



MATERIALS MARKET DIGEST[®]

CRITICAL UPDATES FOR THE
INDUSTRIAL/MECHANICAL
PVF SUPPLY CHAIN

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Presented by:

ASA Industrial Piping Division

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About this Report

Each month, this report provides comprehensive insight about qualified market data for a half-dozen key materials, especially recent changes in pricing or price-influencing action(s). Also included are price changes announced by major producers, action in applicable commodity markets, factors affecting supply and demand, etc. Learn more >

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*PARTNERS AS OF MARCH 2024

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The ASA Materials Market Digest is co-written by **Armada Corporate Intelligence**. For 24 years, Armada has provided economic outlooks and market intelligence for corporations around the world. Armada has been a strategic partner of ASA since 2018.

Headline Economic News

Q3 GDP is currently trending at 3.0%, slightly ahead of expectations for 1.8% growth but well below last year's 5.2% growth rate for the quarter. Consumer spending, government expenditures, and business investment is still driving growth. But **manufacturing is temporarily decelerating**, the US PMI from S&P Global showed contraction at 47.9 points and Flash reports showed it falling further in September to 47. New orders were also weaker headed into the peak season and broader USMCA markets (Canada and Mexico) were also slumping through September.

The move by the **Fed to drop interest rates** by 50 basis points is now projected to be followed up by **two more cuts between now and the end of the year**, possibly of another 50 to 75 basis points. Rate cuts will take time to filter through into automotive and over big-ticket item purchases. **Mortgage rates are tied more on long-term treasury rates**, and after initially falling on the Fed rate cut news, they have now started to inch back up. This could keep new mortgage applications flat.

Looking forward in the housing market, total **permits were down 6.5% Y/Y** through the end of August. Single-family was down 0.5% from a year ago and multi-family was down 16.8% from a year ago. **Northeast single-family permits were up 14% Y/Y while the Midwest followed being up 2.5%, the West was flat and Southern region was down 2.7%.**

Total vehicle sales hit an annual rate of **15.1 million units** which was **down slightly from the August rate of 15.3 million**. YTD sales are up 2.2% vs. 2023 volumes, but some notable deceleration was taking place in the latest data. **Hybrid sales are up 35.3% Y/Y** and could be higher if inventories were readily available. **Supply challenges** continue to hold back sales of plug-in hybrids.

Lastly, **Home Improvement sales** were 0.1% higher M/M but were slipping marginally at 0.1% Y/Y.

Carbon Steel

NYMEX Domestic Hot-rolled Coil steel prices (CRU-HRCC1) jumped over the past 30 days to \$743 per ton in late September (\$657 per ton in the last update).

Producer Prices for steel pipe and tube were down marginally in the latest data from the end of August (latest available). They were down by 1.3% month-over-month (down 0.1% last month). **Year-over-year, the PPI was 6.5% lower** (also -6.5% Y/Y in the last update) against difficult comparisons. Producer Prices lag the spot market by 30-60 days.

China is facing multiple **accusations of dumping** steel on the global market. **European steelmakers** were the latest to file claims that China dumping of **steel have pushed prices below production costs**. That seems to fly in the face of the current steel price trends. But China is now expected to **export more than 100mn tons this year, the highest rate since 2016**.

Member comment: “Carbon steel pricing is up 15% over the last month, while down just over 30% year-to-date. Increased pressure on imports has driven up imported steel pipe quotes, matching domestic increases.

On international fronts, China has been exporting large amounts of steel all year, while India has seen demand for its steel offerings diminish while its own imports rise. Global scrap prices have remained relatively flat, leading one to wonder if these recently increased carbon steel prices will stick.”

