



# Market Condition & Activity Bulletin

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

July • August • September 2002

## STAINLESS STEEL MARKET UPDATE

### GENERAL MARKET OUTLOOK

The U. S. Department of Commerce recently revised the first quarter 2002 GDP upward to 6.1% from the earlier estimate of 5.6%. This development continues the positive trend established in the fourth quarter of 2001 (1.7%) after the retrenchment of 1.3%, which triggered recessionary fears throughout global economies. It now appears a major worldwide downturn has been avoided with European and Asian regions also reporting renewed economic vigor.

A significant positive swing in inventories, healthy consumer spending and a big jump in defense expenditures fueled the extraordinary growth that was at the highest rate since the fourth quarter of 1999. However, business investment and international trade remain significant negative influences in the overall economic picture and of particular concern to mature industries such as steel that count on a developing manufacturing base as a key driver of improved real demand. The developing weakness of the Dollar may improve confidence in the longer-term competitiveness of the U.S. and stimulate new business investment that remains critical to complete economic recovery.

### RAW MATERIAL SITUATION

- **Nickel** – The first quarter '02 LME average was up 23% from the lows of the fourth quarter '01 and the final days of trading in June suggest a further 12% increase in the second quarter '02 from the first quarter level. This sustained improvement represents an aggregate 37% increase over the past six months with improved global production of raw stainless steel a key market driver.
- **Chrome** – The first quarter '02 average for Chrome (FeCr 60-65% Import) was up only 1% from the fourth quarter of '01. However, improvements in levels of stainless production have pushed the second quarter '02 prices 9% above the first quarter average with the third quarter levels likely to be higher based on lessening market supplies.
- **Molybdenum** – After a very extended period of stability, the price of Moly Oxide increased 2.5 times in a period of four weeks starting in mid May. Significant cut backs in supply by mining companies due to depressed pricing in related base metals has been the main rationale behind the dramatic and unexpected change. The second quarter '02 average will be up 61% from the first quarter '02 and 89% from the levels of the fourth quarter of '01 and earlier.
- **Alloy Surcharge** – With significant increases in key alloying elements also driving the scrap market, the increased costs in making raw stainless steel will be passed along through higher base prices and/or increased surcharges in all major global markets. As June closed, the August alloy surcharge for T-304 flat-rolled stainless is expected to be \$0.1150/lb with T-316L surging to \$0.2500/lb. Since January '02, these levels represent an approximate four-fold increase in T-304 and nearly a seven-time change in the T-316L alloy extra.

### DEMAND FOR STAINLESS IN NORTH AMERICA

Based on first quarter '02 data from Industry Associations (AISI, SSINA & Eurofer) – it is now increasingly clear that 2001 will likely represent a five-year low point of stainless production and demand. All indications are that recovering global markets are consuming stainless steel at increasing rates that will allow a return to the long-term trend rate of 3-5% per annum. Low interest rates are generating better than expected demand for automobiles and consumer durables with the housing market regaining momentum after a pause in the fourth quarter of '01. Any improvement in investment spending by business will serve to further consolidate the favorable supply-demand balance in global markets leading to continued price strength and stability.

*Information for this article was furnished by and printed with the permission of Michael Stateczny of AvestaPolarit Pipe Products Inc.*

## STAINLESS STEEL PIPE

**Pricing** ↗ Stainless pipe manufacturers are predicting an increase of 5% – 10% for the third quarter of 2002. This action is necessary for manufacturers to offset increased raw material and energy costs coupled with improved demand and coil price increases. This follows a second quarter increase of 3% to 5%. The current raw material surcharges will continue to apply.

**Lead Times** – Lead times are forecast for 6 – 12 weeks with some items moving out significantly greater than 12 weeks. Fill rates for commodity items shipped from stock is running 40% to 70%. Lead times for coil products are currently extending

10-12 weeks after languishing in the 5 to 7 week timeframe for most of 2001.

**Comments** – Pressure from imports appears to be subsiding as global market alternatives develop with pricing on the rise as producers face the same supply side pressures from raw material suppliers world-wide. Supply chain focus on working capital turnover suggests inventory levels are at fairly modest levels with any improvements in real demand fueled by capital spending likely to significantly improve the local supply/demand picture in the next 6 to 12 months.

## STAINLESS STEEL WELD FITTINGS

**Pricing** → Manufacturers indicate no change for stainless steel butt weld fittings this quarter. However, with Molybdenum prices rising along with Nickel prices, and Chrome surcharges soon to be implemented, manufacturers anticipate prices bottoming out. If this activity continues, manufacturers say that fitting prices will be increasing soon.

