



Recently Published Data and Indices Affecting the Stainless Steel Industry

View Points

On October 14th the US Air Force Memorial was dedicated. This breathtaking memorial, constructed of Outokumpu 316L plate, is probably the world's most demanding public structural application for stainless steel built to date. Stainless steel was the material of choice for the architecture, building and construction segment for its durability and aesthetic qualities. Outokumpu's Plate Products team spent considerable time on this project from its conception, and the results are spectacular. We take pride in our meaningful contributions to the success and beauty of this lasting tribute.



Photo by Catherine Houska, TMR Consulting

Metal Matters

Scrap Report

Source: *Advanced Steel 10/06*

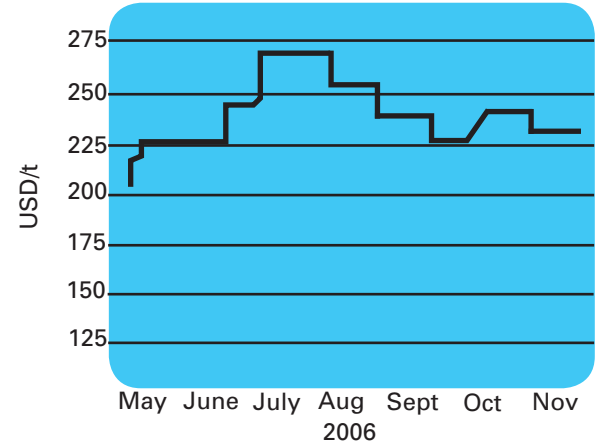
↓ US Scrap Pricing slid by as much as \$35-a-ton this month, leaving scrap processors and dealers fearful about the market's direction for the remainder of 2006. October's plunge was the result of several factors including a weakness in the flat-rolled steel market, mill shutdowns, and a production cutback in the auto industry. Concerns over the cooling auto and housing markets seem to have overtaken those of global political unrest and oil shortages as lead indicators for an economy that many experts believe will grow only modestly in 2007.

↓ Reflecting sharp declines averaging \$38-a-ton in the auto industry's factory bundles, scrap metal slid between \$10-35 a ton in October. Industrial steel scrap was down by as much as \$35-a-ton in major steelmaking regions, while obsolete grades slid between \$10 and \$15-a-ton. A growing weakness in the flat-rolled steel market coupled with production outages at many sheet mills have contributed to pushing prime scrap pricing downward. Production cutbacks by automakers have also played a hand although some predict a revival for the auto market by year's end, at which time mills might be hard pressed to find scrap because of the supply shortage of shredded and demolition grades that tend to come with the winter season.

↑ U.S. raw steel output reached 84,863,000 tons at an average capability utilization rate of 87 percent, up 5.3 percent from a year earlier, when mills produced 80,602,000 tons at an average capability utilization rate of 85.6 percent.