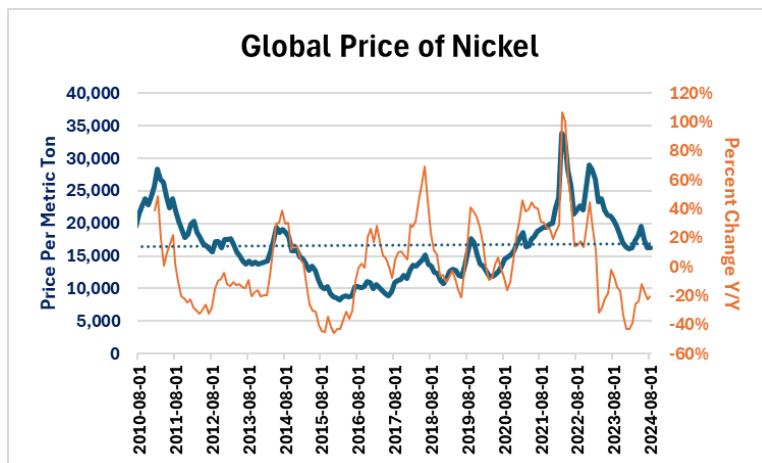
Member Comment: “There have been no changes in pricing for forged steel carbon and stainless fittings.

Raw material remains available, and deliveries are stock to two weeks.

There are many watching the possible impact of a port workers strike in the Gulf and East Coast ports at the end of the month.”

Stainless Steel & Alloys

LME Nickel Prices moved up over the past 30 days and were @\$7.62 per lb. (\$7.34 in the last update). **Producer prices** for nickel were slightly higher month-over-month in August (latest available) by 1.3%. But they were 1.8% lower year-over-year.



South Korea has opened up a probe on China Stainless Steel “dumping”. Allegations suggest that at least one company was “dumping” stainless steel products on the market at a 6.3% discount below market value.

The **US has issued a report** focused on **Indonesia’s** nickel industry and accusations of “forced labor”. Indonesia is trying to secure a critical mineral deal with the US which would allow electric vehicles in the US containing components sourced in Indonesia to still qualify for tax rebates. This report could hold that deal up.

ING has set their **nickel forecast for \$19,500/t for the third quarter of 2024**, down from \$21,000/t hit in Q2. BMI has a **long-range forecast for nickel to average near \$27,000/t by 2027**.

Member comment: “The stainless weld fitting market continues to have a less-than-stellar year as prices remain flat. It still seems that major projects that have any swing with the election results are waiting until there is a clear winner.

Interest rates retracting should put some added stimulus for buyers to get back into financed projects, but there is also the concern that the economy is continuing to cool. Only a few months away to see.”

Tubular Products

Producer Prices for steel pipe and tube were down marginally in the latest data from August (latest available). They were down marginally by 1.3% month-over-month (down 0.1% last month). **Year-over-year, the PPI was 6.5% lower** (-6.5% Y/Y in the last update) against difficult comparisons.

Inventories in Cushing, Oklahoma are still near historic lows, but capacity elsewhere in the system is keeping domestic oil prices muted. Coupled with weaker economic outlook data, West Texas Intermediate fell to \$67.86 a barrel, down 13.9% Y/Y. Still, the US is projected to produce more than 13.3 million barrels per day on average through the end of the year, a record for total domestic output.

Active global oil wells are down 21 Y/Y according to **Baker Hughes** (total wells are currently at 931, down from 954 in the last report). US active rig counts are down 42 wells Y/Y in the last week to 588 active rigs (586 in the last update). The US had 1,045 wells active in 2019 prior to the pandemic. Many producers are keeping new wells shut-in until per barrel prices improve. Despite pressures in the Middle East, Brent North Sea crude was last trading at \$71.66 and is down 13.5% Y/Y.

Member Comment: “There have been no price or market change announcements from McWane (Tyler Pipe) and/or Charlotte Pipe and Foundry for cast iron pipe and fittings for the month of September.”

