September 2009

Market Matters

Recently Published Data and Indices Affecting the Stainless Steel Industry

View Points

Global Views—New Addition to Market Matters

Many of you have requested more global news in *Market Matters*. Beginning in this issue, we have added Global Views. This new section will contain articles on global issues, specifically the stabilization of the European economy and the global importance of Chinese economic growth. We hope that you find this information valuable and appreciate your feedback on this publication.

Global Views

EU Says Europe Economy May Resume Growth This Quarter

Source: Bloomberg 9/14/09

Europe's economy probably returned to growth in the current quarter after governments spent billions of euros to pull the region out of the worst recession in more than six decades, the European Union said.

The euro-area economy may expand 0.2 percent in the third quarter and 0.1 percent in the fourth after contracting 0.1 percent in the three months through June, the European Commission, the EU executive in Brussels, said in updated economic forecasts. For the full year, the economy may shrink 4 percent, the commission said, maintaining its May projection.

Some European companies have reported results that beat analysts' estimates, suggesting government efforts to encourage spending are feeding into the broader economy. European Central Bank President Jean-Claude Trichet on Sept. 3 cited "increasing signs" of stabilization. EU Monetary Affairs Commissioner Joaquin Almunia said that the second-half outlook may be revised upward by one-quarter percentage point.

"We expect to see a relatively good third quarter partly as a consequence of fiscal and monetary stimulus," said Laurent Bilke, a senior economist at Nomura in London. "I wouldn't call it a recovery, however. The economy will be a bit more resilient in 2010 to face the end of stimulus measures."

The economies of Germany and France unexpectedly returned to growth in the second quarter. In Germany, Europe's largest economy, gross domestic product will probably rise 0.7 percent in the third quarter and 0.1 percent in the fourth, the commission said today. The French economy probably will expand 0.4 percent in the current quarter.

Italy probably emerged from the recession during the third quarter, while Spain's economy will continue to shrink through 2009, according to the forecasts. The U.K., which isn't in the euro region, may resume growth this quarter and expand 0.5 percent in the fourth quarter, the EU estimates.

Can China Keep it Up?

Source: Kiplinger Business 9/14/09

This year and next, China will continue to make strong strides, racking up 8% to 9% growth in gross domestic product (GDP)—a much more vigorous pace than most other nations'. But to achieve that growth, Beijing will have to rely on a massive government stimulus package: a combination of new government spending, increased lending from state-owned banks and bond finance that will add up to the equivalent of 15% of the Chinese GDP this year.

Further out, the outlook is less bright. China needs exports to extend its recovery—foreign sales and related investments account for over 30% of its GDP growth. Beijing's stimulus is adding jobs in construction, but wages are lower for them than for factory employment and won't make up for economic juice lost to lower world demand for manufactures. How many manufacturing jobs return, and how quickly, will depend on global economic recovery.

Beijing must also boost private spending. Current efforts aren't doing the trick. Low wages and no safety net keep most Chinese from spending, despite jumped-up government outlays on pensions and education plus tax breaks and rebates for buying TVs, cars and household appliances. "There is as yet no convincing evidence that the structure of demand is shifting away from investment and toward consumption," says Arthur Kroeber, managing director of Beijing-based economic advisory firm Dragonomics. Until China's leaders find a way to change that, economic growth will rely on state driven investment and exports.

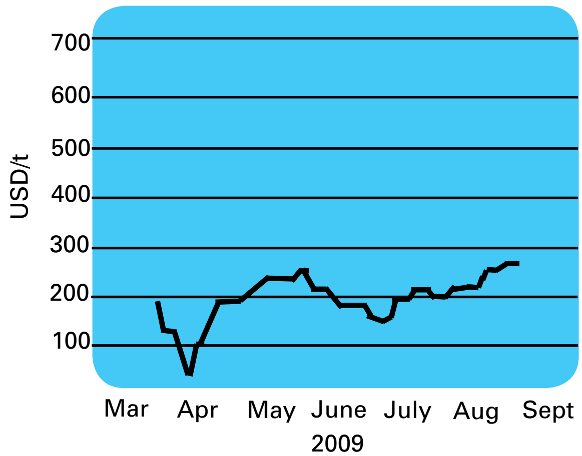
Meanwhile, U.S. businesses are seeing little direct benefit from the Chinese stimulus. A "Buy China" provision mandates that government-funded infrastructure projects use materials that come from China with no exceptions. Despite the restrictions, some firms—in architectural services and specialized machinery, for example—have made inroads. But they are few and far between—a major disappointment for U.S. makers of earthmovers and other construction equipment and materials.

