

Industry Statistics

World Crude Steel Production as of October 2007 (in thousand metric tons)

	October				Year-to-date			
	2007	2006	Change	%	2007	2006	Change	%
Austria	673	633	40	6.3	6,343	5,934	409	6.9
Belgium	850	1,031	-181	-17.6	8,755	9,708	-953	-9.8
Czech Republic	557	569	-12	-2.1	5,876	5,841	35	0.6
Finland	340	448	-108	-24.1	3,712	4,179	-467	-11.2
France	1,412	1,614	-202	-12.5	16,468	16,721	-253	-1.5
Germany	4,192	4,239	-47	-1.1	40,767	39,453	1,314	3.3
Greece	270e	206	64	31.1	2,220	2,009	211	10.5
Hungary	160	204	-44	-21.6	1,687	1,699	-12	-0.7
Italy	2,908	2,967	-59	-2.0	26,385	26,318	67	0.3
Luxembourg	266	260	6	2.3	2,395	2,321	74	3.2
Netherlands	619	307	312	101.6	6,143	5,539	604	10.9
Poland	890e	864	26	3.0	9,015	8,387	628	7.5
Romania	515e	531	-16	-3.0	5,251	5,249	2	0.0
Slovakia	331	417	-86	-20.6	4,238	4,248	-10	-0.2
Slovenia	41	58	-17	-29.3	530	527	3	0.6
Spain	1,634	1,664	-30	-1.8	15,912	15,611	301	1.9
Sweden	513	468	45	9.6	4,686	4,525	161	3.6
United Kingdom	1,133	1,210	-77	-6.4	12,019	11,781	238	2.0
Other E.U. (27)	336e	350	-14	-4.0	3,339	3,388	-49	-1.4
Total – European Union (27)	17,639	18,039	-400	-2.2	175,741	173,437	2,304	1.3
Total – European Union (15)	14,928	15,166	-238	-1.6	146,971	145,265	1,706	1.2
Bosnia-Herzegovina	57	49	8	16.3	481	397	84	21.2
Croatia	6e	6	0	0.0	65	67	-2	-3.0
Macedonia	30	32	-2	-6.3	296	295	1	0.3
Montenegro*	22	n/a	141	n/a	141	n/a		
Norway	67	67	0	0.0	580	557	23	4.1
Serbia*	75	n/a	1,283	n/a	1,283	n/a		
Serbia and Montenegro	96	161	-65	-40.4	1,424	1,536	-112	-7.3
Switzerland	96	125	-29	-23.2	1,080	1,061	19	1.8
Turkey	2,165	2,027	138	6.8	21,132	19,317	1,815	9.4
Total – Other Europe	2,517	2,466	51	2.1	25,058	23,230	1,828	7.9
Belarus	209	67	142	211.9	2,050	1,941	109	5.6
Kazakhstan	395	367	28	7.6	3,969	3,509	460	13.1
Moldova	62	85	(23)	-27.1	808	602	206	34.2
Russia	6,188	5,865	323	5.5	60,210	58,431	1,779	3.0
Ukraine	3,627	3,502	125	3.6	35,570	33,869	1,701	5.0
Uzbekistan	55	67	-12	-17.9	538	534	4	0.7
Total – C.I.S. (6)	10,536	9,953	583	5.9	103,145	98,886	4,259	4.3
Canada	1,395e	1,298	97	7.5	13,638	13,052	586	4.5
Cuba	30e	27	3	11.1	220	210	10	4.8
El Salvador	7e	6	1	16.7	61	60	1	1.7
Guatemala	30e	28	2	7.1	286	240	46	19.2
Mexico	1,500e	1,447	53	3.7	14,356	13,474	882	6.5
Trinidad and Tobago	55	43	12	27.9	560	596	-36	-6.0
United States	8,510e	8,094	416	5.1	81,558	84,106	-2,548	-3.0
Total – North America	11,527	10,942	585	5.3	110,679	111,738	-1,059	-0.9
Argentina	497	484	13	2.7	4,407	4,737	-330	-7.0
Brazil	2,899	2,778	121	4.4	27,902	25,550	2,352	9.2
Chile	130e	146	-16	-11.0	1,380	1,356	24	1.8
Colombia	110e	108	2	1.9	1,056	1,019	37	3.6
Ecuador	7e	8	-1	-12.5	74	71	3	4.2
Paraguay	6e	10	-4	-40.0	79	96	-17	-17.7
Peru	95e	74	21	28.4	697	737	-40	-5.4
Uruguay	7e	6	1	16.7	59	44	15	34.1
Venezuela	360e	370	-10	-2.7	4,033	4,112	-79	-1.9
Total – South America	4,111	3,983	128	3.2	39,686	37,722	1,964	5.2
Algeria	121	93	28	30.1	1,068	906	162	17.9
Egypt	509	548	-39	-7.1	5,162	5,024	138	2.7
Libya	91	89	2	2.2	1,038	950	88	9.3
Morocco	39	39	0	0.0	431	223	208	93.3
South Africa	779	869	-90	-10.4	7,614	8,125	-511	-6.3
Zimbabwe	3e	1	0	0.0	25	20	5	25.0
Total – Africa	1,542	1,639	-97	-5.9	15,338	15,248	90	0.6
Iran	847	795	52	6.5	8,299	8,148	151	1.9
Qatar	100e	75	25	33.3	913	826	87	10.5
Saudi Arabia	453	356	97	27.2	3,764	3,417	347	10.2
Total – Middle East	1,400	1,226	174	14.2	12,976	12,391	585	4.7
China	42,922	37,817	5,105	13.5	408,518	345,785	62,733	18.1
India	4,631	4,258	373	8.8	43,791	40,838	2,953	7.2
Japan	10,372	10,103	269	2.7	99,698	96,163	3,535	3.7
South Korea	4,304	3,966	338	8.5	42,659	40,013	2,646	6.6
Taiwan, China	1,740e	1,755	(15)	-0.9	17,191	16,810	381	2.3
Total – Asia	63,969	57,899	6,070	10.5	611,858	539,609	72,249	13.4
Australia	663	699	-36	-5.2	6,597	6,571	26	0.4
New Zealand	77	67	10	14.9	699	674	25	3.7
Total – Oceania	740	766	-26	-3.4	7,297	7,245	52	0.7
Total – 67 Countries	113,981	106,913	7,068	6.6	1,101,777	1,019,507	82,270	8.1

