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## Stainless fundamentals intact but uncertainty growing – Outokumpu

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Finnish steel producer Outokumpu said that uncertainty resulting from the global economic turmoil has increased but has so far not had any major impact on stainless steel fundamentals, but there is an increasing risk that the uncertainty might affect both demand and price development of stainless steel going forward.

Underlying demand for stainless steel remains healthy, with end user demand, demand for special grades and projects and demand for standard grades from the distribution sector expected to continue to be at a good level.

Distributors' inventories for standard grades are currently at normal level and Outokumpu is now selling for deliveries in June 2008. In the first quarter of 2008, growth in the apparent consumption of stainless steel flat products is estimated to have been 6% in Europe and 5% globally compared with Q4 2007.

The average base price for 2 mm cold rolled 304 stainless steel sheet in Germany was EUR 1,243 per tonne in Q1 2008 up by 17% YoY from Q4 2007, while in March 2008 the base price was EUR 1,290 per tonne. Gradual base price increases have been achieved in the second quarter and the German base price for 2 mm cold rolled 304 sheet is targeted to reach a level of EUR 1,350 toward the end of June 2008.

The average alloy surcharge for the quarter decreased by 12% to EUR 1,702 per tonne, primarily as a result from the lower nickel price in December 2007. From the beginning of 2008, producers have been applying a new calculation method for raw materials in the alloy surcharge that uses a shorter reference period than that employed earlier; the period for raw material prices is closer to the delivery month, giving distributors less visibility on future prices.

In the quarter, demand for ferrochrome was 5% higher than in Q4 2007 but production was down by 1%, while the average contract price was USD 1.21 per pound, 15% up on Q4 2007.

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