

The image features a dark blue background with a white 'MITTAL' logo in the top right corner. The background also contains a photograph of a modern building with a curved, metallic facade, likely the Pritzker Center for Music at the University of Chicago. The building's surface is composed of large, rectangular panels that reflect light, creating a shimmering effect. The sky is a clear, deep blue.

MITTAL

Steel Industry Outlook
Federal Reserve Bank of Chicago
December 2006

Robert J. DiCianni
Mittal Steel USA

Outline

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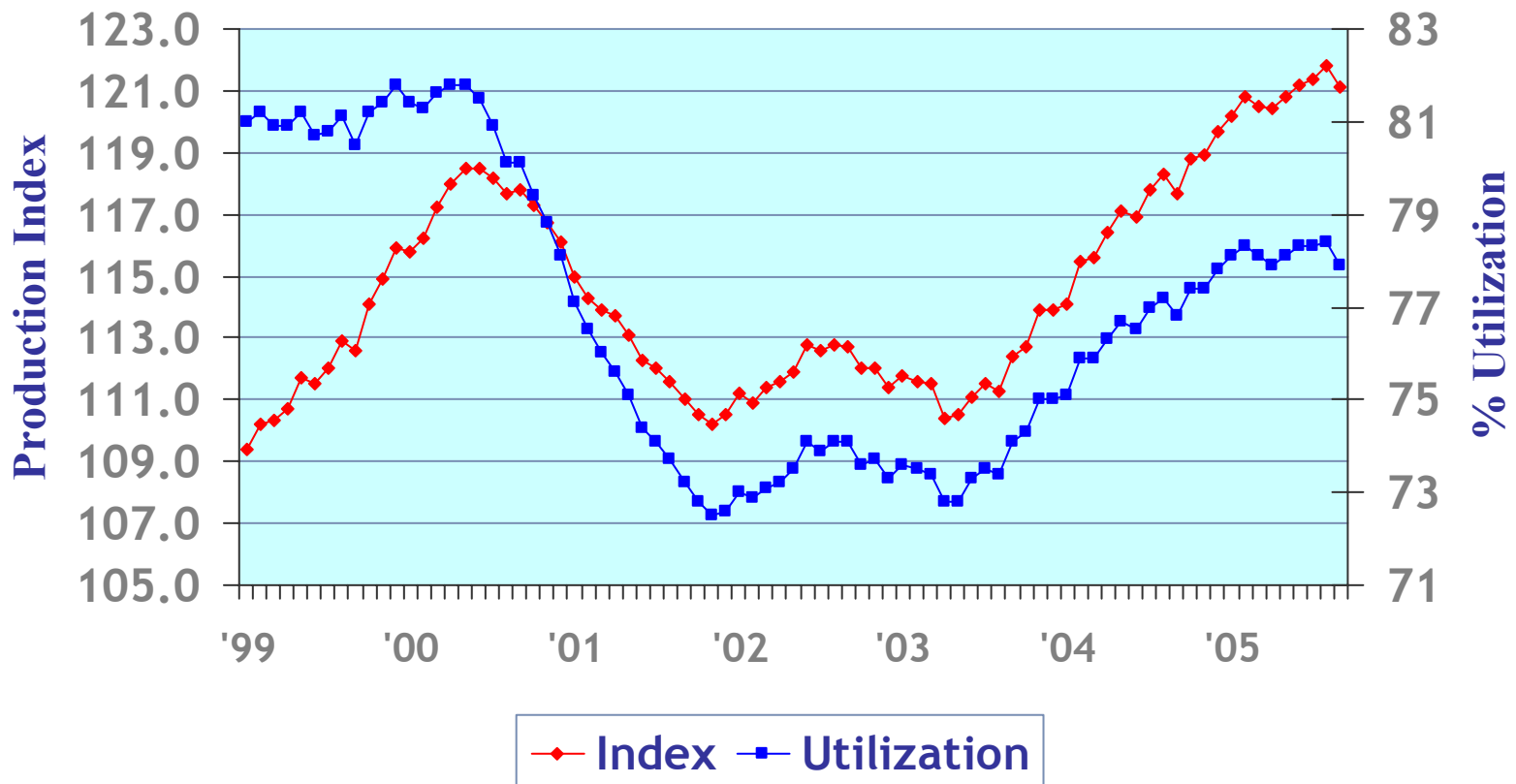
- Overall Outlook
- End Market Outlook
- 2007 Forecast
 - Steel Demand
 - Prices
- Inputs and other factors