Notes: The 67 countries included in this table accounted for more than 98 of total world crude steel production in 2006.

e = estimated. * – not included in totals to avoid double-counting.

Source: International Iron and Steel Institute. Data as of Nov. 21, 2007.

U.S. Production Capacity, Imports and Inventories

U.S. Production Capacity — Weekly U.S. production at domestic mills is currently reported to be 2.130 million tons, with a 89.3% capacity utilization as order books recover (Figure 1). This is nearly close to practical full production.

Imports — Imports continued their decline, down to 2.388 million tons (Figure 2), in September versus approximately 3 million tons needed to balance supply, given the current production capacity. Recalling that imports must be 30–32% of apparent supply to make up for U.S. production shortfall to balance typical supply to demand, the latest import market share value of 25.1% (Figure 3), coupled with no reported shortages in supply, indicates the magnitude of the current reduced demand in the U.S. market. The continued weakness of the U.S. dollar is one factor in the unattractiveness of the U.S. market for importers, as shown by the negative U.S. price premiums vs. both Europe and China (Figure 4). Additionally, shipping costs continue to climb, as indicated by the Baltic Dry Index (Figure 5), which has risen 417% since January 2006.

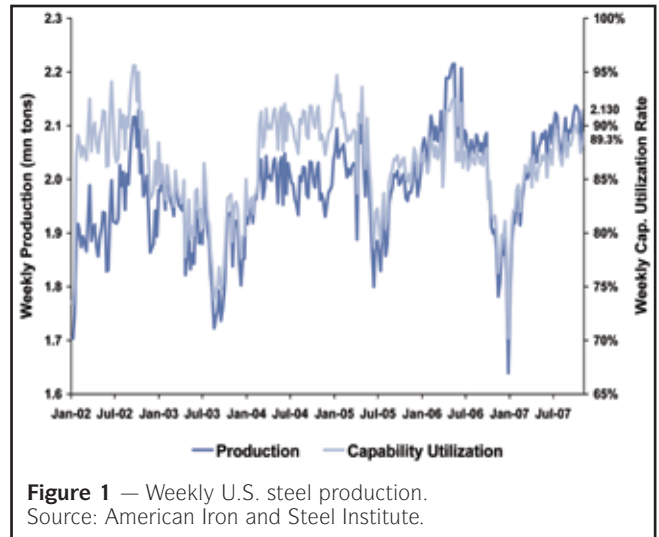


Figure 1 — Weekly U.S. steel production.
Source: American Iron and Steel Institute.

Inventories — Service center inventories, at 12.260 million tons, is the lowest that value has been in the past 10 years

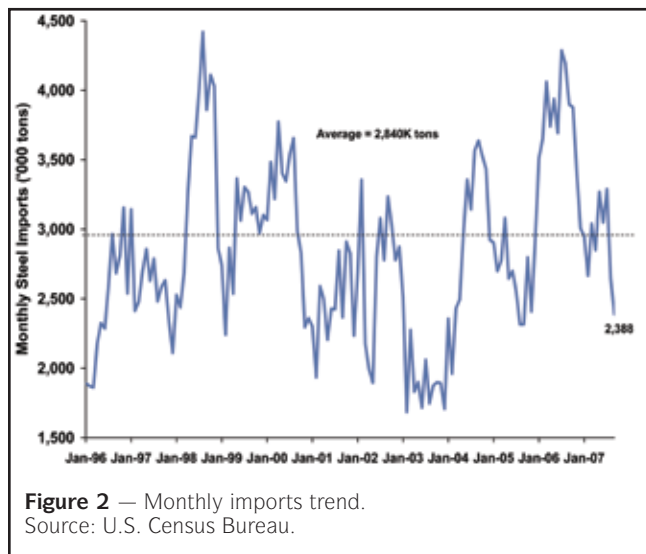


Figure 2 — Monthly imports trend.
Source: U.S. Census Bureau.