Copper

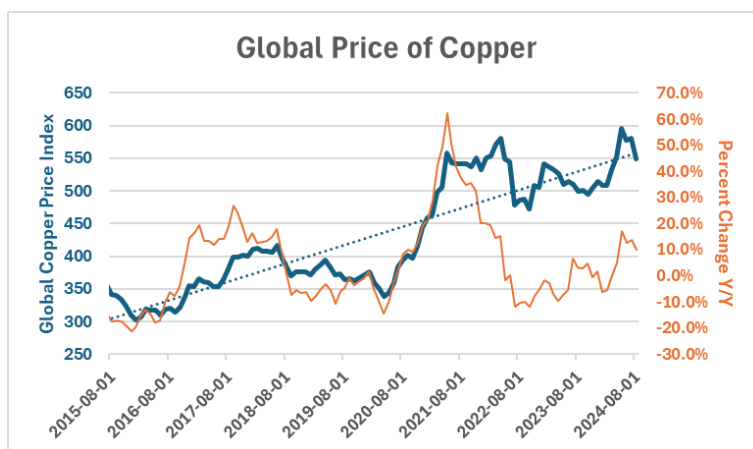
Copper prices were surging in late September on speculation that China’s economic stimulus package will stimulate consumption of copper. Copper futures surged 4% on the news and retouched the second highest level on record.

The **price of copper** surged over the past 30 days and was sharply **higher at \$4.59/lb.** (\$4.09/lb. last month). This is a 12% surge in the past 30 days.

Copper – Cont’d

Member Comment: “The copper Comex closed earlier this week at \$4,2890, which is up \$0.0075 from the previous Friday’s close. The Comex average year-to-date price is at \$4.2103 per pound and the LME is \$0.0767 below the Comex average year-to-date price.”

But the delay in getting these price hikes back into the US manufacturing sector showed in the **Producer Price Index (PPI)** for August (latest available and chart below) which was 549.45, down sharply month-over-month by 5.2% (up 0.3% last month). It was up 9.9% year-over-year (+13.9% last month). The all-time high was 596.7 in May 2024 and the low was 302.9 in 2016. This will adjust next month on a surge in the spot price mentioned earlier, Producer Prices lag the spot market by 1-2 months.



Analysts also believe that the **Fed’s cutting of interest rates will weaken the dollar** and allow **foreign firms to stockpile copper using the currency exchange advantage.** This is also helping tighten global copper supply.

Slowing global manufacturing could have an impact on copper demand in the near term; prices could ease once the initial news of China’s stimulus program fades in the coming weeks.

Member Comment: “Wrot is stable, while press is competitive as well. Data center projects continue to keep valve demand stable. “

Ferrous Scrap

Producer prices for **ferrous metal scrap** were **essentially unchanged in August** vs. the prior month, coming in with an index of 469.1 (470.8 last month). This was **lower by 0.4% M/M** (2.9% last month). **Year-over-year it was down 1.3% Y/Y** (-0.1% in the last update). The highest producer price prior to this was in July of 2008 when the index hit 731.4 points.

China will see one of the **largest steel scrap recycling bases** in the world built in **Tangshan**, which will substantially increase scrap supply. To push local producers to use Chinese scrap, a **40% export duty has been imposed on scrap exports**. This will push scrap prices lower for domestic steel producers but increase prices for exporters.

And still, long term forecasts still show that global increases in scrap volume will be needed in the next 10 years. By volume, scrap will account **for 50% of the global iron content in steel by 2030, up from 35% today**. By that point, **annual scrap consumption in both China and the US will likely be 40% to 50% higher than today**, much of it to make more steel. And these increases in domestic demand for scrap by major steel producing countries will reduce the global scrap trade volumes by about 15% (as domestic firms hang onto existing inventories to meet demand).

Plastics

Resin prices were relatively flat, rising by just 0.1% M/M in August (+1.6% M/M in last month's report) according to the PPI. They were also 2.1% higher Y/Y. Overall prices have moved well off June 2022 peak levels but are still higher than at any time prior to the pandemic.