Economic Outlook for 2007



	2005	2006	2007
• GDP	3.5%	3.5%	2.7%
• Industrial Production chge	3.9%	5.1%	2.7%
• Business Inventory Chge \$b	22.7	50.1	15.5
• Auto sales (million units)	16.9	16.6	16.7
• Housing Starts (mil units)	2.03	1.84	1.64
• Consumer Sentiment	87.4	91.9	90.0
• CPI	3.4%	3.5%	2.7%
• Mfg Capacity Utilization	78.9%	80.8%	80.0%

Industrial Production Manufacturing Only

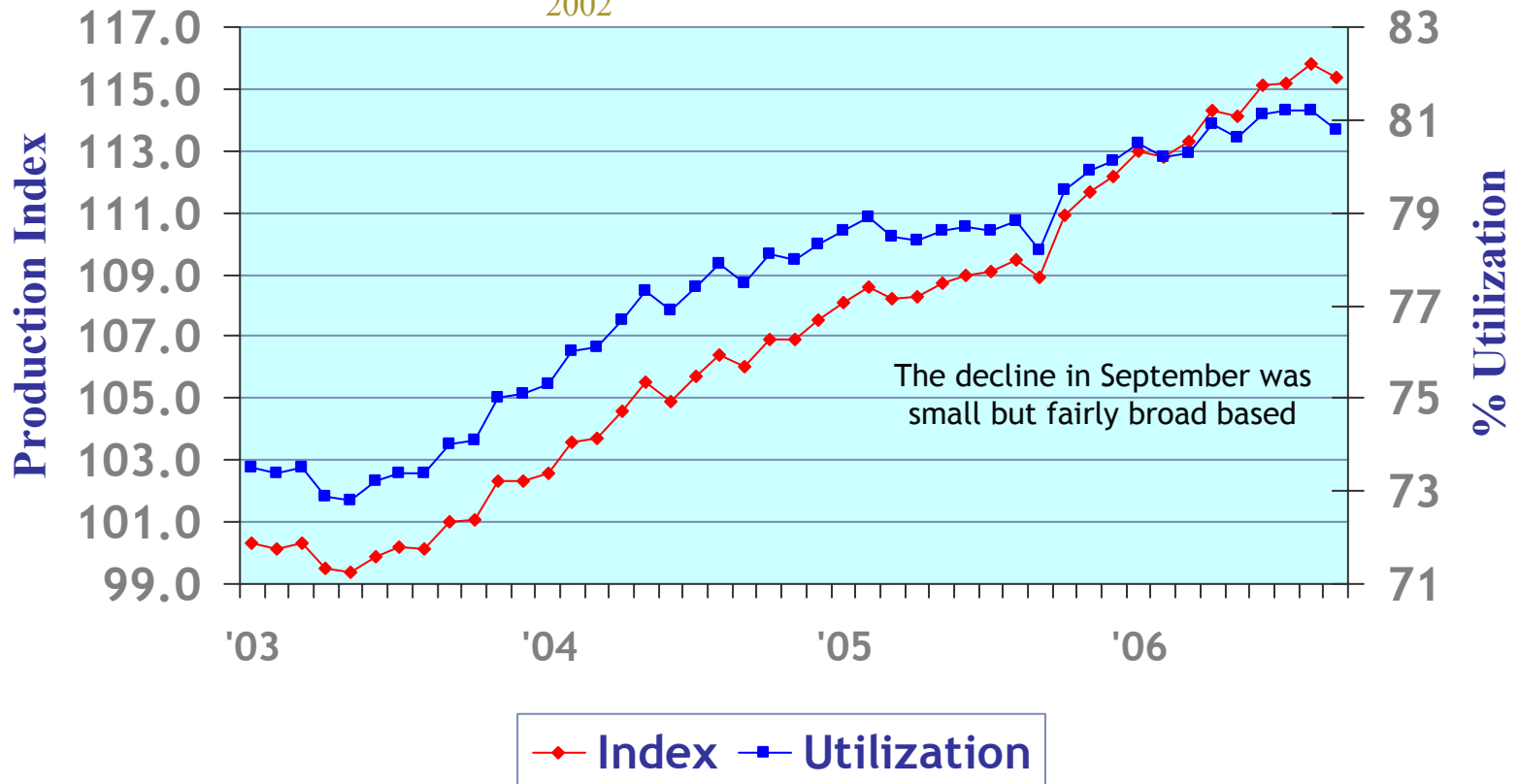


Manufacturing Production Index and Capacity Utilization

