Outokumpu Market Matters

June 2006

Recently Published Data and Indices Affecting the Stainless Steel Industry

Metal Matters

Scrap Report

Source: Advanced Steel 5/06

The **US scrap market** continued its upward flight in May, rising anywhere from $5 to $20 a ton from last month's levels. A combination of factors including an increase in global pricing for alternative ferrous scrap material and a continued strength in US demand for steel has set forth a bullish forecast for scrap pricing through the summer months. However, inflationary pressures from record oil and metal prices continue to be a problem and fears of more interest rates are starting to take its toll.

Scrap pricing rose again in May following a spike in auto factory bundles, which pushed the AMM Factory Bundles Index up $20 a ton.

As of mid-May, **US raw steel output** for 2006 totaled 39.5 million tons at an average capability utilization rate of 87.2 percent, up 1.5 percent from a year earlier, when mills produced 38.9 million tons at an average capability utilization rate of 88.4 percent. The April 2006 Manufacturing ISM Report on Business (see page 3) registered economic growth in the manufacturing sector for the 35th consecutive month, while the overall economy grew for the 54th consecutive month. The growth rate was due in part to the significant strength in both production and employment numbers. **Steel was the only commodity reported in short supply in April.**

Nickel Prices

Source: The London Metal Exchange 6/14/06

	Nickel Prices/ lb
Cash Buyer	$8.61
Cash Seller/Settlement	$8.62
3-months Buyer	$8.26
3-months Seller	$8.27
Tonnes	Change
15,978	Down 774

Ferro-Molybdenum Prices

Source: Outokumpu Stainless 6/14/06

Low Price	High Price
26.54 $/lb	27.22 $/lb

U.S. Exports of Steel Mill Products

Source: The U.S. Commerce Department 5/30/06

Country	Month		
	Jan	Feb	Mar
World	749,076	701,209	781,260
Canada	526,335	468,413	504,858
Mexico	142,407	142,379	163,600
India	11,205	9,829	6,131
China	4,229	7,465	7,381
Federal Republic of Germany	2,859	1,542	2,730
Italy	11,306	5,755	5,442
Venezuela	3,579	3,649	6,085
United Kingdom	3,711	2,460	4,569

** Number in metric tons*

Global Economic Matters

Exchange Rates

Source: Yahoo Finance 6/14/06

Crossrates

	USD	EUR	JPY	GBP	CAD	SEK
USD	1	0.7912	114.8250	0.5400	1.11153	7.3380
EUR	1.2639	1	145.1330	0.6825	1.4097	9.2848
JPY	0.008709	0.006890	1	0.004699	0.009749	0.06394
GPB	1.8519	1.4652	212.6444	1	2.0654	13.596
CAD	0.8966	0.7094	102.9544	0.4842	1	6.5828
SEK	0.1363	0.1078	15.646	0.07359	0.1519	1

USD= US Dollar
EUR= Euro
JPY= Japanese Yen
GPB- British Pound
CAD= Canadian Dollar
SEK= Swedish Krona

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U.S. Economic Matters

Latest Statistics

Source: The Department of Labor 6/2/06

Consumer Price Index	+0.6%	Apr 2006
Unemployment Rate	4.6%	May 2006
Producer Price Index	+0.9%	Apr 2006
Productivity	+3.2%	1st Qtr 2006

Gross Domestic Product

Source: The Bureau of Economic Analysis 5/25/06

Real gross domestic product — the output of goods and services produced by labor and property located in the United States — increased to an annual rate of 5.3 percent in the first quarter of 2006. In the fourth quarter, the real GDP increased by 1.7 percent. The increase in the real GDP in the first quarter primarily reflected positive contributions from personal consumption expenditures, exports, equipment and software, and federal spending.

Industrial Production and Capacity Utilization

Source: The Federal Reserve 5/15/06

Industrial Production	Mar.	Apr.
Total Index	111.4	112.3
Major Market Groups	113.1	113.8
Final Products	113.1	113.8
Consumer Goods	106.7	106.9
Business Equipment	129.1	131.3
Nonindustrial Supplies	111.2	112.0
Construction	114.5	115.0
Materials	109.8	110.8
Manufacturing	113.4	114.3

Productivity

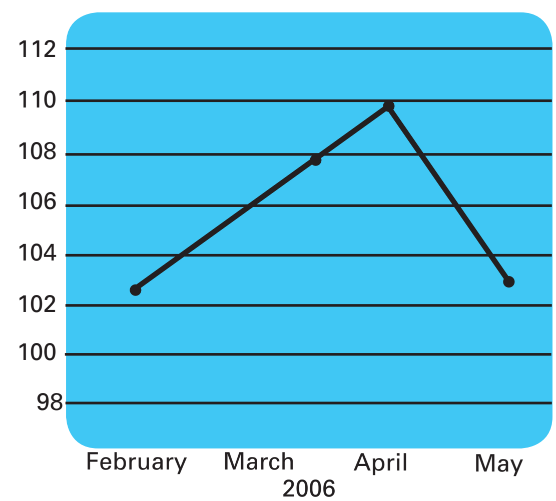
Source: The Department of Labor 5/30/06

Productivity in the **business sector** grew faster in the first quarter of 2006 than in the fourth quarter of 2005, when it increased 0.2 percent. In the non-farm business sector, productivity had declined by 0.3 percent in the fourth quarter of 2005. In both sectors, output and hours worked grew faster in the first quarter of 2006 than they had in the fourth quarter of 2005.