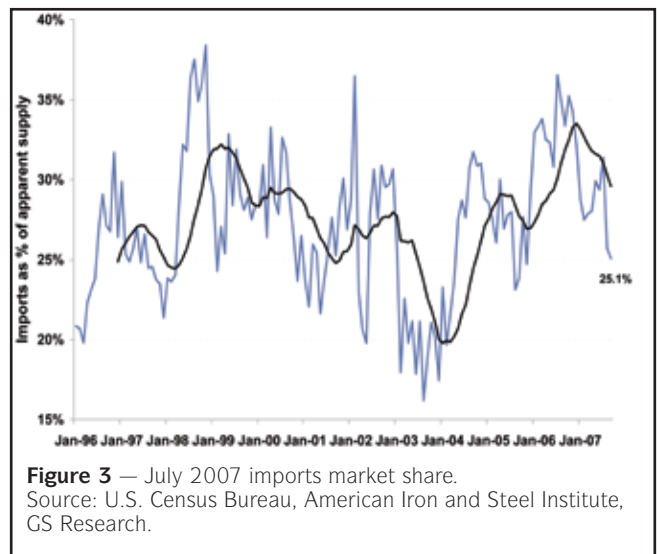


Figure 3 — July 2007 imports market share.
Source: U.S. Census Bureau, American Iron and Steel Institute, GS Research.

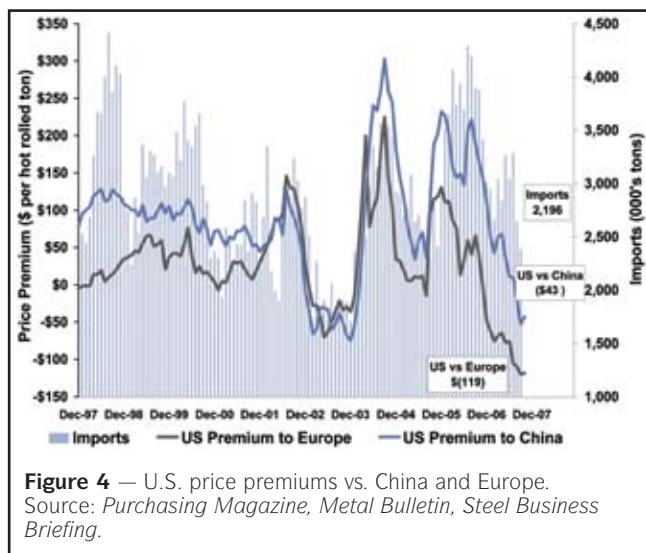


Figure 4 — U.S. price premiums vs. China and Europe.
Source: *Purchasing Magazine, Metal Bulletin, Steel Business Briefing.*

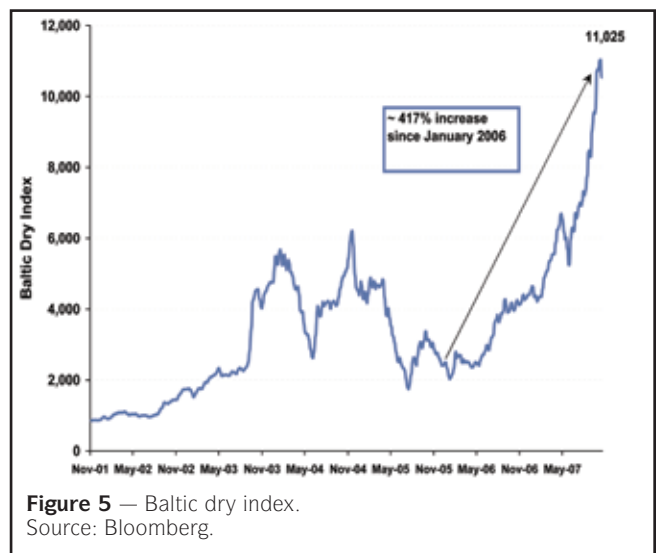


Figure 5 — Baltic dry index.
Source: Bloomberg.

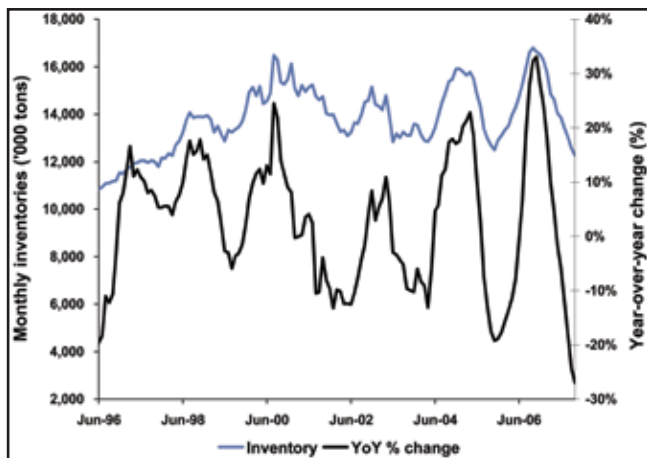


Figure 6 — Service center inventory.
Source: Metals Service Center Institute.

