



Market Condition & Activity Bulletin

PIPING & EQUIPMENT— A Member of AD & supplyFORCE.com

October • November • December 2001

MARKET CONDITIONS

Raw Materials – Nickel prices in September fell 8.9% vs. August and 41.5% from a year ago. Demand softness, production increases, and higher inventories are responsible for the decline in the September average to \$2.282/lb. A recent report by the International Nickel Study Group indicates that world nickel consumption fell by 7.6% in the first six months of 2001. Nickel closed on the LME today at \$2.234 bringing the October MDT average to \$2.275. The near-term price outlook remains weak due to fears of recession and expectations of a further contraction in industrial production. Aluminum prices fell 2.4% in September to 61.1¢/lb., leaving the monthly average 16% below its year-earlier level.

US Economy – According to the National Bureau of Economic Research in Cambridge, Massachusetts, “the current economic slowdown remains centered in manufacturing.” Recent declines in investor and consumer confidence are also troubling signs that the economy’s worst days still lay ahead. Sluggish economic growth has pushed down the costs of commodities and prompted businesses to reduce prices to bolster sagging demand. The tragedy of September will adversely impact our economy over the short term as it has already impacted our equity markets. It will take time for our country to heal and move on with renewed confidence and economic strength.

Manufacturing – The manufacturing sector has been affected most by corporate reductions in capital spending. Industrial production fell .8% in September for the twelfth straight month of decline. This is the longest series of drops since the period between November 1944 and October 1945, as World War II drew to a close. Capacity utilization, measuring work at factories, mines and utilities, is expected to show that industry operated at 75.4% of capacity in September; the lowest since June 1983. According to the NAPM, U.S. Business Inventories declined 0.1% in August. Inventories at U. S. companies fell less than expected, as an increase in retail stockpiles countered declines at manufacturers. Bethlehem Steel listed \$4.5 billion in debts in Chapter 11 bankruptcy papers filed this month. They became the 26th U. S. steel company to file for bankruptcy protection since 1998. Shares of Bethlehem Steel dropped to \$.22 on Monday from \$1.20 last Friday after the bankruptcy filing.

Fed Funds Rate – Fed policy makers lowered the overnight bank lending rate by a full percentage point in two moves since the attacks to try to reinforce confidence. At 2.5%, the FFR is the lowest in 39 years. The weakness in consumer spending will be a factor in the Fed cutting rates another quarter point at the November 6 FOMC meeting. If there are indications of a greater downside risks to the economy, the Fed may cut rates more aggressively.

GDP – The economy probably contracted at a 0.6 - .75% annual rate in the 3rd quarter and will very likely shrink at a 1.3% - 1.5% pace in Quarter 4, 2001. Many analysts expect a rebound early in calendar 2001 once the lower Fed Funds rates help to stimulate corporate spending and investment.

Inflation – Producer prices rose 0.4% last in September following a 0.4% increase in August. The core producer price index, which excludes food and energy, rose 0.3 percent in September after falling 0.1 percent in August.

Unemployment – The U. S. economy lost 199,000 jobs last month, the biggest drop in more than 10 years, the Labor Department reported. Unemployment claims are likely to remain high for several more months as job reductions announced earlier this year start to take effect. The layoffs have helped to further erode consumer confidence.

Housing Starts – Housing starts probably declined by 1.8 percent last month to an annual rate of 1.5 million units from 1.527 million.

None of our work lives are going to be easy in coming months. The current outlook will require all of us to focus intensely on our markets and customers and provide the best service possible.

Excerpts for this article were reprinted with the permission of Frank J. Alvin, Regional Sales Manager for Avesta Polarit, Inc.
(Sources: NAPM, FRB, US Labor Dept., US Commerce Dept., WSJ, Bureau of Economic Statistics, S&P, Bloomberg, and CNNFN)

STAINLESS STEEL PIPE

Pricing ↗↘ Pipe manufacturers are again predicting a 3% to 5% increase in stainless pricing during this quarter. However, one manufacturer expects a possible 1% - 2½% drop due to overall low demand. Most suppliers of stainless steel are firm in their resolve to increase prices due to their raw material costs. However, one manufacturer of seamless stainless expects a possible 1% - 2½% drop due to overall low demand. Flat rolled producers are reported to be uncompromising in their efforts to hold the line. Higher base material prices have been slightly offset by lower surcharges. Last quarter ended with prices down by 1% to 2½%. One manufacturer comments that inventory levels with distribution remains a problem. Factories appear to be running out of low priced raw materials.

Lead Times – Stock lead times are running 6 – 8 weeks for commodity items with fill rates of 40% - 50%. Producer lead times remain stable and stock availability seems appropriate for market conditions. Non-stock specials are shipping in 10 – 16 weeks. These times are based on raw material availability,

mill times and set ups.

Comments – Manufacturers report that capital spending by the process industry is likely to remain extremely poor due to the new global uncertainty since the event of September 11, 2001. The pipe market continues to be dominated by imports and increasing price pressures in light of price increase announcements by the domestic flat rolled and pipe producers reports one manufacturer.

