



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication
serving SFSA steel casting industry Members

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June — 2010

Casteel Commentary

This month's Casteel Commentary looks at the recovery of orders for nondefense capital goods excluding aircraft as an indication of future business improvement. Since steel castings are used for capital equipment, our industry will prosper as demand for these goods increases.

Market Development

The North American Steel Construction Conference was another good opportunity to get the word out on castings to the building construction industry. The atmosphere continues to change in our favor... people are thinking of castings. The challenge is that they still don't understand how to best take advantage of steel castings (how to talk our talk). One way you can help with this and get a jump start on this industry is to participate in SteelDay (<http://www.aisc.org/SteelDay.aspx>). In particular, sign-up to open up your foundry to visitors. This will facilitate an understanding of our industry, show them what complex geometry is all about and that cast steel is real steel, and build a network of local contacts.

Men Available

A1245 has significant experience in bringing leadership, strategic focus and knowledge to complex manufacturing situations. Specializing in developing, implementing and directing safety, environmental, ISO-9000, QA/QC, production and project management in a heavy industry LEAN environment. BS in Manufacturing Engineering Technology

A1246 has experience in metallurgy with skills in steel melting, rolling, forging, casting, machining, heat treatment, automobile component manufacturing, quality assurance, and supplier development. NDT Level II – MPI, UT, ISO 9001:2000, QS 9000 and TS 16949. Graduates Fall 2010 from UAB. MS in Materials Science & Engineering, BS and AS in Metallurgy.

Carbon & Low Alloy Research Review

The C&LA Research Review, like most SFSA meetings, is open to all SFSA members. It will be held July 14-15 in Schiller Park, IL. It is your opportunity to hear from SFSA's researchers and to help direct the research programs. If you are interested in attending, see the SFSA website for more details. All attendees must register.

SFSA Marketing Committee

The Marketing Committee is working on putting together the SFSA Market Forecast, which attempts to predict the conditions for a variety of market segments in the coming year. The Forecast will be presented at the SFSA Annual Meeting, Sept. 11-14 in Bar Harbor, ME.

Market News

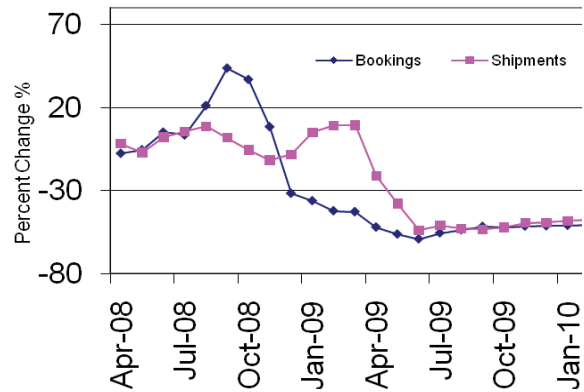
Shipments for steel castings in March showed a less severe decline in nine months. While a less severe decline is not good news it does suggest that we may finally be seeing the improvement already felt in many operations in our statistics.

Backlog shows a stronger upward trend with most castings reporting a median backlog exceeding 10 weeks. The backlog for stainless has castings has increased but not as much.

The DOC numbers for orders and shipments of iron and steel castings show an over 20% improvement from the low point in August 2009. This was after a 40% drop from August 2008 to August 2009.

Steel long products, bulk steel shipments have shown a sharp recovery since their low point in June 2009, more than a 60% improvement. This was of course after a 70% decline from June 2008 to June 2009. As seen last month, these steel

Carbon & Low Alloy Castings

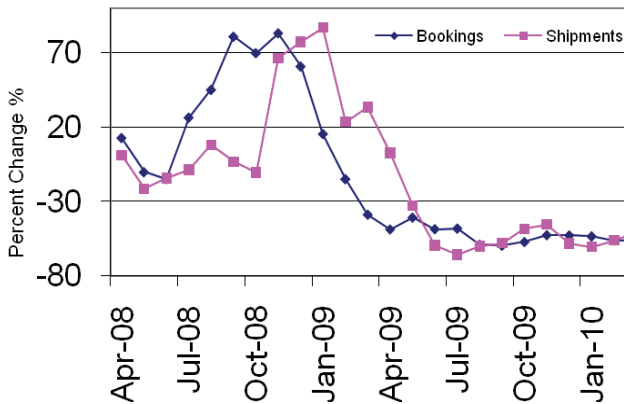


products lead steel casting by 3 to 9 months suggesting a strong continues improvement in steel casting business.

This indication of continued business improvement is also seen in the new orders for nondefense capital goods that continue to show improvements in the last 9 months.