(Figure 6). Shipments to end-users were off 3% from one year ago, reflecting a weakness in overall demand (Figure 7), and have been behind year-ago values for 13 months in

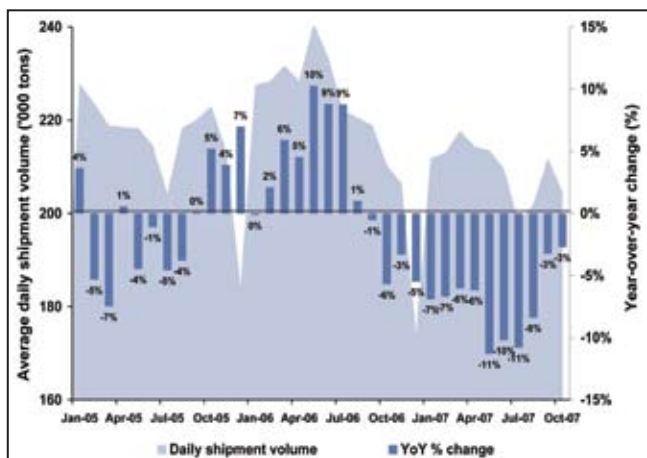


Figure 7 — Service center shipments.
Source: Metals Service Center Institute.

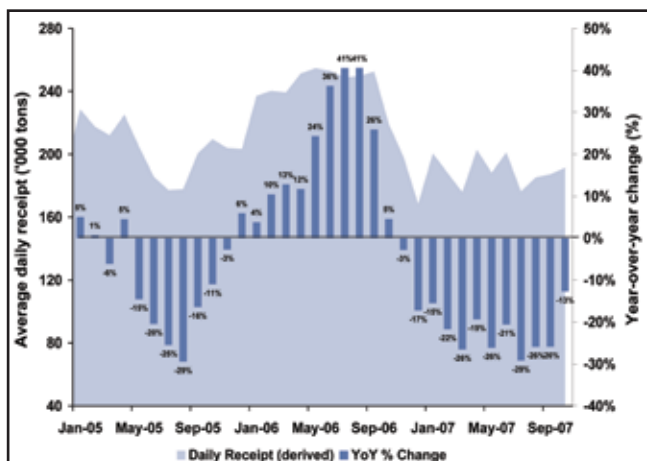


Figure 8 — Service center receipts.
Source: Metals Service Center Institute.

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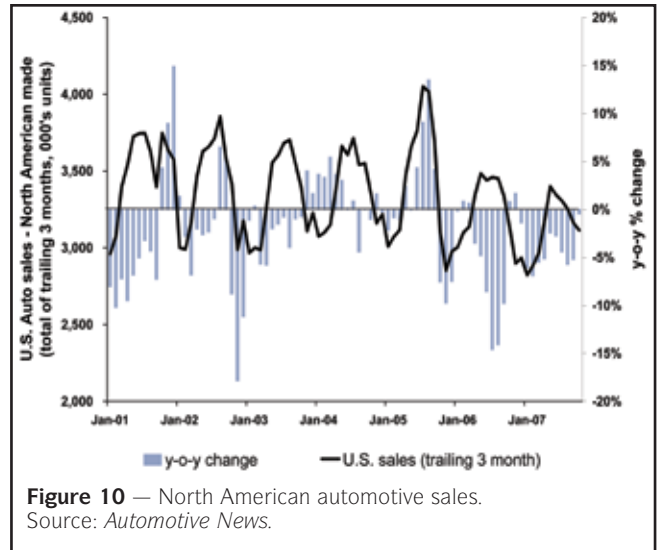
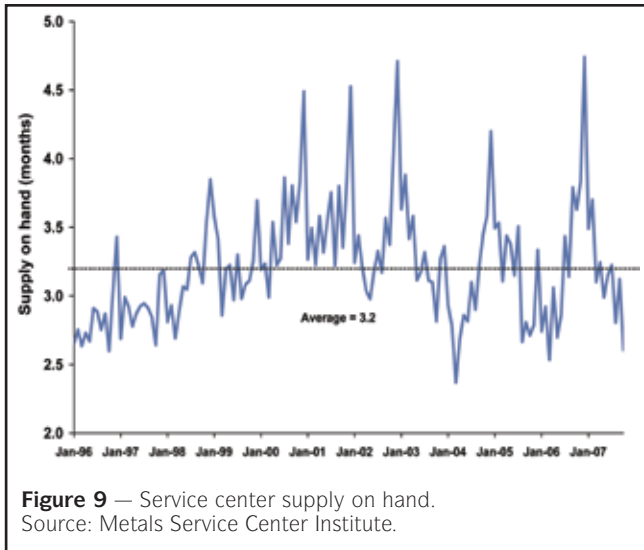