"The big concern on the broader issue of trade is that China's need to keep exporting will lead to a lot of trade frictions with the U.S.," says Eswar Prasad, a professor of trade policy at Cornell University. The Buy China provision of China's stimulus may be a response to the Buy America rules attached to the U.S. package. But Beijing also appears to be backtracking on efforts to eliminate tax breaks for Chinese exporters. Such moves play into the hands of U.S. manufacturers and allied politicians who are pushing for greater protection from Chinese competition via antidumping orders and dispute filings before the World Trade Organization.

Metal Matters

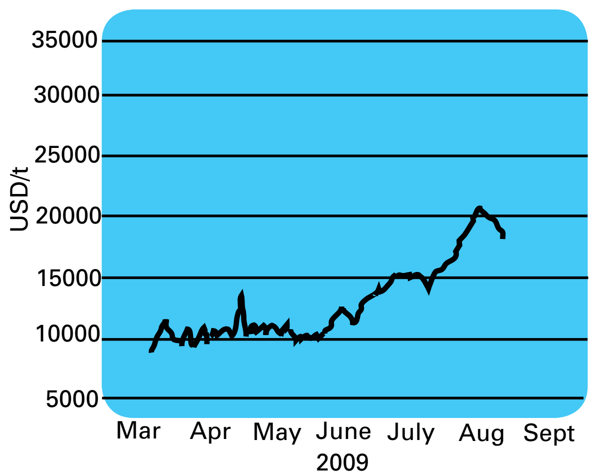
Scrap Prices

Source: Metal Bulletin 9/11/09



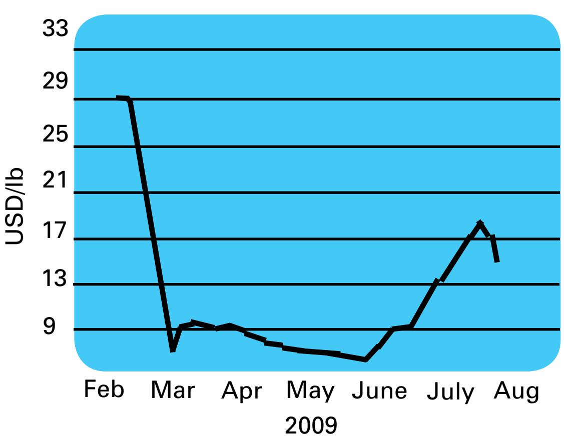
Nickel Prices- Cash Buyer

Source: LME 9/11/09



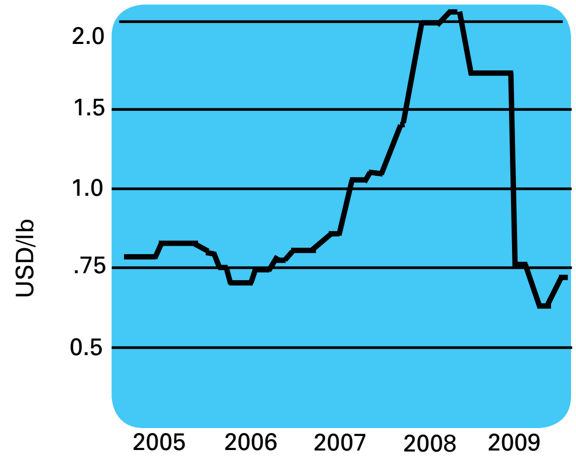
Molybdenum Prices

Source: Metal Bulletin 9/11/09



Ferrochrome Prices

Source: Metal Bulletin 9/11/09



U.S. Exports of Steel Mill Products*

Source: The U.S. Commerce Department 8/13/09

Country	Month		
	April	May	June
World	560,212	569,684	640,337
Canada	311,068	278,603	315,452
Mexico	127,356	136,140	129, 944
Brazil	7,984	5,724	4,034
India	11,575	18,221	31,940
China	12,779	17,234	20,919
Germany	4,019	3,946	3,329
Italy	4,728	5,261	5,323
Venezuela	6,478	5,374	4,422
United Kingdom	4,318	3,687	3,067

** Numbers in metric tons*

Global Economic Matters

Exchange Rates

Source: Yahoo Finance 9/14/09

Crossrates	USD	EUR	JPY	GBP	CAD	SEK	CNY
USD	1	0.6842	90.7550	0.6026	1.0851	7.0032	6.833
EUR	1.4616	1	132.6440	0.8807	1.5859	10.2476	9.9985
JPY	0.0110	0.0075	1	0.0066	0.0120	0.0773	0.0754
GBP	1.6595	1.1354	150.6057	1	1.8007	11.641	11.358
CAD	0.9216	0.6305	83.6375	0.5553	1	6.4659	6.3087
SEK	0.1428	0.0976	12.9405	0.0859	0.1547	1	0.9757
CNY	0.1463	0.1	13.2628	0.088	0.1585	1.249	1

