

March 2021

## Rising Pipe and Fittings Costs. What's Going On?

### Copper Tube

Copper. It's widely used in production and manufacturing for everything from renewable energy systems to construction. And it is certainly needed in the plumbing, heating and cooling industry. There is much you can read these days about the rising price of copper. The increase is driven in part by the economic recovery from the global pandemic which is driving more demand for products manufactured with copper. It's also driven by current supply challenges. Tariffs, mining labor disputes, COVID-related mine closures, reduced Chinese manufacturing during the Chinese New Year and more all led to a tightening supply. When there are supply constraints, the price increases. In fact, the cost per pound of copper has risen almost 20% in 2021 and 100% over the past 12 months.

One-year look at the rising cost of copper, per pound



Source: Macrotrends.net March 3, 2021

In our industry, the cost of copper tubing and related products closely follow the cost of the metal, often experiencing daily price fluctuations. Manufacturers of copper tubing publish a list price sheet and update distributors daily with a new buying cost multiplier that reflects the market change. Copper fittings will also be subject to these price swings but will fluctuate on more of a monthly basis, not daily. In addition, and as a result, other products we sell containing copper will also rise with the market.

## Steel Pipe

The cost of steel, which is usually significantly more stable than copper, has also had an extreme run up recently. We have been following the cost throughout the pandemic and note that the price for a ton of steel has increased 138% in the last six months.\*

We are now experiencing the effects of last year's economic slowdown, which paused construction projects, and COVID-19 manufacturing challenges: shutdowns, workforce reductions due to illness, etc. This all led to a decline in steel production. As the economy now recovers and the demand for steel increases, the supply is struggling to keep up with the new demand. Add container and shipping shortages to the mix, and it all points to the recent double digit cost increase we've incurred in the purchase of steel pipe and fittings that stock our branches and warehouses.

In addition to pipe and fittings, we can anticipate an increase in equipment and supplies constructed with steel. Water heater manufacturers, for example, recently announced two increases in as many months, and we're keeping an eye on malleable fittings and nipples.

\* Cost per ton of steel: \$538 on 9/6/20, \$1,266 on 3/4/21; source: Investing.com

## PVC Piping

The production of PVC has faced its own unique set of challenges in 2021. The demand for PVC piping has remained high, but production has been hampered by the severe winter storms that hit the Gulf Coast in late February. The impact on the supply chain is significant. Our major PVC pipe partner, Charlotte Pipe and Foundry Company, recently shared that three of the four largest producers of PVC resin, the white powder used in the production of PVC piping, declared force majeure and are unable to fulfill their contracts.

As with metals, reduced supply and high demand drive up our cost for PVC pipe. We should also anticipate challenges related to PVC product availability in coming months.

*At The Granite Group we continue to work extremely hard to maintain the inventory levels needed to meet your needs in these challenging times. We are doing everything in our power to minimize disruptions with a fragile supply chain. We also remain committed to providing consistent and reliable pricing under normal circumstances. At this time, we believe it's important to be as transparent as possible and to provide an explanation for the price changes we all have experienced.*

*Please reach out to your local Branch Manager or Sales Representative if you have questions or need help with your next order.*