While there remains a possibility of another dip in economic activity because of problems in Europe or weakness in the US, there is also the stronger possibility of a stronger recovery for steel castings. Most likely; however, is a continued volatile improvement in business. This should end with our industry operating near our capacity by mid 2011. Full graphs are found in the PDF version of the newsletter.

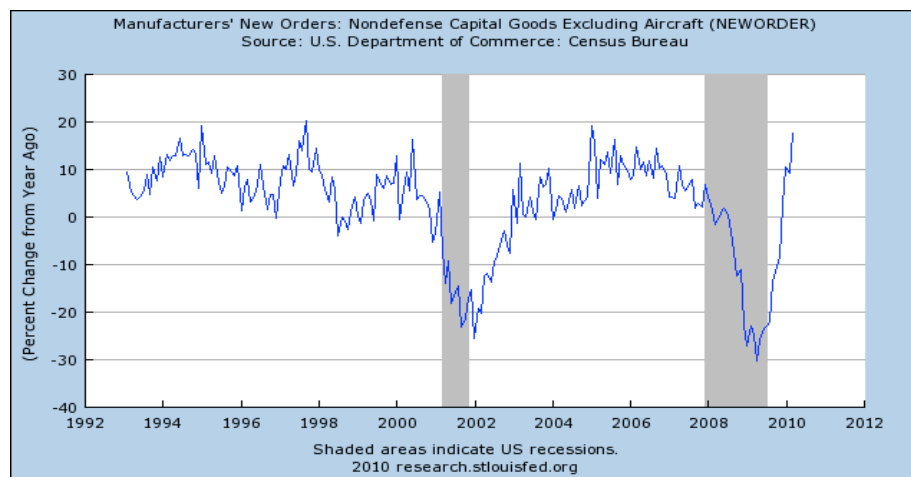
High Alloy Castings



Casteel Commentary

Most financial news is concerned with the economy as a whole. The unemployment rate, the rise in wages, the gross domestic product, the retail sales, car and housing sales, etc. are typical measures of important economic activity. These measures are critical for the understanding of the prosperity and economic well being of the region. Steel castings are not very related to these general measures of economic activity. Steel castings are not in automobiles and washing machines. Our products are used in and to build capital equipment and capital infrastructure. Our prosperity as an industry depends on infrastructure investment and commodity production.

The graph included from the St. Louis Federal Reserve shows the percent change in the orders for nondefense



capital goods new orders excluding aircraft. This is a measure of the type of investment that drives the steel casting industry. There was a strong market for steel castings in 1998 and in 2005-2007 when orders for these capital goods was strong. The sharp recovery from 2002 to 2004 was a period of strong demand growth for steel castings. The sharp decline in 2000 to 2001 and 2008 to 2009 was felt as a steep decline in steel casting demand.

For this reason the sharp recovery in orders for these capital goods 2009 to 2010 bodes well for our industry. Chronic and systemic under investment in infrastructure and commodity production equipment in a growing global economy is unsustainable. If we maintain some relative economic stability, investments in infrastructure and commodity production should drive another boom in demand for steel castings.

Raymond Monroe

**STEEL FOUNDERS' SOCIETY OF AMERICA
BUSINESS REPORT**

SFSA Trend Cards (%-12 mos. Ago)	12 Mo Avg	3 Mo Avg	Mar	Feb
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Carbon & Low Alloy

Shipments	-47.6	-33.9	-5.0	-48.0
Bookings	-52.7	-48.8	-45.4	-50.3
Backlog (wks)	6.6	9.8	11.0	9.5

High Alloy

Shipments	-56.6	-50.5	-63.0	-39.3
Bookings	-54.1	-55.5	-55.4	-54.7
Backlog (wks)	4.3	6.0	6.0	6.0

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,220.6	1,295.0	1,347	1,280
New Orders	1,214.2	1,324.3	1,383	1,317
Inventories	2,252.4	2,152.0	2,141	2,182

Nondefense Capital Goods (billion \$)

Shipments	57.1	57.9	59.2	57.2
New Orders	54.2	58.0	56.8	60.6
Inventories	135.2	132.2	132.2	132.5