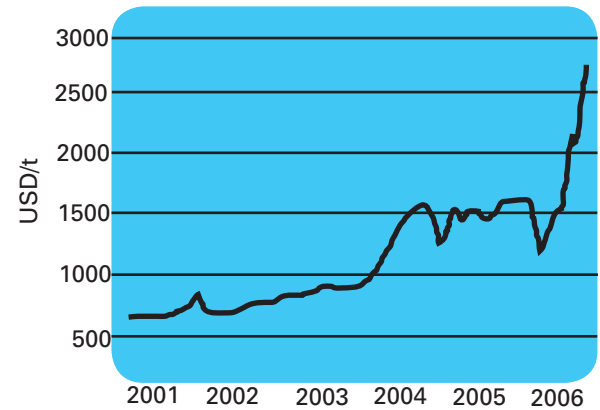
Scrap Prices

Source: *Metal Bulletin 11/10/06*



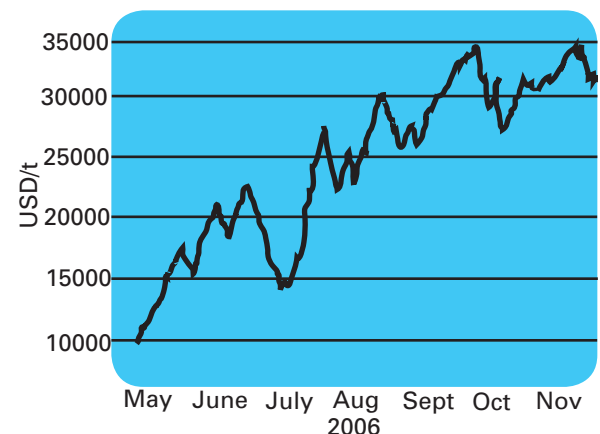
Stainless Scrap Prices

Source: *CRU, USA Pittsburgh 10/11/06*



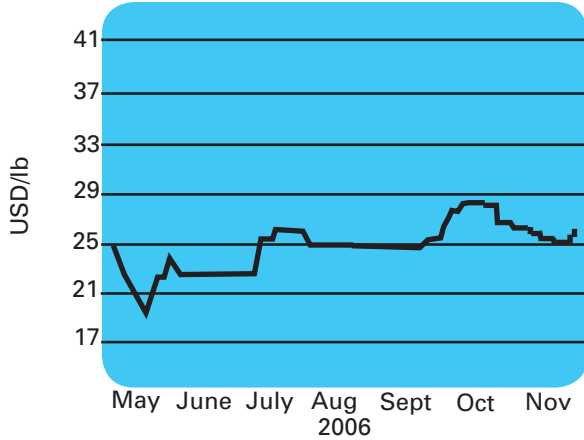
Nickel Prices- Cash Buyer

Source: *LME 11/10/06*



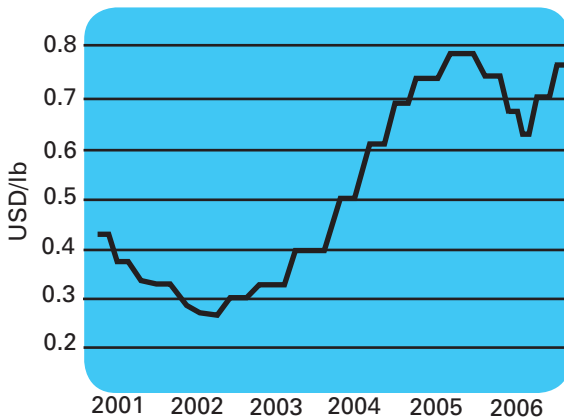
Molybdenum Prices

Source: Metal Bulletin 10/11/06



Ferrochrome Prices

Source: Metal Bulletin 11/10/06



U.S. Exports of Steel Mill Products

Source: The U.S. Commerce Department 10/19/06

Country	Month		
	June	July	Aug
World	770,926	673,105	740,510
Canada	481,580	395,533	460,696
Mexico	187,234	163,180	181,595
India	8,484	8,812	5,086
China	9,862	7,995	8,351
Federal Republic of Germany	4,063	3,273	5,499
Italy	4,739	3,715	3,491
Venezuela	3,082	4,203	2,310
United Kingdom	4,524	5,304	5,224

* Numbers in metric tons

Global Economic Matters

Exchange Rates

Source: Yahoo Finance 11/15/06

Crossrates

	USD	EUR	JPY	GBP	CAD	SEK
USD	1	0.7810	118.1200	0.5299	1.1411	7.0861
EUR	1.2804	1	151.2466	0.6785	1.4611	9.0793
JPY	0.008466	0.006612	1	0.004486	0.009661	0.06000
GBP	1.8870	1.4737	222.8982	1	2.153	13.378
CAD	0.8763	0.6844	103.5142	0.6844	1	6.2195
SEK	0.1411	0.1102	16.673	0.07487	0.1612	1

USD= US Dollar
EUR= Euro
JPY= Japanese Yen

GPB- British Pound
CAD= Canadian Dollar
SEK= Swedish Krona

U.S. Economic Matters

Latest Statistics

Source: The Department of Labor 10/2/06

Consumer Price Index	-0.5%	Sept. 2006
Unemployment Rate	4.4%	Oct. 2006
Producer Price Index	+0.06 (p)%	Sept. 2006
Productivity	Unchanged	3rd Qtr 2006