There was a small decrease in LDPE prices in August, prices slipped by 0.3% M/M and were 4.1% lower Y/Y. Fittings and unions were slightly higher however, rising by 0.6% M/M and were 1.2% higher year-over-year.

Plastics – Cont'd

There was a **2-3 cent per pound increase expected for polypropylene in September**. August demand was slightly weaker than expected and falling oil prices are helping pull input prices lower. But producers were working on maintaining price stability and adjustments to contract rates were slow to come.

Member Comment: *"Plastics are becoming more competitive. The demand is lower."*

Additional Member Comments

"We continue to see some volatility in the market, from the lows we experienced in the past months in the steel market, prices are starting to move on an upward trend even though demand continues to be slow."

We continue to face some labor shortages, increase in ocean freight due to container prices being in the rise and the war on the Red Sea. Also, with the upcoming election we are waiting to see what happens. Our current sales are below approximately 8%, with some good and slow months."

"Current market conditions are down/off due to a few key reasons.

- 1.) We are in an election year.*
- 2.) 2024 commodity pricing (Steel Pipe)*
- 3.) Delay of Rate Cuts by The Federal Reserve*
- 4.) Supply Chain Growing Pains*

We are a true PVF Supply distributor, and when one of our major focal products (Steel Pipe) has the type of year it has had with pricing, it affects our business.

With pricing so volatile, projects were pushed, delayed, or even canceled. 2024 has begun to catch up from the previous 2 quarters that were down as pricing is calming, and leading the way to projects now being put back on the books. Based on today's conditions, 2024 will be down about 7% over 2023 as a result. (Continued on next page)

Member Comments – Cont'd

“2025 is uncertain purely based on the upcoming election, and pricing will remain volatile based on the current national and global conditions. Supply is also becoming an issue as we cannot get enough material to satisfy the current demand and projects that were previously delayed. At this point, we see 2025 status quo from where we are today and will have to wait and see what developments take place in Q4 and what the aftereffects of the election are.”

From Our Distributors

Distributors Speak Out On Market Conditions

****“Overall, business conditions have softened over the past few months but a few segments, including HVAC, have held up well when comparing year over year performance. Work still needs to be completed before the snow starts flying but the market is not as strong as the first six months of the year.”*

Product is readily available, and lead times continue to be shortened; We are keeping an eye on commodity pricing as there has been much variability as of late.

2024 is pacing on budget and we have an optimistic view for 2025.”

****“We continue to see some volatility in the market, from the lows we experienced in the past months in the steel market, prices are starting to move on an upward trend even though demand continues to be slow.*

We continue to face some labor shortages, increase in ocean freight due to container prices being on the rise and the war on the Red Sea.

Also, with the upcoming election we are waiting to see what happens. Our current sales are below approximately 8%, with some good and slow months.”

****“Sales are up 8% this month.”*

****“About the same, getting asked for more multi-family bids.”*

Distributors – Cont'd

****“July and August exhibited the typical ‘summertime vacation blues,’ but September has recovered nicely with both strong order booking and billing, which is in line with what we experienced in the first 6 months of the year!!”*

****“We have seen a notable slowdown in projects that pop up out of nowhere, which has led to a slight decline in our sales to PVF distributors. Our revenue is up this year as engineered sales and ecommerce distributors have made up the difference.”*

****“On the cost front, we have taken steps over the past two years to reduce supply chain risk associated with overseas production. Commodities have been stable for two years now, which is a welcome change from the chaos during and following the pandemic.”*

****“We’re a little behind last year, sales-wise, but profit is up. Activity in Arkansas is fairly steady, but a few huge projects were cut down or put on hold at the beginning of the year. We all understand the difference a single point drop in interest can do to say, a \$200 million project. A couple of those are coming back around, but I don’t see a huge push until 2025.*

When sales are down, the competition is up! That tends to drive margins downward, so we’re blessed that our margins have been as strong as they are. We work hard to make it where and when we can, while still being very competitive on the large quotes. I’ll be happy if things just keep going through the EOY. Even with the drop in interest rates, we don’t expect to see any spike because of that for several months. By then, hopefully, there will be a couple more drops.

