

World Steel Dynamics (WSD) is a leading steel information service in Englewood Cliffs, N.J. WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure.



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Q. So far in 2010, steel production rates certainly have recovered from the "catastrophic" lows of 2009. With the industry perhaps entering another period of slow production in the near term, what is WSD's outlook on the U.S. steel industry in 2011?

A: The U.S. outlook is impacted by the huge drop in underlying steel demand since 2006 (when estimated real consumption amounted to 129 million tons, versus 75 million tons in 2009). The strong currency versus the Euro may promote higher imports. Both the integrated mills and the mini sheet mills are always battling for share of the sheet market.

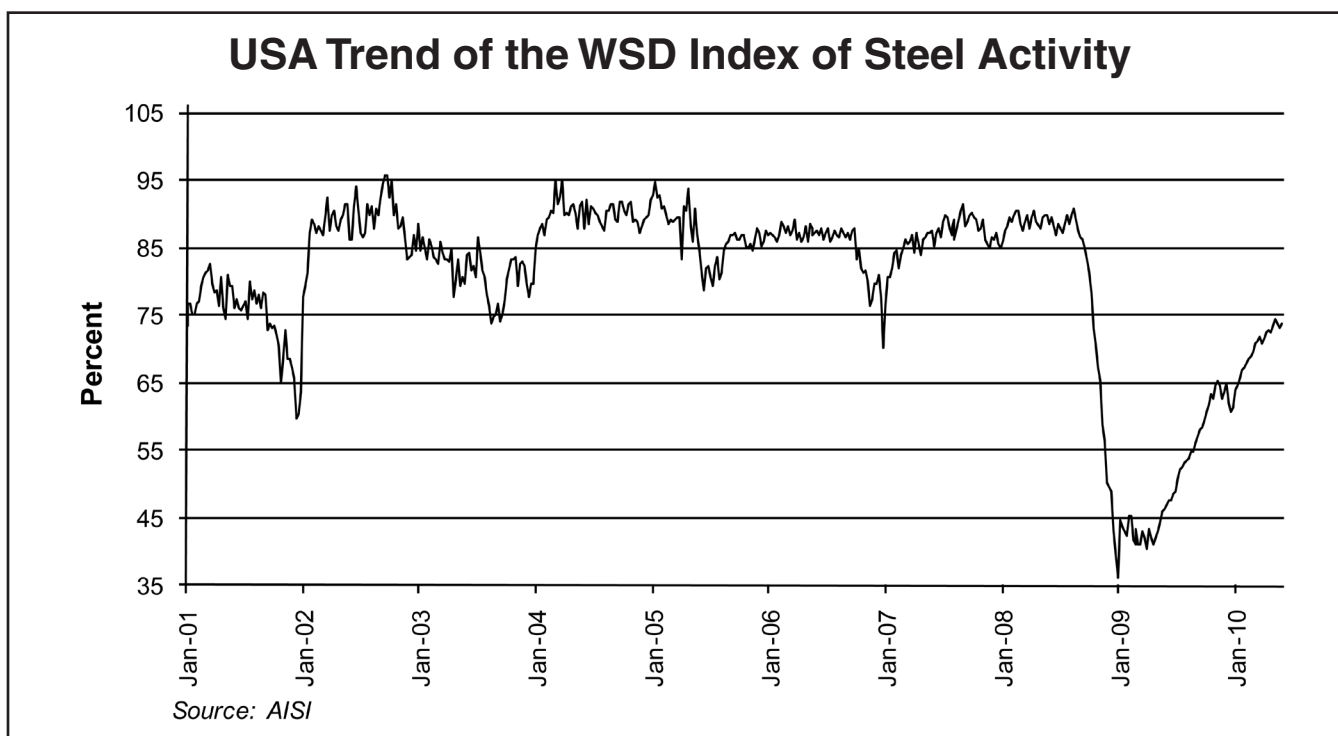
A major new development in the market is the expected start-up of the new 5.0-million-ton-per-year ThyssenKrupp USA hot strip mill this fall. This mill will be receiving its slab supply from a new jointly owned plant in Brazil. WSD estimates that deliveries of carbon steel hot rolled band by this new hot strip mill may be only several hundred thousand tons in the fourth quarter of 2010; but the figure may rise to 2.2-3.2 million tons in 2011. If so, even granted that imports remain low, there may not be a sizable opportunity for the other steel mills in the United States to sell more hot rolled band in 2011 compared to 2010.

For 2010, WSD assumes that domestic shipments may be about 82 million tons, versus 60 million tons in 2009 and 98 million tons in 2008. Our shipment estimate for 2011 is 90 million tons.

As of April 2010, the WSD weighted index of activity in 15 steel-consuming industries was a figure of 79, which compares to the average figure in 2009 of 77 and the low in the summer of 2009 of 72. What has happened in the past nine months is that the rise in the consumer durables and short-lead-time capital equipment components of the index has been largely offset by a continued fall in the long-lead-time component of the index (due to declining private construction activity). ♦

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USA Components of the WSD Index of Steel Activity (IDX: 2004 = 100) as of April 2010 and 2009

Indicator	Index Figure		Weighted Index		Y/Y % Chg April	Share of Index	Share of Index April 2010	Y/Y First 4 months % Chg
	April 2010	April 2009	April 2010	April 2009				
CES: Short-Lead-Time Capital Goods								
Oil & Gas Well Drilling	107.0	73.8	3.21	2.21	45.0%	3.0%	4.1%	
Railroad Rail & Miscellaneous	76.8	82.8	2.30	2.48	-7.2%	3.0%	2.9%	
Business Equipment	118.9	112.1	5.94	5.60	6.1%	5.0%	7.6%	
Trucks (Not Seasonally Adjusted)	41.9	29.8	2.93	2.09	40.2%	7.0%	3.7%	
Fabricated Metals	90.8	86.6	10.90	10.39	4.9%	12.0%	13.8%	
Non-Electrical Machinery	84.9	55.1	10.19	6.61	54.0%	12.0%	12.9%	
Total			35.47	29.39	20.7%	42.0%	45.1%	5.7%
CEL: Long-Lead-Time Capital Goods								
Ships & Boats Construction	87.3	80.2	0.87	0.80	8.9%	1.0%	1.1%	
Electrical Equipment	107.2	103.2	5.36	5.16	3.9%	5.0%	6.8%	
Non-Residential Construction (NSA)	66.4	102.3	15.28	23.54	-35.1%	23.0%	19.4%	
Total			21.51	29.50	-27.1%	29.0%	27.3%	-28.2%
CDIDX : Consumer Goods								
Residential Housing (Not Seas. Adj.)	40.4	40.7	1.21	1.22	-0.8%	3.0%	1.5%	
Household Appliance	95.9	84.9	3.84	3.40	13.0%	4.0%	4.9%	
Automobiles (Not Seasonally Adj.)	63.2	44.3	10.12	7.10	42.6%	16.0%	12.9%	
Total			15.17	11.71	29.5%	23.0%	19.3%	37.6%
MIDX : Miscellaneous Industries								
Defense & Space Equipment	124.8	115.6	1.25	1.16	8.0%	1.0%	1.6%	
Farm Equipment	100.9	96.5	2.02	1.93	4.5%	2.0%	2.6%	
Metal Cans	109.3	59.3	3.28	1.78	84.3%	3.0%	4.2%	
Total			6.55	4.87	34.5%	6.0%	8.3%	36.5%
TOTAL			78.70	75.47	4.3%	100.0%	100.0%	-0.8%

U.S.A. - Components of WSD Index of Steel Activity