Gross Domestic Product

Source: The Bureau of Economic Analysis 10/27/06

↑ **Real gross domestic product** — the output of goods and services produced by labor and property located in the United States — increased at an annual rate of 1.6 percent in the third quarter of 2006. In the second quarter, real GDP increased 2.6 percent. The Bureau emphasized that the third-quarter “advance” estimates are based on source data that are incomplete or subject to further revision by the source agency. The increase in real GDP in the third quarter primarily reflected positive contributions from personal consumption expenditures (PCE), exports, equipment and software, nonresidential structures, and state and local government spending that were partly offset by a negative contribution from residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

Industrial Production and Capacity Utilization

Source: The Federal Reserve 10/17/06

Industrial Production	August	September
Total Index	113.7	113.1
Major Market Groups		
Final Products	115.5	114.9
Consumer Goods	107.6	106.9
Business Equipment	136.3	136.4
Nonindustrial Supplies	112.4	111.4
Construction	114.2	113.3
Materials	112.4	111.9
Manufacturing	115.5	115.4

Manufacturing

Source: The Institute for Supply Management 11/1/06

Index	Series Index Oct	Series Index Sept	Direction	Rate of Change	Trend (mos)
PMI	51.2	52.9	Growing	Slower	41
New Orders	52.1	54.2	Growing	Slower	42
Production	51.9	56.1	Growing	Slower	42
Employment	50.8	49.4	Growing	From Contracting	1
Supplier Deliveries	50.2	54.1	Slowing	Slower	40
Inventories	49.4	46.4	Contracting	Slower	2
Customers' Inventories	52.0	49.0	Too High	From Too Low	1
Prices	47.0	61.0	Decreasing	From Increasing	1
Backlog of Orders	44.5	46.5	Contracting	Faster	2
Exports	57.8	55.3	Growing	Faster	47
Imports	57.0	56.0	Growing	Faster	58
Overall Economy			Growing	Slower	60
Manufacturing Sector			Growing	Slower	41

Productivity

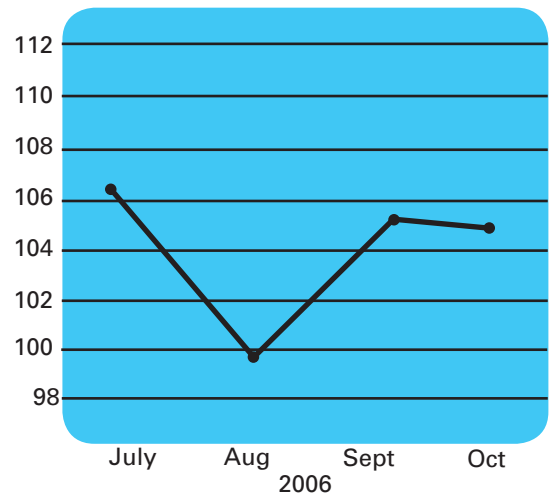
Source: The Department of Labor 11/2/06

↑ From the second quarter to the third quarter of 2006 productivity in the **business sector** grew at a 0.1 percent seasonally adjusted annual rate. Both output and hours of all persons engaged in the sector increased at the same 1.4 percent annual rate. The third-quarter productivity increase was slower than the 1.1-percent gain recorded in the second quarter of 2006 (as revised), which reflected a 2.7-percent rise in output and a 1.7-percent increase in hours.

↑ Productivity increased 5.9 percent in **manufacturing** in the third quarter of 2006, as output grew 4.2 percent and hours of all persons fell 1.6 percent (seasonally adjusted annual rates). This was the largest quarterly gain in productivity since the third quarter of 2003, when output per hour increased 8.6 percent. In durable goods industries, productivity grew 8.6 percent in the third quarter as output grew 5.3 percent and hours of all persons fell 3.0 percent. Productivity increased 2.0 percent in nondurable goods, reflecting increases in output and hours of 3.0 percent and 0.9 percent, respectively.