Productivity growth in **manufacturing** in the first quarter of 2006 reflected a 5.8 percent increase in output and a 1.6 percent increase in hours worked in the sector. Output and hours in manufacturing, which includes about 13 percent of US business sector employment, tend to vary more from quarter to quarter than data for the aggregate business and nonfarm business sectors.

Consumer Confidence Index

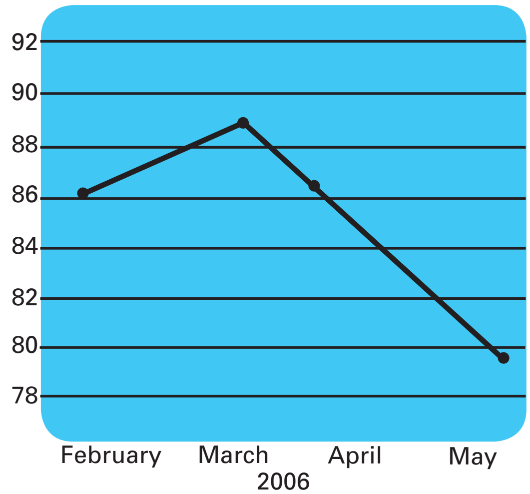
Soucre: The Conference Board 5/30/06



The Conference Board Consumer Confidence Index, which had increased in April, declined in May. The Index now stands at 103.2 (1985=100), down from 109.8 in April. The Present Situation Index decreased to 132.5 from 136.2. The Expectations Index fell to 83.7 from 92.3.

Index of Consumer Sentiment

Source: The University of Michigan 5/06



The corrosive impact of high gas prices and rising interest rates on household budgets has finally caused a sharp realignment of **consumers' economic expectations.** Consumers are veiwing their financial prospects less favorably than at any other time during the past decade.

Manufacturing

Source: The Institute for Supply Management 5/1/06

Index	Series Index April	Series Index March	Direction	Rate of Change	Trend (mos)
PMI	54.4	57.3	Growing	Slower	36
New Orders	53.7	57.6	Growing	Slower	37
Production	57.2	60.4	Growing	Slower	37
Employ-ment	52.9	55.8	Growing	Slower	12
Supplier Deliveries	57.7	57.7	Slowing	Slower	35
Inventories	48.0	51.3	Contracting	From Growing	1
Customers' Inventories	44.0	46.5	Too Low	Faster	60
Prices	77.0	71.5	Increasing	Faster	10
Backlog of Orders	53.0	57.0	Growing	Slower	5
Exports	55.7	53.4	Growing	Faster	42
Imports	56.5	59.0	Growing	Slower	53
Overall Economy			Growing	Faster	55
Manufacturing Sector			Growing	Faster	36

Manufacturers' Shipments, Inventories and Orders

Source: The US Census Bureau 5/24/06

New orders for manufactured durable good in April decreased $10.5 billion or 4.8% to $210.2 billion. This decrease follows two consecutive monthly increases, which includes a 6.6 percent March increase

Shipments of manufactured durable goods in April, down following two consecutive monthly increases, decreased $2.0 billion or 0.9% to $207 billion. Followed a 0.3% March increase.

Unfilled orders for manufactured durable goods in April, up eleven of the last twelve months, increased $9.3 billion or 1.5% to $609.2 billion. This was at the highest level since the series was first stated on a NAICS basis in 1992 and followed a 3.2% March increase.

Inventories of manufactured durable goods in April, up three of the last four months, increased $2.2 billion or 0.8% to $277.8 billion. This followed a 1% March increase.

Corporate Profits

Source: Bureau of Economic Analysis 5/25/06

Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased $116.5 billion in the first quarter, compared with an increase of $185.8 billion in the fourth. Current-production cash flow (net cash flow with inventory valuation and capital consumption adjustments) — the internal funds available to corporations for investment — increased $84.6 billion in the first quarter, compared with an increase of $43.1 billion in the fourth.

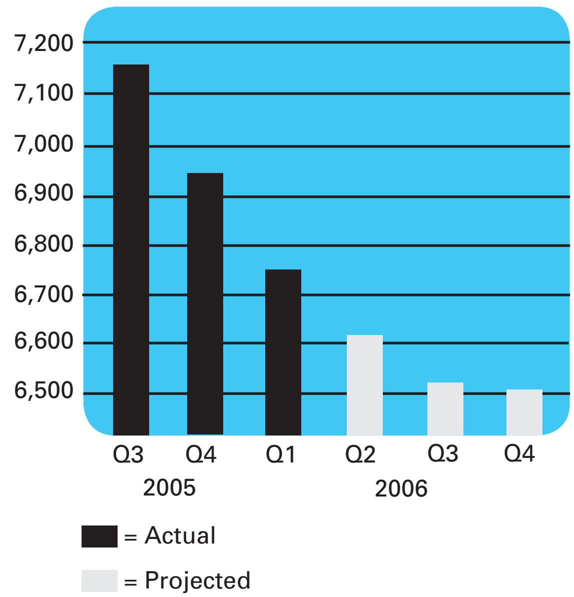
Help Wanted Index

Source: The Conference Board 5/25/06

The Conference Board Help-Wanted Advertising Index – a key measure of job offerings in 51 major newspapers across America – dipped two points in April. The Index now stands at 35. It was 39 one year ago. In the last three months, help-wanted advertising declined in all nine U.S. regions. Steepest declines occurred in the West South Central (-16.0%), South Atlantic (-12.9%) and East North Central (-8.9%) regions.

Housing Sales

Source: The National Association of Realtors 6/06



**Number in thousands*

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