**Nondefense Capital Goods
less Aircraft (billion \$)**

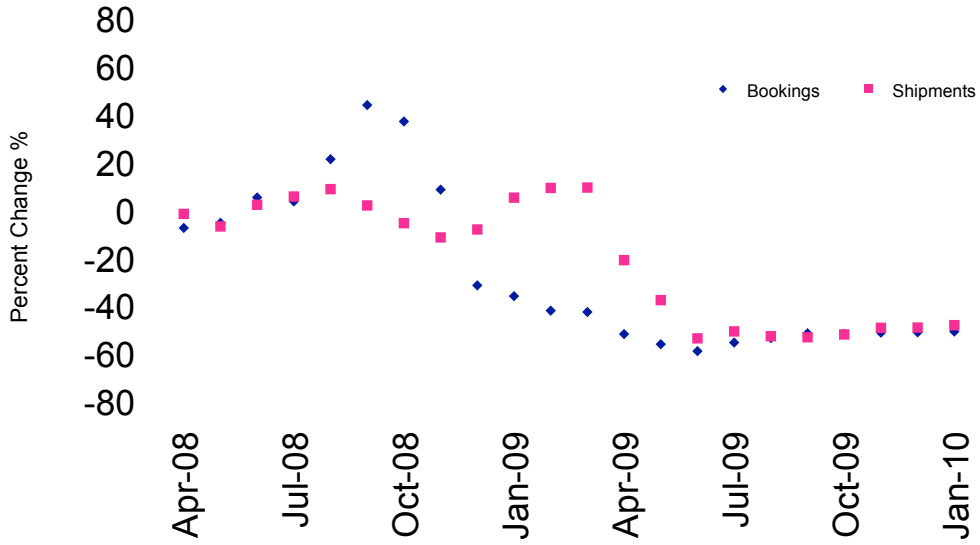
Shipments	53.2	54.6	55.9	54.1
New Orders	52.4	54.5	56.7	53.8
Inventories	98.5	95.8	95.4	96.1

Inventory/Orders		1.76	1.68	1.78
Inventory/Shipments		1.75	1.71	1.78
Orders/Shipments		1.00	1.01	1.00

American Iron and Steel Institute

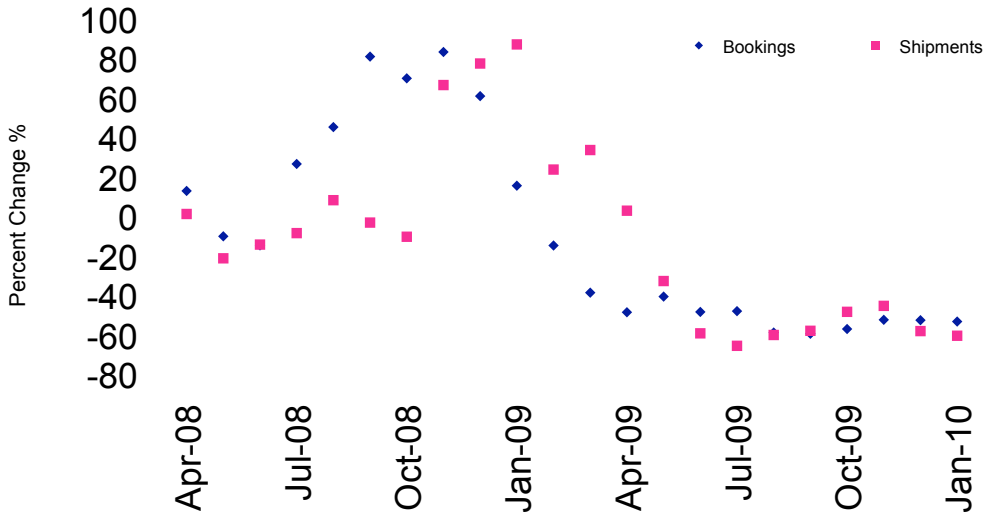
Raw Steel Shipments (million net tons)	5.7	6.8	7.6	6.3
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

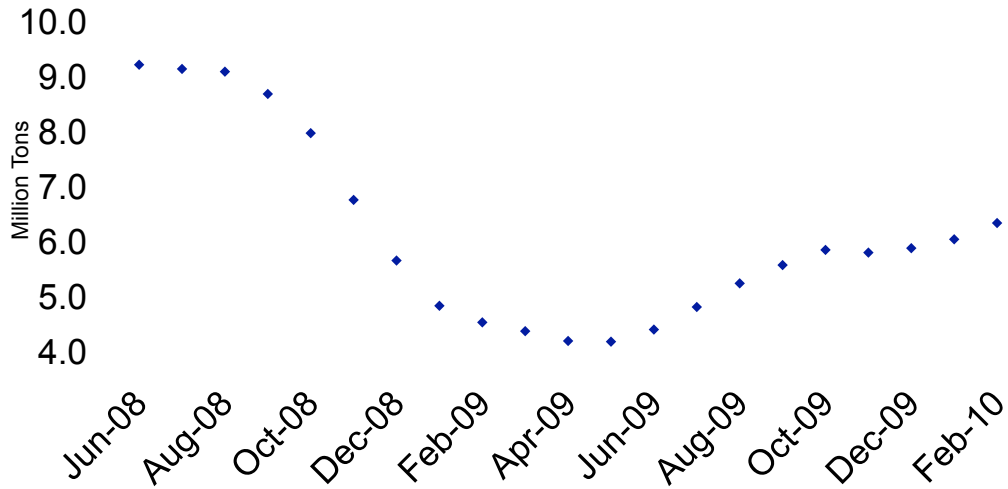
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

