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About this Report

Published by the American Supply Association (ASA) and distributed in February and August exclusively to members of the association's Industrial Piping Division (IPD), this report provides comprehensive insight and leading information compiled from primary sources by knowledgeable industry leaders. It contains the most current and qualified market data for more than a half-dozen commodities, including recent and anticipated changes in pricing or price-influencing action(s) as well as factors affecting supply and demand, etc. LEARN MORE

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CARBON STEEL

On Friday, February 16th, Secretary of the U.S. Department of Commerce, Wilbur Ross, recommended that President Trump impose tariffs on imported steel products, including pipe. The recommendation was expected and has contributed to the increase of steel coil pricing to its highest levels in four years. Immediately, we can anticipate domestic mills will increase their prices across the board on ERW, CW and seamless products.

Despite the demand for finished goods not necessarily supporting the increases, a recommendation like this is enough to send prices up. Expect more increases, especially if President Trump follows through on Secretary Ross' recommendations. Should that be the case, another consequence would be a major reduction in inventories of import pipe. Expect a decision from President Trump by April 11, 2018.

Weld Fittings & Flanges

Market conditions have not changed much since 4Q17. There are some supply issues on specific sizes of flanges, but inventories are expected to be replenished by end of 1Q18. There have been no additional price changes on BW Fittings since the 4th quarter. Pricing on both the weld fittings and flanges appears to be more stable after having risen sharply in response to multiple anti-dumping and countervailing lawsuits that were filed. Overall, supplies are adequate, but there are some extended lead times.

The Baker Hughes Rotary Rig Count on February 9, 2018, reported overall rigs in North America at 1,300 versus 1,093 one year ago. U.S. oil rigs are up 26 to 791, and U.S. gas rigs are up 35 to 184 compared to one year ago. Canadian oil rigs are up 14 to 221, and gas rigs are down 41 to 104 compared to 2017.

The top three areas for change compared to a year ago were in Permian, where rig counts were up 136; Haynesville was second, up 19; and Cana Woodford was third at plus 15.

At the time of this writing, WTI Crude was trading at $59.29 compared to $53.40 in February, 2017. As reported in Bloomberg Markets, the 52-week range has been between $43.91 and $66.66 for WTI Crude.

The NYMEX price reported for natural gas is $3.631 per MMBtu at the time of this writing. That is an increase of nearly 10.0 percent over 2017. Recent increases in the price of natural gas, as reported by Forbes contributor Jude Clemente on January 28, 2018, are due to a colder winter and higher than expected storage deficit.

Forged Steel Fittings

One domestic manufacturer implemented a 10.0 percent list price sheet increase effective February 5, 2018. To date, other domestic manufacturers have not followed suit. Importers are seeking out alternative sources as the largest import manufacturer has halted all shipments into the U.S. because of anti-dumping lawsuits. Supply issues may arise in 2018 as there could be inventory voids throughout the supply chain.

Many of the economic factors already indicated, above, are contributing to overall strong demand in the market place. Additionally, an industrial policy and infrastructure package would contribute to larger consumption of forged steel products.

STAINLESS STEEL PIPE, FITTINGS & FLANGES

Austenitic stainless steel PVF prices are driven to a substantial extent by the value of nickel. Recently, spot nickel prices have been volatile, generally riding a higher wave on the back of the weakening dollar while being periodically rocked by sharp corrections in equities markets. But regardless of the price swings, there's been a significant bias to the upside for nickel prices. Besides a small decline in December, average monthly prices have increased every month since July. February's average prices are 50.0 percent higher than last June's and have not been this high since May, 2015. While LME inventory levels are still historically high, they've recently fallen around 10.0 percent, and a third consecutive production deficit is expected for 2018. Investors' excitement over global electric car sales has also boosted nickel's fundamentals. It will be interesting to see whether the present price levels can be maintained, especially throughout and directly following the Chinese New Year holidays. Rising prices would indicate a bullish demand outlook, and the potential for prices to increase to even higher levels throughout 2018.