It takes a while to resurrect the projects that were put on hold. Can’t happen in a month or two. Having stated the above, we’re very optimistic for 2025, which is shaping up to be a breakout type of year. Looking forward to getting the election behind us, regardless of the outcome, and hoping and praying for some world-wide stability. God willing.”

Producer Price Index - Key Industry Products

Category	PPI Code	Aug-24	Jul-24	M/M% Chg	Aug-23	Y/Y % Chg
Core Materials						
Copper	WPUSI019011	549.4	579.8	-5.2%	499.8	9.9%
Lumber	WPU081	252.3	247.6	1.9%	255.7	-1.3%
Nickel	WPU102504	215.9	213.2	1.3%	219.9	-1.8%
Cement	PCU32732032732	390.1	390.7	-0.2%	374.5	4.2%
Pipe, Valves and Fittings						
Metal valves, except fluid power	WPU114902	441.4	441.4	0.0%	437.0	1.0%
Gates, globes, angles and check valves	WPU114902011	171.5	171.5	0.0%	165.8	3.4%
Ball valves	WPU11490202	570.2	570.2	0.0%	590.0	-3.4%
Butterfly valves (formerly W2421490203)	WPU11490203	318.0	318.0	0.0%	306.1	3.9%
Industrial plug valves	WPU11490204	325.4	325.4	0.0%	308.7	5.4%
Plumbing and heating valves (low pressure)	WPU11490205	389.8	389.8	0.0%	389.8	0.0%
Solenoid valves	WPU11490208	372.2	372.2	0.0%	372.2	0.0%
Other industrial valves, including nuclear	WPU11490209	407.9	407.9	0.0%	406.2	0.4%
Automatic valves	WPU11490211	263.7	263.7	0.0%	249.1	5.9%
Metal pipe fittings, flanges and unions	WPU11490301	509.8	509.8	0.0%	477.0	6.9%
Steel pipe and tube	WPU101706	364.9	369.9	-1.3%	390.2	-6.5%
Steel pipe and tube, alloy	WPU10170673	109.5	109.5	0.0%	109.5	0.0%
Steel pipe and tube, stainless	WPU10170674	133.9	137.2	-2.4%	144.5	-7.3%
Copper & copper-base alloy pipe and tube	WPU10250239	440.7	440.7	0.0%	338.8	30.1%
Plastic pipe	WPU07210603	188.0	188.5	-0.3%	196.1	-4.1%
Plastic pipe fittings and unions	WPU07210604	322.1	320.3	0.6%	318.2	1.2%
Plumbing Fixtures, Fittings and Trim						
	WPU105402	402.0	402.0	0.0%	395.0	1.8%
Bath and shower fittings	WPU10540211	286.7	286.7	0.0%	286.7	0.0%
Lavatory and sink fittings	WPU10540218	207.9	207.9	0.0%	204.6	1.6%
Enameled iron and metal sanitary ware	WPU1056	284.5	284.5	0.0%	284.4	0.0%
Steam and Hot Water Equipment						
	WPU1061	456.5	450.6	1.3%	428.5	6.5%
Cast iron heating boilers, radiators and convectors	WPU10610106	309.9	304.7	1.7%	289.7	7.0%
Domestic water heaters	WPU106601	590.6	590.6	0.0%	570.6	3.5%
Electric water heaters	WPU10660101	586.6	586.6	0.0%	564.3	4.0%
Non-electric water heaters	WPU10660114	359.0	359.0	0.0%	347.7	3.3%
Warehousing, Storage and Related Services						
	WPU321	139.2	141.0	-1.3%	135.9	2.4%