Consumer Confidence Index

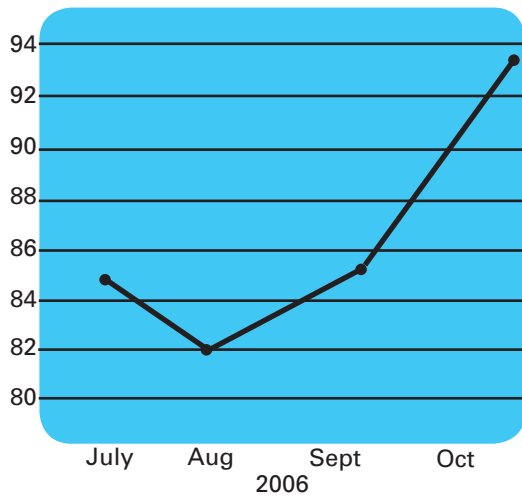
Source: The Conference Board 10/31/06



↓ The Conference Board Consumer Confidence Index, which increased in September, edged down in October. The Index now stands at 105.4 (1985=100), down from 105.9 in September. The Present Situation Index decreased to 124.7 from 128.3. The Expectations Index rose to 92.6 from 91.0 last month.

Index of Consumer Sentiment

Source: The University of Michigan 10/06



↑ The resilience of consumers was once again in evidence as consumer confidence recorded its eighth largest monthly gain in the October 2006 survey. **The Index of Consumer Sentiment** was 93.6 in the October 2006 survey, up from 85.4 in September, and nearly twenty points above last October's Katrina-depressed reading of 74.2.

Manufacturers' Shipments, Inventories and Orders

Source: The US Census Bureau 11/2/06

↑ **New orders** for manufactured durable goods in September, up four of the last five months, increased \$17.5 billion or 8.3 percent to \$228.1 billion, revised from the previously published 7.8 percent increase. This was at the highest level since the series began and followed a slight August increase.

↓ **Shipments** of manufactured durable goods in September, down two of the last three months, decreased \$5.3 billion or 2.5 percent to \$209.3 billion, revised from the previously published 2.8 percent decrease. This followed a 2.1 percent August increase.

↑ **Unfilled orders** for manufactured durable goods in September, up sixteen of the last seventeen months, increased \$24.8 billion or 3.9 percent to \$656.9 billion, revised from the previously published 3.8 percent increase. This was at the highest level since the series began and followed a 0.5 percent August increase.

↑ **Inventories** of manufactured durable goods in September, up eight of the last nine months, increased \$3.1 billion or 1.1 percent to \$291.3 billion, revised from the previously published 1.0 percent increase. This followed a 0.7 percent August increase.

Help Wanted Index

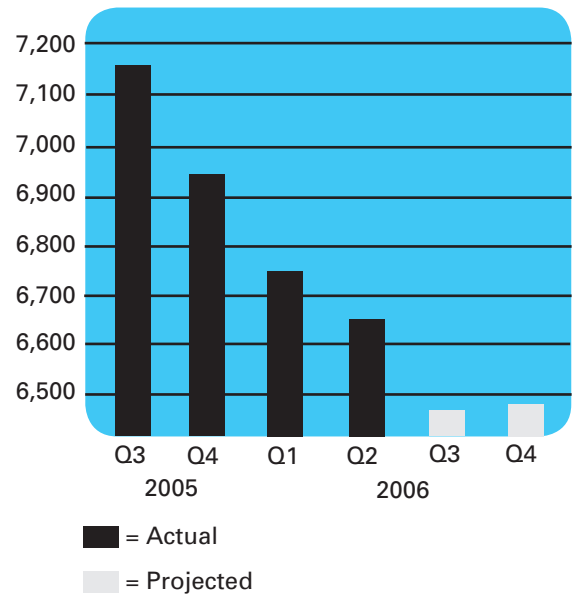
Source: The Conference Board 10/26/06



The Conference Board Help-Wanted Advertising Index — a key measure of job offerings in major newspapers across America — was unchanged in September. The Index currently stands at 30. It was 37 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 (-17.5%), South Atlantic (-14.6%), and West North Central (-13.7%) regions.

Housing Sales

Source: The National Association of Realtors 10/06



*Numbers in thousands

Editor: Maureen Meeker

Please submit your comments by calling Maureen Meeker at 1-847-413-4111; fax 1-708-448-6821; or email: maureen.meeker@outokumpu.com

Outokumpu is an international stainless steel and technology company. Our vision is to be the undisputed number one in stainless, with success based on operational excellence. Customers in a wide range of industries use our metal products, technologies and services worldwide. We are dedicated to helping our customers gain competitive advantage.