But with nickel, there's always the other side of the coin. A literal paradigm shift has been occurring over the last decade as the nickel pig iron industry (NPI) has developed and innovated at warp speed. China was positioned to be the center of the NPI and, by extension, the stainless steel universe, but Indonesia has cleverly leveraged its possession of the highest grade and most plentiful nickel ore in an attempt to at least share future global stainless dominance. Indonesia banned nickel ore exports four years ago; the purpose of which was to create a value-added processing industry using, to a substantial degree, other people's money, technology and ingenuity. Indonesia was the world's largest producer of nickel prior to 2014; it should resume that position in 2018 with around 25.0 percent of global output and with a far more diversified and deliberate jobs generating approach. Individual Indonesian mines have begun integrating, and at least one has melting capabilities - feeding processed NPI and liquid chromium directly into on-site furnaces to produce slabs. The pace and scale by which other Indonesian miners follow this path should go a long way towards dictating future macro market dynamics for 300-series coil and their by-products. The pace by which more NPI is brought on stream in both China and Indonesia this year will affect nickel supplies and, in turn, prices.

Another important developing story, for which industrial distributors will want to keep a close watch, is the supply of finished PVF products. Anti-dumping actions taken by the U.S. Department of Commerce (DOC) over the last ten-plus years have affected the supply of import welded stainless steel pipe. A pending case concerning stainless steel ANSI flanges from India and China has already begun disrupting market prices and availability. The outcome of that case will likely have significant and lasting supply and cost/price implications across the U.S. market for import and domestic flanges. But costs and availability of stainless steel PVF products are being impacted by more than just trade cases. Stricter anti-pollution policies in China are adversely affecting production volumes of 150LB. stainless steel fittings and valves as many of these factories are located in target enforcement areas. Certain factories are forced to suspend activity from time to time, while others have permanently closed. Labor costs in many foundries and factories are also rising as workers become more difficult to attract and maintain.

The requisite consequences of the ecological issues in China and the heightened focus on trade actions against finished and semi-finished imports into the U.S. from international sources is already serving to increase lead times and costs of stainless steel PVF products. Accordingly, regardless of what actually happens with raw material prices, as long as demand remains strong in the stainless sector, and nickel supplies don't grow, prices should rise in 2Q18 and possibly beyond.

COPPER TUBE & FITTINGS

Copper markets have rebounded from a January and early February re-adjustment. Uncertainty prevails in international metal markets, and copper has continued an upward trend reflecting a weaker dollar and doubts about South American and African mine productivity. Traders are anticipating a slower rate of increases in 2018, but the unknowns that exist indicate continuing volatility in the copper market going forward.

PLASTICS, RESINS & HDPE

PVC

Most PVC markets are announcing seasonal price increases due to seasonal demand. Supply still appears strong as most of the manufacturers try to get an increase through. With anticipation of the increase in demand, more increases are being talked about. The next few months will be busy with attempts to increase pricing due to expected demand increases. How the spring demand shapes up will determine whether and how much of these increase will hold. Resin prices remain fairly stable, but demand for PVC will likely cause increases in pricing.

HDPE

Pricing is continuing to increase, and availability is becoming more and more a case-by-case basis with some suppliers reporting two to three month backlogs. Expectations are that pricing will not settle back until late 2Q18 when availability should improve.

VALVES

Commodity metal costs remain high. Copper averaged $3.19 per pound in January, which represent a four-year high. Steel, zinc and nickel are all up sharply for the year.

The round of valve price increases that commenced in January, 2018, continues with more manufacturers implementing increases in the 4.0-8.0 percent range, depending on the material.

The market outlook remains steady. For December, construction spending on residential activity was up 0.4 percent in comparison to November and was up 6.2 percent year-over-year. Commercial (building) construction was up 2.2 percent over November and up 3.7 percent year-over-year.

GROOVED PRODUCT

An 8.5 percent increase has been announced for all manufacturers this spring and is attributed to rising energy, labor and material costs.

MALLEABLE IRON FITTINGS

Domestic

Manufacturers announced a beginning of the year increase, which is taking hold in the market. Rising labor, material and energy costs fueled the increase. There is plenty of capacity to take on any additional demand.

Import

Supply chain disruptions are prevalent due to overseas manufacturing issues. Industry-wide, a 10.0 percent increase has been announced for February.