at double-digit rates year-over-year. The first time in a while however, lodging and conservation/development were contracting year-over-year by 0.5% and 5.5% respectively.

And many of these categories, when adjusted for inflation, would be lower year-over-year. That would especially apply to office, transportation, communication, and commercial sectors.

Cast Iron

There are no new changes or updates in the cast iron market, according to Charlotte Pipe and McWane (Tyler Pipe) for the month of May.

Forged Steel Fittings and Branch

High-pressure forged-steel fittings and branch connections have had no price increase announcements throughout the first quarter of 2024.

Carbon and stainless-steel bar remain readily available. Raw material pricing has remained stable even on stainless with some fluctuations in nickel prices. Finished high-pressure forged-steel fittings and branch connections are available for delivery from stock to 2 weeks.

Stainless Steel Pipe & Fittings

The stainless weld fitting market continues to stay mostly flat on pricing, but there are continued signs that metals are rising, which could cause prices to start moving. Business remains steady, but on the lower side of expectations. Hoping that continued infrastructure funding will spark more buys of piping in the near future.

LME nickel prices remain elevated, and May's average is about 7% higher than April's. We expect June's coil and welded pipe surcharges to increase similarly. Reports of material shortages — mainly NPI — surfaced at the end of April when the INSG (International Nickel Study Group) revised its supply surplus forecast for this year downward by more than 50%. This development has improved the fundamental outlook, and investors are seemingly taking notice.

Overall, global demand for stainless steel PVF remains subdued, but the recent uptick in raw material prices has boosted production costs and finished goods prices are on the rise.

The Distributor Says:

(Thoughts and opinions from ASA-member distributors doing business in the PVF space).

** "After a better-than-planned-for start to 2024, conditions have calmed over the past two months, and we are getting into a more "normal" business cadence as we head into summer. Quoting activity remains relatively strong, albeit many of the projects are smaller in scope than we have seen over the past few years. Pricing in the market, especially in commodities, continues to be a challenge and it is unclear as to when some of these pressures will lighten up. All in all, the first half of the year is playing out as expected."

** "Our same-store sales are up 11% vs. the first four months of 2023. I'd love to tell you it's due to "brilliant" management😊, but it is primarily due to an uptick in project work in the power and air separation markets."

** "Our projection for this period was 0% growth so this has been a pleasant surprise!!"