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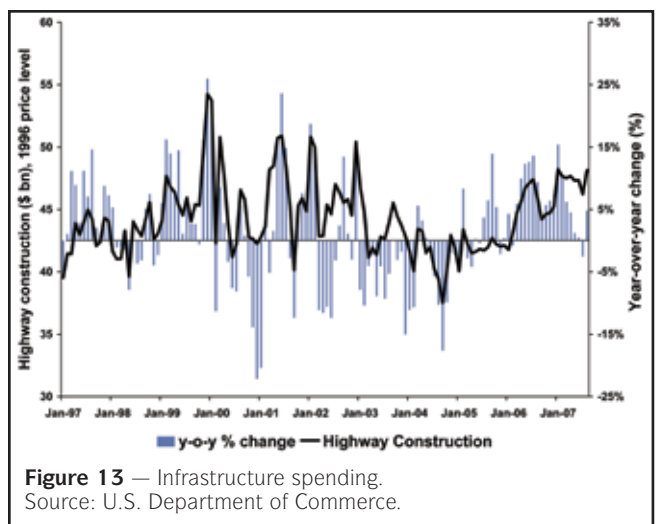
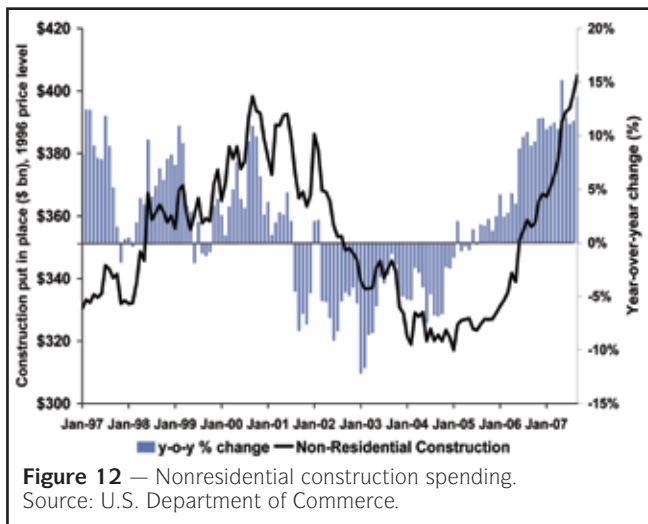
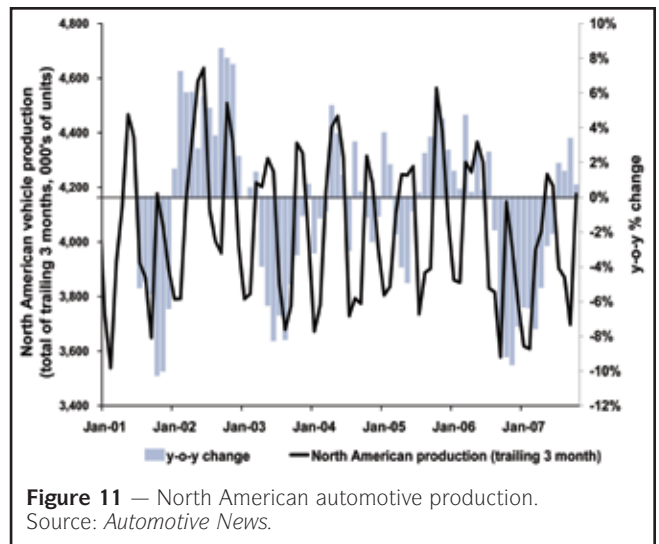


a row. Accordingly, service centers cut back on receipts for the last 11 months (Figure 8). The net result is that service center inventories have dropped to a low of 2.6 months (Figure 9).

U.S. Demand

Automotive — North American auto sales continue to be very weak, implying more production cuts may be set in place (Figure 10). In the meantime, while units actually produced turned down steeply relative to the prior month, compared to one-year-ago production, the trend is positive over the past four months (Figure 11).

Construction — Nonresidential construction spending continues to sustain growth and is now at the high levels (Figure 12). On the other hand, infrastructure spending on projects for roads and highways has remained essentially unchanged for several months in a row (Figure 13).



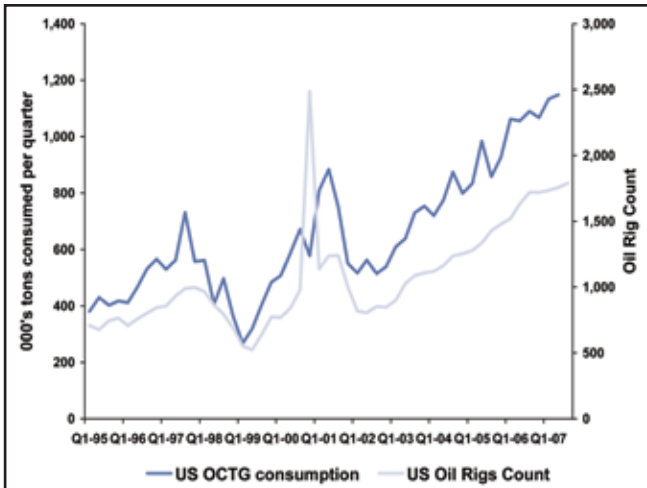


Figure 14 — U.S. OCTG consumption and rig count.
Source: Baker Hughes, Preston Pipe.