Nickel pricing is down 18% from the 2nd quarter of 2001. The combination of the International Trade Commission Section 201 Investigation, the weaker US dollar, and overall global uncertainty from 9/11/01 should make imports less attractive. Overall manufacturers are expecting to see some decrease in foreign competition. On November 1st, we will know the outcome of the “Japan Appeal” on their dumping suit. Manufacturers predict that if Japan loses their appeal, they will possibly go after Korea and France.

STAINLESS STEEL WELD FITTINGS

Pricing ↗→ Several manufacturers indicate an increase in pricing of 1% - 2½% by the end of the quarter. One manufacturer indicates another quarter with no change in pricing. The butt weld fitting prices have been somewhat stable. This is largely due to current selling prices being close to manufacturing costs. Manufacturers report that they are juggling higher raw material costs with depressed selling prices. They feel that pricing has hit bottom; however discounts will vary by manufacturers on dollar value.

Lead Times – Lead times are 2 to 3 weeks with fill rates 80% - 100%. Deliveries are still good. Manufacturers comment that there are very few stock buys. Distribution continues to use manufacturer's stock or the stock of master distributors. Lead times for alloy specials are starting to drag out to 4 – 6 weeks.

Comments – Nickel was at \$2.21 / lb as of 9/30/01. Manufacturers continue to hold hope in the Section 201 case for a help to start off a good 2002. Foreign competition is seen as increasing for the short term, and decreasing by the first quarter of 2002 as a result of the 201 Steel Case.

STAINLESS 150 AND HI-PRESSURE FITTINGS

Pricing → Manufacturers predict no change in pricing this quarter.

Lead Times – Fill rates are 80% - 100% with lead times of 2 – 3 weeks. Lead times on special forgings are 3 – 6 weeks due to

forging deliveries.

Comments – Imports from the Far East and China continue to gain market share according to manufacturers.

STAINLESS STEEL FLANGES

Pricing → Manufacturers indicate no plans for pricing change during this quarter. One manufacturer notes that “pricing appears to have reached a point where it cannot go any lower.”

Lead Times – Lead times remain constant at 2 – 4 weeks with fill rates of 60 – 80%. Non-stock specials are shipping in 6 – 12 weeks.

Comments – Dumping suits are on going with India and Taiwan.

The Section 201 investigation and ruling should increase domestic volume and prices next year according to manufacturers. This case will make a determination on whether or not the domestic flange industry has been injured. Manufacturers report that nickel stocks are extremely high. Demand is off and prices are very low. Strengthening not seen until next year.

CARBON STEEL PIPE (CONTINUOUS WELD)

Pricing ↘ Some manufacturers indicate an increase of 5% - 7½% due to the June flat rolled increase. It is imperative that they at least pass through raw material costs.

Lead Times – Lead times are running 6 – 8 weeks with inventory fill rates of 70% - 80% for commodity items. Non-stock specials

are forecast for 6 – 8 week deliveries.

Comments – Nickel prices continue to fall. One manufacturer says that some experts are forecasting the surcharge to drop below the \$2.00 mark for the fourth quarter of 2001. Dumping suits are in effect for Taiwan and Korea.

Please note that arrows inserted after pricing is only a “Best Guess” of pricing direction after compiling information from select suppliers. It does not reflect input from all mfgs. nor does it include study of national economic indicators.

CARBON STEEL PIPE (ERW & SEAMLESS)

Pricing → ↘ Numerous manufacturers indicate no price change for this quarter for seamless carbon steel pipe. One ERW manufacturer notes a possible 1% - 2½% decrease this quarter due to demand and competition.

Lead Times – Fill rates of 60% to 80% with deliveries in 6 – 10 weeks on commodity items not in stock. Non-stock specials are forecast from 8 – 16 weeks.

Comments – One manufacturer notes that the 201 Trade Case will be a deciding factor; however, after September 11th, it will be more difficult to impose sanctions against import steel when we are asking these countries to help us fight terrorism! Flat rolled prices remain depressed with no signs of improvement during the fourth quarter.

CARBON STEEL WELD FITTINGS AND FLANGES

Pricing → ↘ ↗ Manufacturers of carbon steel fittings predict no change in pricing from several sources, and other sources predict a decrease of 1% - 2½% due to foreign pressure and demand. However, the decrease is not expected to stick with a rebound likely in the first quarter of 2002. The carbon steel flange manufacturers predict a 3% - 5% increase by the end of this quarter with comments on the political climate and section 201 pushing the change. Also, carbon steel nipple manufacturers predict an increase this quarter of 8%.

Lead Times – Deliveries are forecast for 2 – 3 weeks with strong fill rates at 80 – 100%. Non-stock special items forecast

deliveries of 6 – 8 weeks.

Comments – There is a dumping suit in effect with Japan. Foreign competition is seen as continuing to increase from Mexico, Thailand, Viet Nam, Italy, Korea, China, Taiwan, and Malaysia. One manufacturer notes that the cost increases on carbon steel seamless pipe from the 1st and 2nd quarter have eroded. Dumping and 201 Actions could affect the market early 2002. The possible implications of 201 action has everyone reviewing their forecast figures. There is high interest in the outcome of this investigation.