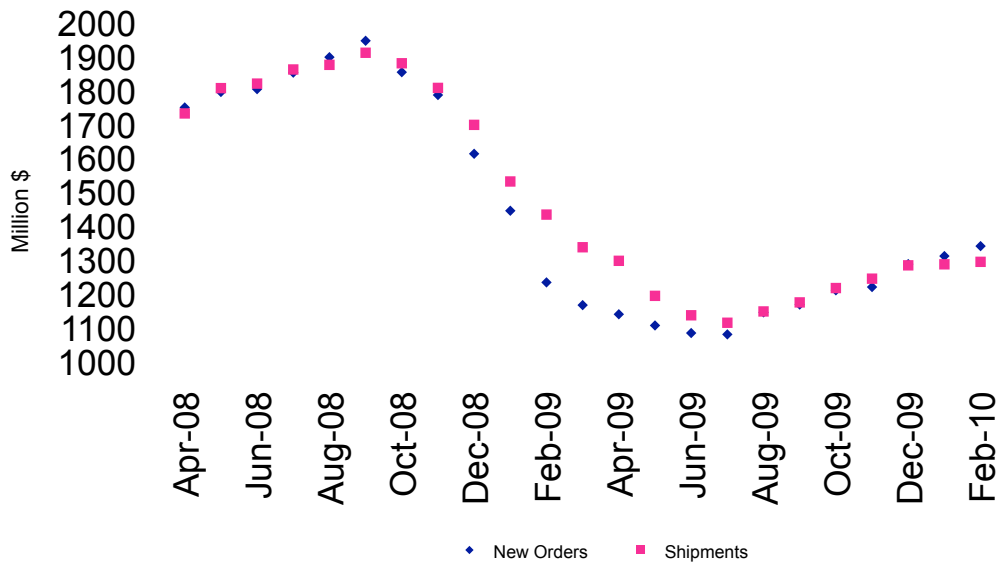
3 month average



AISI Data

Iron and Steel Castings

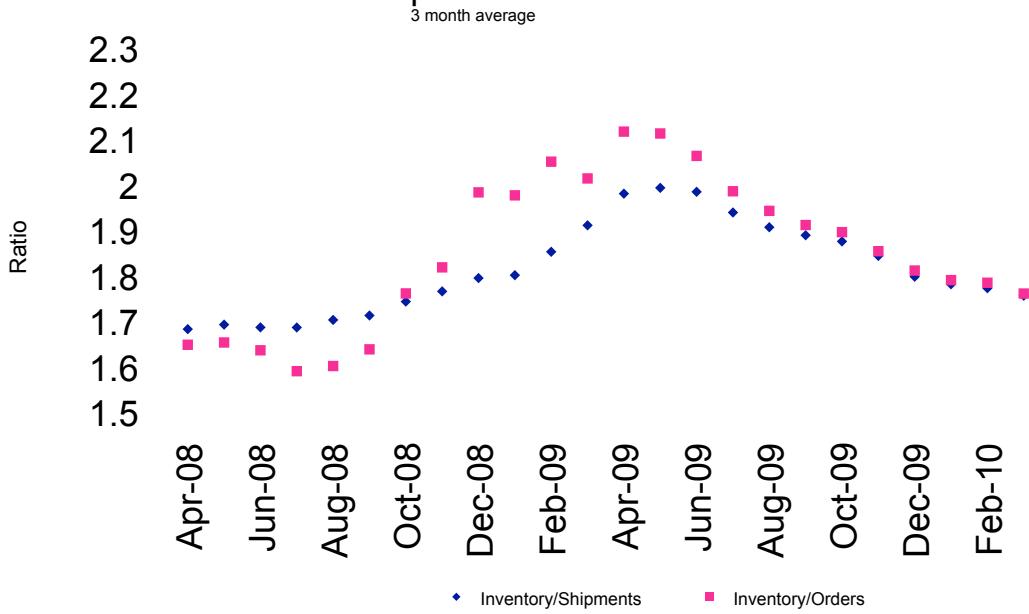
3 month average



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Nondefense Capital Goods less Aircraft



Nondefense Capital Goods New Orders