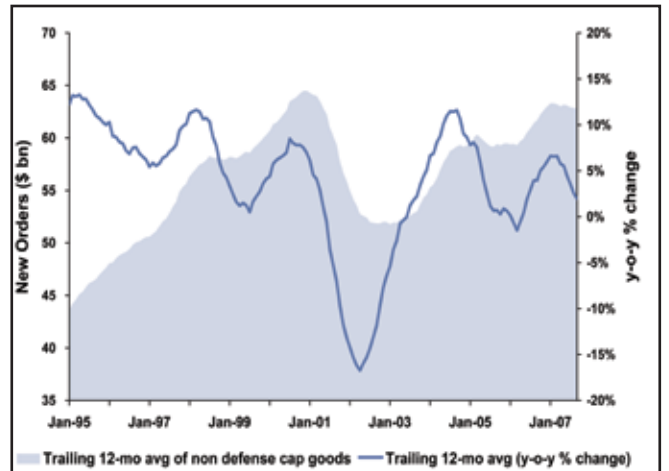


Figure 15 — New orders for machinery and capital goods.
Source: U.S. Census Bureau.

Energy — The consumption of oil country tubular goods is at an all-time high, while the rig count has stalled (Figure 14).

Nondefense Capital Goods — The pace of nondefense capital goods orders has moderated, with the trailing 12-month average year-on-year % change for new orders continuing to trend down (Figure 15).

Industrial Production Index — The Index of Industrial Production, which measures the output of U.S. mines, factories and utilities, continues at the highest value in the last 10 years, but the trend rate of year-on-year % change data indicates a slower rate growth rate continues (Figure 16).

ISM Index — The Institute of Supply Management (ISM) Index, remains positive, at 50.9%, but indicates a relatively weak trend toward market expansion (Figure 17).

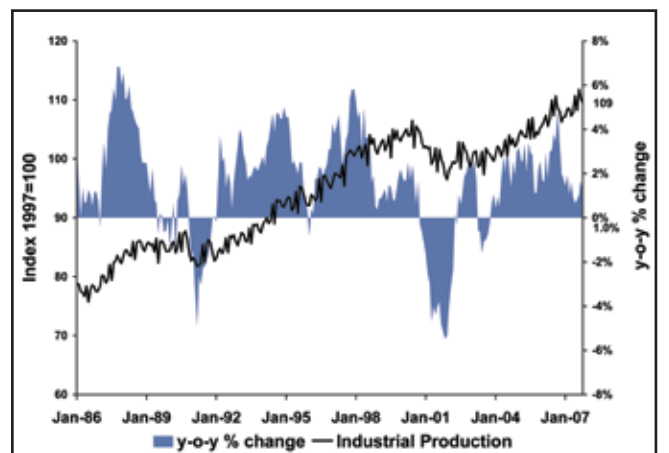


Figure 16 — Industrial production index.
Source: U.S. Federal Reserve Board.

U.S. Pricing

Flat Rolled Pricing — Hot rolled, cold rolled and hot-dip galvanized prices all recorded modest gains for the third

month in a row (Figure 18). U.S. price volatility appears to be calming (Figure 19).

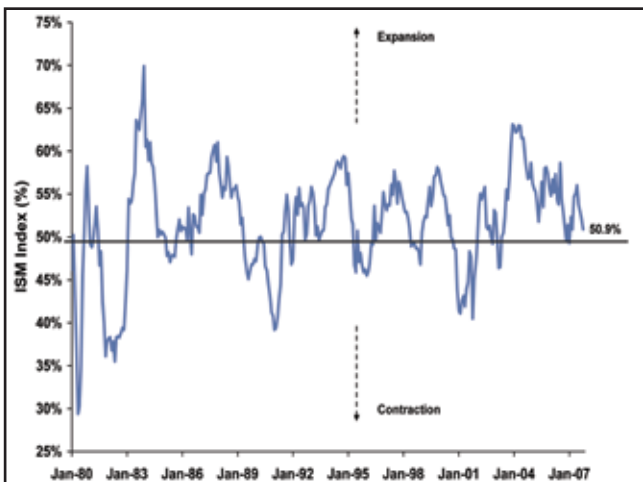


Figure 17 — Monthly ISM index.
Source: Institute of Supply Management.