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

U.S. Economic Matters

Manufacturing

Source: The Institute for Supply Management 9/1/09

Index	Series Index Aug	Series Index July	Direction	Rate of Change	Trend (mos)
PMI	52.9	48.9	Growing	From Contracting	1
New Orders	64.9	55.3	Growing	Faster	2
Production	61.9	57.9	Growing	Faster	3
Employ-ment	46.4	45.6	Contracting	Slower	13
Supplier Deliveries	57.1	52.0	Slowing	Faster	3
Inventories	34.4	33.5	Contracting	Slower	40
Customers' Inventories	39.0	42.5	Too Low	Faster	5
Prices	65.0	55.0	Increasing	Faster	2
Backlog of Orders	52.5	50.0	Growing	From Unchanged	1
Exports	55.5	50.5	Growing	Faster	2
Imports	49.5	50.0	Contracting	From Unchanged	1
Overall Economy			Growing	Faster	4
Manufacturing Sector			Growing	From Contracting	1

Latest Statistics

Source: The Department of Labor 9/11/09

Consumer Price Index	+0.7%	July 2009
Unemployment Rate	9.7%	Aug 2009
Producer Price Index	-0.9 (p)%	July 2009
Productivity	+6.6%	2nd Qtr 2009

Gross Domestic Product

Source: The Bureau of Economic Analysis 8/27/09

Real gross domestic product—the output of goods and services produced by labor and property located in the United States—decreased at an annual rate of 1.0 percent in the second quarter of 2009,(that is, from the first quarter to the second quarter), according to the "second" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP decreased 6.4 percent. The decrease in real GDP in the second quarter primarily reflected negative contributions from private inventory investment, nonresidential fixed investment, personal consumption expenditures (PCE), residential fixed investment, and exports that were partly offset by positive contributions from federal government spending and state and local government spending. Imports, which are a subtraction in the calculation of GDP, decreased.

Industrial Production and Capacity Utilization

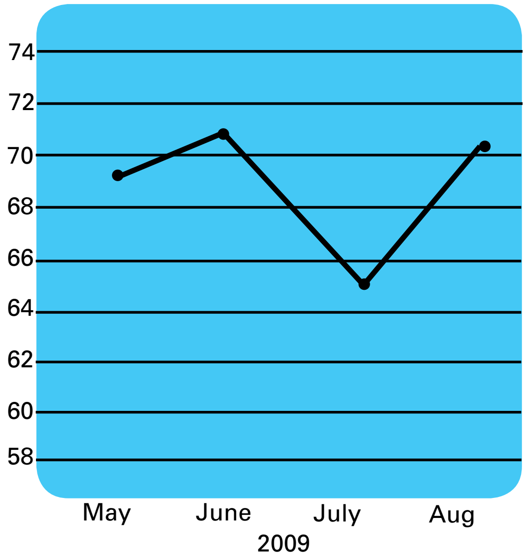
Source: The Federal Reserve 9/14/09

Industrial Production	June	July
Total Index	95.5	96.0
Major Market Groups		
Final Products	98.8	99.4
Consumer Goods	96.3	97.0
Business Equipment	104.9	105.4
Nonindustrial Supplies	90.0	89.8
Construction	81.1	81.0
Materials	94.3	95.0
Manufacturing	93.9	94.8

OUTOKUMPU

Index of Consumer Sentiment

Source: Bloomberg 9/11/09



Confidence among U.S. consumers rose more than forecast in September as the pace of job losses slowed and the economy showed signs of pulling out of the recession. The Reuters/University of Michigan preliminary index of consumer sentiment increased to 70.2 this month from 65.7 in August. The index was forecast to rise to 67.5, according to a Bloomberg survey of economists.

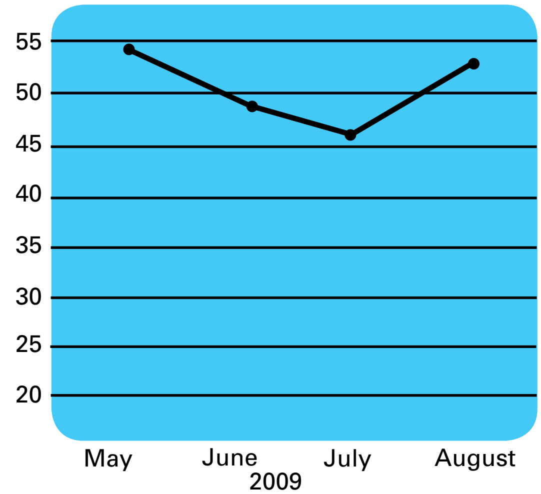
Americans are starting to grow more upbeat after suffering the biggest destruction of wealth on record from a slump in stocks and home prices and companies are ramping up production to replenish stockpiles. Consumers may still be wary of increasing the spending that makes up 70 percent of the economy as they focus on building savings and paying down debt.