**Lead Times** – Manufacturers say raw material deliveries are going out slightly. Items that were previously assumed in stock are now being checked. Commodity items are shipping from stock about 80% of the time. Commodity items not in stock are shipping in 3 – 4 weeks. Manufacturers report extended deliveries on standard stainless grades, in addition to exotic

grades. Fitting manufacturers also note some stock is being depleted, deliveries going out slightly, and plate, pipe, and bar prices going up. Certain exotic grades are not always in stock as before. Deliveries are being extended to 4 – 6 weeks or longer.

**Comments** – There seems to be a slight increase in project work, particularly in the non-commodity area. Hopefully, this will continue through year-end. Manufacturers report seeing molybdenum and chrome prices rising along with nickel prices. Therefore, surcharges for molybdenum and chrome are likely to follow. Mills have been notified of price increases in stainless pipe, tube, plate and bar. Those increases affect the starting raw materials.

## STAINLESS 150 AND HI-PRESSURE FITTINGS

**Pricing** → Manufacturers indicate no change for pressure fittings this quarter

**Lead Times** – 80% to 100% fill rates continue with lead times of 1 to 2 weeks on commodity items. Non-stock special lead

times are 2 to 3 weeks.

**Comments** – Foreign competition increasing from China and India reports one manufacturer. Pressure fitting manufacturers say the market is still soft.

## STAINLESS STEEL FLANGES

**Pricing** → ↗ Flange manufacturers predict various responses to pricing changes for the third quarter of 2002. One manufacturer predicts a 7% increase due to raw material costs and the weakening dollar. Several manufacturers respond with no change this quarter, but with lead times increasing on raw materials and surcharges on Nickel and Moly beginning to appear, there will follow price increases later on this year.

**Lead Times** – Lead times are reported at 2 – 6 weeks with fill rates of 60% to 70%. Non-stock specials are reported to be shipping in 4 to 12 weeks.

**Comments** – Foreign competition is strong from India, Germany, Italy, Korea and Taiwan. While commodity sales on flanges remains soft, manufacturers have noted a slight rebound in specialty flanges.

## CARBON STEEL PIPE (CONTINUOUS WELD)

**Pricing** ↗ Manufacturers indicate pricing will increase from 3% to 7½% or more (rumors of 12%). This follows a 6% increase in April 2002. Hot rolled steel is forecast to increase through the 4<sup>th</sup> quarter.

**Lead Times** – Lead times are running 1 to 3 weeks with inventory fill rates of 87 to 90% for commodity items. Non-stock specials are shipping in 8 to 12 weeks.

**Comments** – Continuous weld domestic pipe will increase due to the 201 Trade Case.

## CARBON STEEL PIPE (ERW & SEAMLESS)

**Pricing** ↗ Several manufacturers indicate price changes this quarter of 3% to 5% for seamless carbon steel pipe. ERW manufacturers indicate an increase of 5% to 7½%

**Lead Times** – Commodity items are shipping in 6 – 12 weeks with fill rates of 60% to 80% from inventory. Non-stock specials are forecast for 12 – 16 week deliveries .

**Comments** – Manufacturers note very little project work at this

time. Section 201 ruling is effecting carbon steel pricing and foreign competition. Pricing is expected to continue increasing through the fourth quarter. There is a real problem with the 30% increase in steel tariffs, but only a 15% increase in finished pipe tariffs. ERW mills are running at full speed with concern over meeting the demand. On the other hand, demand for seamless has been relatively flat.

*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 WELD FITTINGS AND FLANGES

**Pricing** → Manufacturers of carbon steel fittings predict no price change this quarter. However, carbon steel nipples are reported to be increasing 10% or more due to the Section 201 duty. The Nipple market is in an turmoil because of 201 and no longer getting price protection from pipe manufacturers.

**Lead Times** – Fill rates at 90% to 100% with forecast lead times of 2 to 3 weeks for commodity items not in stock. Lead

times for non-stock specials are 4 – 6 weeks.

**Comments** – Foreign competition for carbon steel weld fittings and flanges are reportedly increasing from Mexico, Thailand, Italy, France, and Indonesia. Domestic product demand remains strong; however, there are few domestic players remaining. So imports still play a big part in this commodity.

## FORGED STEEL FITTINGS

**Pricing** ↗ → Several manufacturers report no pricing change from some and an increase of 3% to 5% from another.

**Lead Times** – Commodity products are shipping in 2 to 4 weeks. Fill rates remain strong at 80% to 95%. Non-stock specials are shipping in 4 to 6 weeks.

**Comments** – The 201 results has forced imports to raise pricing by 13%. Their impact appears to be decreasing in the market. Industry new is hopping with several manufacturers selling out to others.

## STAINLESS GATES, GLOBES, CHECKS

**Pricing** → Manufacturers forecast no price change this quarter. One manufacturer indicates the next increase will probably be during the first quarter of 2003.