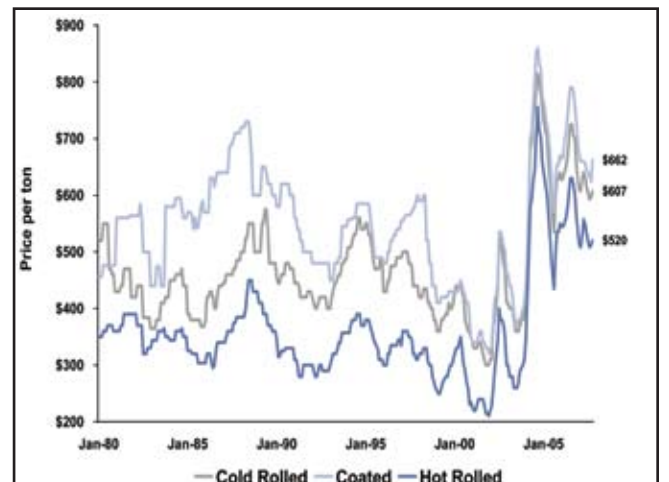
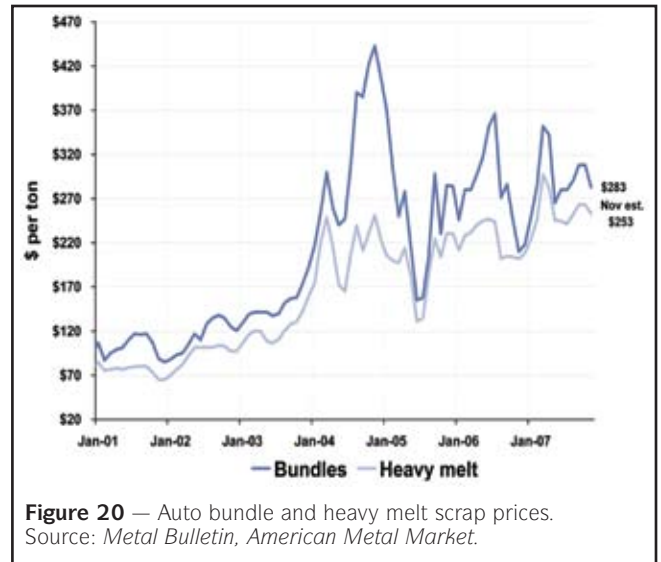
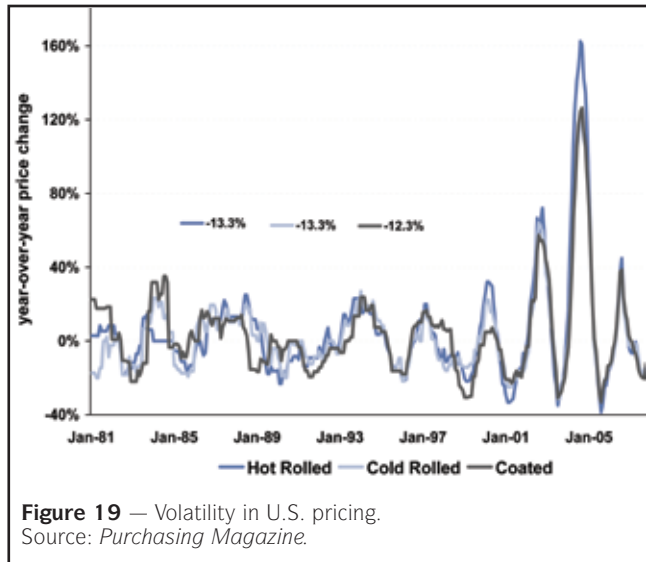


Figure 18 — U.S. hot rolled, coated and cold rolled prices.
Source: *Purchasing Magazine*.

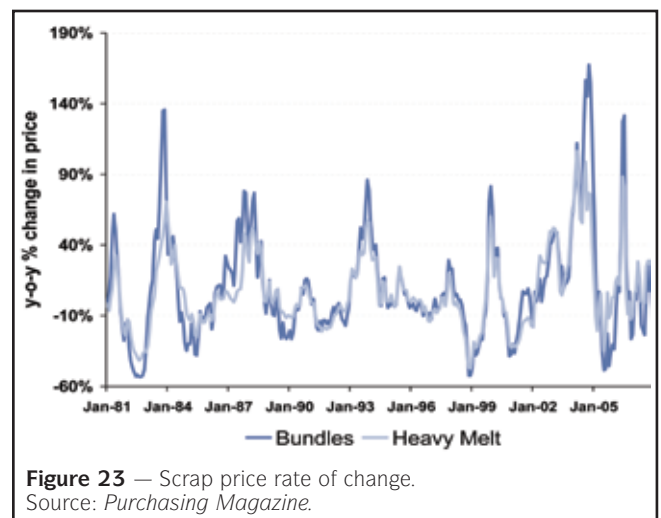
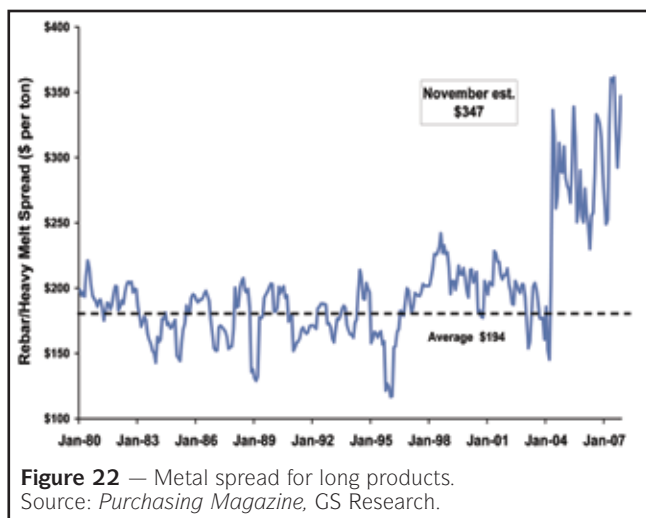
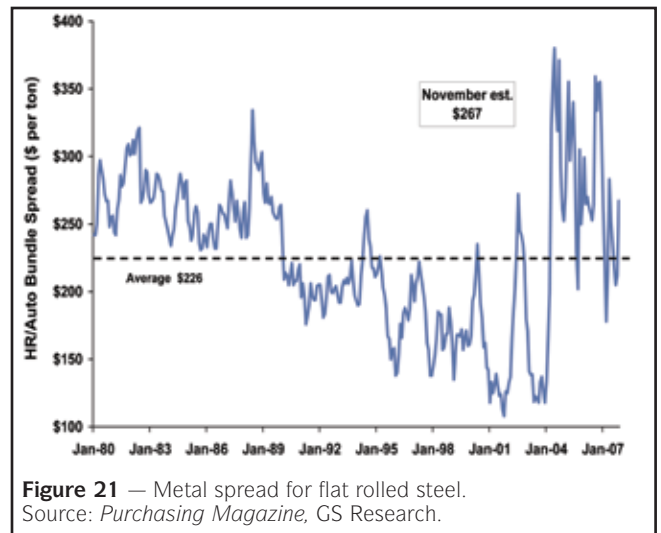