"We can be encouraged that consumer sentiment is healing," said Jonathan Basile, an economist at Credit Suisse Holdings USA Inc. in New York. "Good news continues to come through, bad news continues to diminish. It's better, but it's not good yet."

The University of Michigan measure of current conditions, which reflects Americans' perceptions of their financial situation and whether it is a good time to buy big-ticket items like cars and homes, rose to 71.8 from 66.6. The index of consumer expectations for, which more closely projects the direction of consumer spending, increased to 69.2 from 65 in August.

Consumer Confidence Index

Source: The Conference Board 8/25/09



The Conference Board **Consumer Confidence Index**, which had retreated in July, rebounded in August. The Index now stands at 54.1 (1985=100), up from 47.4 in July. The Present Situation Index increased slightly to 24.9 from 23.3 last month. The Expectations Index improved to 73.5 from 63.4 in July.

Manufacturers' Shipments, Inventories and Orders

Source: The US Census Bureau 9/2/09

New orders for manufactured durable goods in July, up three of the last four months, increased $8.2 billion or 5.1 percent to $169.0 billion, revised from the previously published 4.9 percent increase. This followed a 1.1 percent June decrease.

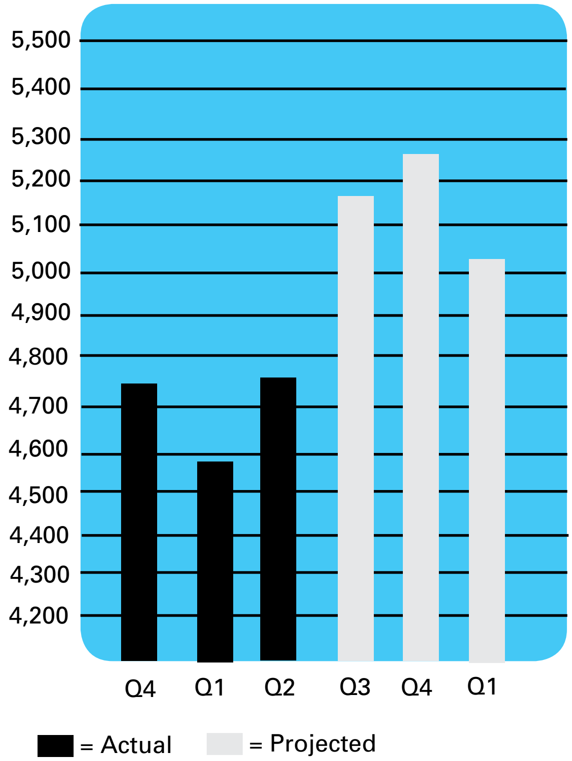
Shipments of manufactured durable goods in July, up two consecutive months, increased $3.4 billion or 2.0 percent to $173.3 billion, unchanged from the previously published increase. This followed a 0.8 percent June increase.

Unfilled orders for manufactured durable goods in July, down ten consecutive months, decreased $0.1 billion to $740.6 billion, revised from the previously published 0.1 percent decrease. This was the longest streak of consecutive monthly decreases since the series was first published on a NAICS basis in 1992 and followed a 0.8 percent June decrease.

Inventories of manufactured durable goods in July, down seven consecutive months, decreased $2.9 billion or 0.9 percent to $313.7 billion, revised from the previously published 0.8 percent decrease. This followed a 1.5 percent June decrease.

Housing Sales

Source: The National Association of Realtors 9/09



**Numbers in thousands*

Contact an Outokumpu Sales Representative Today

Plate:
Frank Alvin- frank.alvin@outokumpu.com
Madonna Ashbrook- madonna.ashbrook@outokumpu.com
Scott Draudt- scott.draudt@outokumpu.com
Mark Patterson- mark.patterson@outokumpu.com

Pipe and Fittings:
Allen Cantrell- allen.cantrell@outokumpu.com
Walt Renton- walt.renton@outokumpu.com
Rick Cockbain- rick.cockbain@outokumpu.com

Long Products:
Tom Holsing- tom.holsing@outokumpu.com
Kevin Manwaring- kevin.manwaring@outokumpu.com
Mark Patterson- mark.patterson@outokumpu.com
Jerry Poalise- jerry.poalise@outokumpu.com
Ted Toscos- ted.toscos@outokumpu.com

Coil:
Lydon Harrell- lydon.harrell@outokumpu.com
David Houck- david.houck@outokumpu.com
Mike Obenauf- mike.obenauf@outokumpu.com

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 a global leader in stainless steel. 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 stainless steel and services worldwide. Being fully recyclable, maintenance-free, as well as very strong and durable material, stainless steel is one of the key building blocks for sustainable future.

What makes Outokumpu special is total customer focus – all the way, from R&D to delivery. You have the idea. We offer world-class stainless steel, technical know-how and support. We activate your ideas at **www.outokumpu.com/stainless/na**.