FORGED STEEL FITTINGS

Pricing → Manufacturers have predicted no price change for this quarter.

Lead Times – Manufacturers are shipping commodity product delivery in 1 – 2 weeks. Fill rates remain strong at 90% - 100%. Non-stock specials are shipping in 3 – 6 weeks.

Comments – One manufacturer notes a slight increase in carbon steel hot roll bar product since January 2001. The market condition remains extremely competitive with too much capacity according to manufacturers.

STAINLESS GATES, GLOBES, CHECKS

Pricing → Manufacturers predict no price change for this quarter.

Lead Times – Lead times are 8 – 12 weeks with fill rates of 60% - 70%. The non-stock special items are forecast for 16 – 20 weeks.

Comments – One manufacturer comments that the only good news is that the energy sector is still moving right along. However, the chemicals, petrochemical and pulp & paper markets are still weak. They foresee business remaining flat through the 1st quarter of 2002.

FORGED STEEL GATES, GLOBES, CHECKS

Pricing ↗ Manufacturers are predicting a price increase of 1% - 2½% this quarter due to supply and demand.

Lead Times – Commodity items are shipping in 3 – 4 weeks.

The stock of forged steel is holding with shorts available in less time. Lead time on non-stock specials is 8 – 12 weeks.

Comments – Manufacturers indicate project activity is holding.

BRONZE AND IRON GATES, GLOBES, CHECKS

Pricing → Manufacturers are giving mixed signals. From some, we hear word of a 3% - 5% increase, and from other we are hearing no change.

Lead Times – Forecast lead times are 2 – 4 weeks with fill rates of 70% to 90%. Word is that manufacturers are beginning

to increase their finished inventory because distribution has reduced their stock items.

Comments – Manufacturers note that business is very slow on a national basis.

CAST STEEL GATES, GLOBES, CHECKS

Pricing → No change for cast steel valve pricing this quarter according to manufacturers.

Lead Times – Fill rates are reported to be 80 – 90% for commodity cast steel valves with lead times of 6 - 8 weeks for material not in stock. Non-stock special valves shipments are

reported to be out as far as 12 – 20 weeks.

Comments – Manufacturers report that the refining, chemical and paper market is stagnant. There is no demand with strong availability. This market is keeping product pricing depressed.

QUARTER TURN VALVES — BALL AND WAFER

Pricing → All manufacturers are reporting another quarter with no price change.

Lead Times – The forecast for commodity items is 80% fill rates with shipments in 4 – 6 weeks for items not in stock. Non-stock specials are shipping in 12 – 18 weeks.

Comments – Competition from Asia and Europe is still increasing. Nickel closed in September @ \$2.21 / lb., down from last quarter. Moly was down slightly @ \$2.42 / lb thru 9/20/01. Ferrochrome was also down slightly to .30 / lb.

*September 11, 2001
We will never forget . . .*

*Standing tall for
Peace, Honor, Truth,
Justice and Freedom*



*God Bless
America!*



PIPING & EQUIPMENT WAREHOUSES

www.pipingequipment.com

ALABAMA

4210 Halls Mill Rd.
Mobile, AL 36693
(251) 666-6770
Fax (251) 666-7073

FLORIDA

3448 E. Business 98
Panama City, FL 32401
(850) 785-7733
Fax (850) 785-9741

LOUISIANA

2030 South Phillipe Ave.
Gonzales, LA 70737
(225) 644-5330
Fax (225) 647-0282

TEXAS

P. O. Box 1448
Beaumont, TX 77704
110 N. 13th St.
Beaumont, TX 77702
(409) 838-6775
Fax (409) 838-6671

2730 FM 523
Oyster Creek, TX 77541
(979) 233-6500
Fax (979) 233-7265

P. O. Box 87649
Houston, TX 77287
9100 Canniff St.
Houston, TX 77017
(713) 947-9393
Fax (713) 947-9202
Fax (713) 948-9595

TRANSPORTATION PRODUCTS GROUP

P. O. Box 87649
Houston, TX 77287
9100 Canniff St.
Houston, TX 77017
1-800-364-9384
(713) 947-9393
Fax (713) 948-9594

IT & FINANCE

P. O. Box 10947
Pensacola, FL 32524
8781 Paul Starr Dr.
Ellyson Industrial Park
Pensacola, FL 32514
(850) 484-3994
Fax (850) 474-0552
Fax (850) 484-8378

FOR COMMENTS CONTACT:

Gary J. Cartright, President • gcartright@pipingequipment.com
9100 Canniff St. • Houston, TX 77017 • (713) 947-9393 • Fax (713) 948-9559

THE INFORMATION CONTAINED HEREIN IS THAT GATHERED FROM MAJOR USA MANUFACTURERS AND NOT NECESSARILY THE OPINION OF PIPING & EQUIPMENT