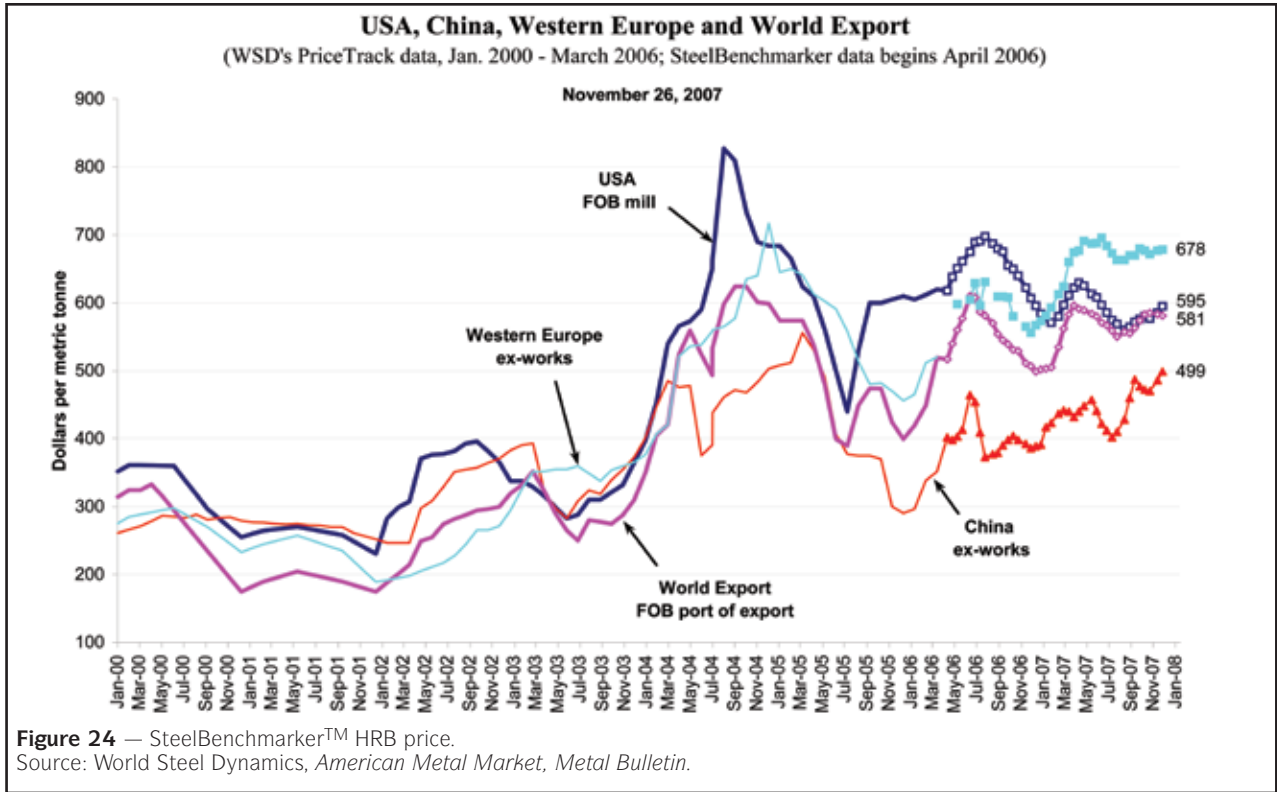
Scrap Prices — The price for auto bundles for November delivery turned down from \$308 to \$283, while the November estimates for heavy melt fell \$10 to \$253 (Figure 20). Metal spreads, the difference between the price of steel and the cost of scrap, for November increased slightly to \$267 for flat products (Figure 21), while the spread for long products jumped up to \$347 (Figure 22). Note the volatility in metal spreads in Figures 21 and 22, which is influenced by the continued volatility in scrap prices, (Figure 23).

Steel BenchMarker™ data reveals Western Europe continuing to maintain a significant price premium compared to the United States, World Export and Chinese markets. Chinese pricing has appreciated to just \$96 below the United States and \$82 below World Export markets (Figure 24).

Iron & Steel Technology wishes to thank Goldman Sachs Global Investment Research and SteelBenchmarker™ for sourcing the majority of data presented here.

Comments are welcome. Please send feedback to:
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In-Line Dimensional Control






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