**Lead Times** – Lead times remain at stock to 4 weeks with fill rates of 50% to 60%. Non-stock special items are forecast for

lead times of 8 to 16 weeks.

**Comments** – Manufacturers indicate a strong inventory position with no interruptions in the supply of raw materials. Activity in the market is showing signs of improvement.

## FORGED STEEL GATES, GLOBES, CHECKS

**Pricing** → Manufacturers predict no price change during the third quarter of 2002

**Lead Times** – Deliveries are 2 to 6 weeks for commodity items. 80% to 90% of commodity items are shipping from factory stock. The stock of forged steel is holding with shorts available in less time. Lead time on non-stock specials is 12 – 16 weeks.

Certain manufacturers are running into delivery issues, but they have not effected stock.

**Comments** – Manufacturers are anticipating an increase in MRO activity thru August. Competition is seen as increasing from Korea and China is becoming more of a player. Factory comments on increased activity in the power market.

## BRONZE AND IRON GATES, GLOBES, CHECKS

**Pricing** ↗ → Manufacturers are predicting a possible increase of 3% to 5% on bronze and an increase on iron pricing would probably not change until the first quarter of 2003.

**Lead Times** – Lead times of stock to 4 weeks for commodity items with a 70% to 90% fill rate.

**Comments** – The overall demand forecast remains flat. The northeast marketplace is strong with mechanical projects. Manufacturers still have strong inventory levels with overall shop utilization at 70% and below.

## CAST STEEL GATES, GLOBES, CHECKS

**Pricing** ↗ No change forecast for cast steel valve pricing for the third quarter of 2002.

**Lead Times** – Commodity cast steel valve lead times are 6 – 8 weeks with fill rates reported to be 40% to 50%. Non stock

specials are forecast for lead times of 8 – 16 weeks.

**Comments** – Manufacturers are seeing some increase in activity, but overall the market is soft.

## QUARTER TURN VALVES — BALL AND WAFER

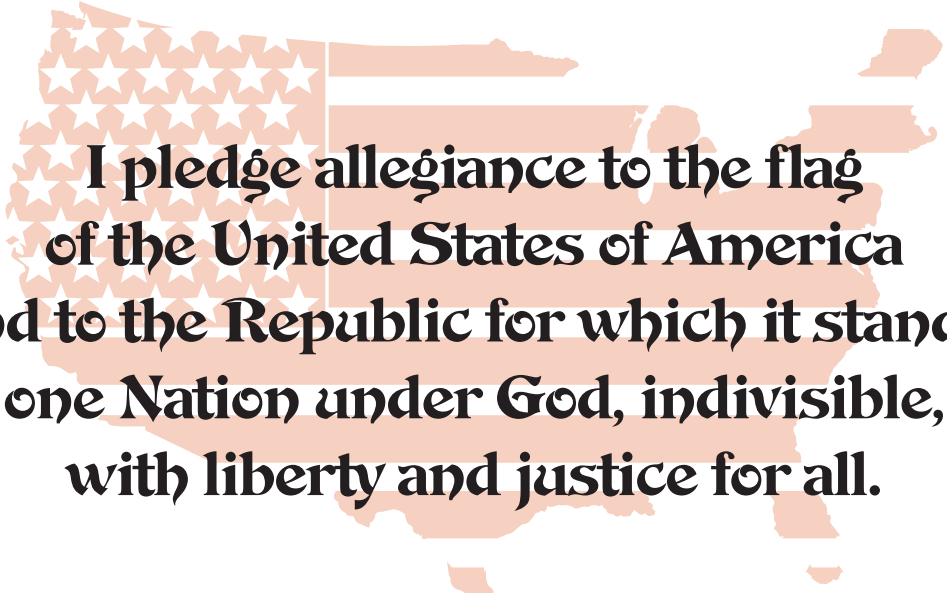
**Pricing** → Manufacturers report pricing is stable with no price change predicted this quarter. Pricing is very competitive for the quarter turn ball valve market.

**Lead Times** – Fill rates are 60% to 80% on commodity ball and wafer valves with 80% of items shipping from stock to

2 weeks and the balance shipping in 4 – 8 weeks. Non-stock specials are shipping in 8 – 12 weeks.

**Comments** – Competitive pressure is expected to remain for the balance of 2002. No growth is being seen in the valve market reports one manufacturer.

# Pledge of Allegiance to the United States of America



I pledge allegiance to the flag  
of the United States of America  
and to the Republic for which it stands,  
one Nation under God, indivisible,  
with liberty and justice for all.



## PIPING & EQUIPMENT WAREHOUSES

[www.pipingequipment.com](http://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](mailto: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