Industrial Production

Manufacturing Only

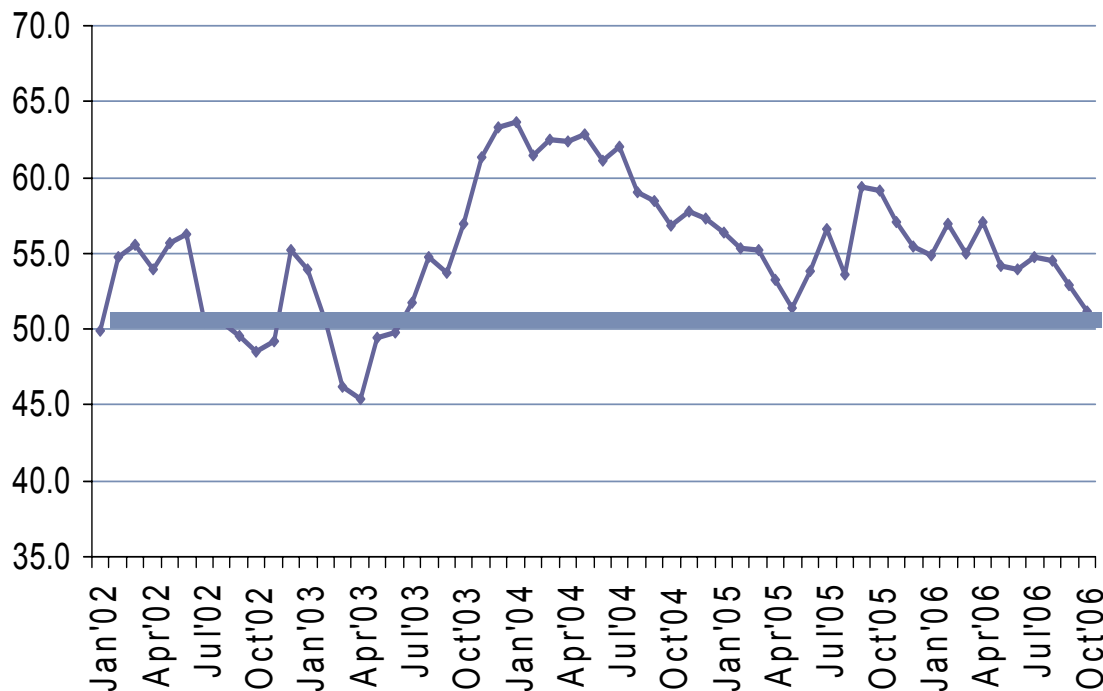
Note that on November 7, 2005 the Federal Reserve changed the base year to 2002



Manufacturing Production Index and Capacity Utilization

ISM Manufacturing Index

MITAL



This ISM index continues to show forward growth in the manufacturing sector, but at a slower rate.

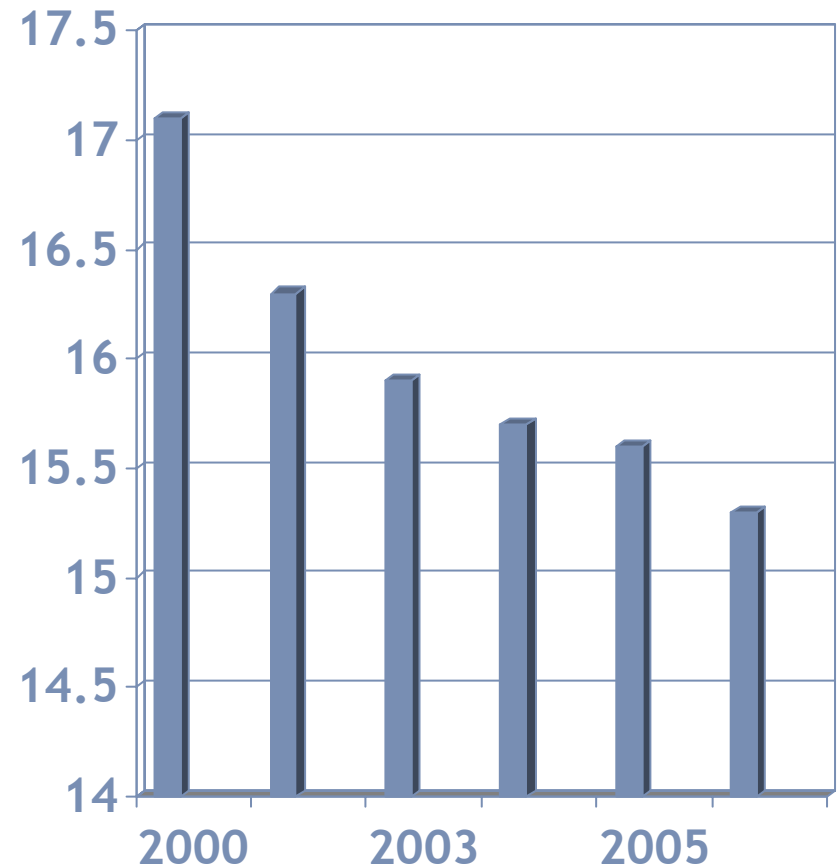
Over 50 indicates expansion in manufacturing.

Automotive



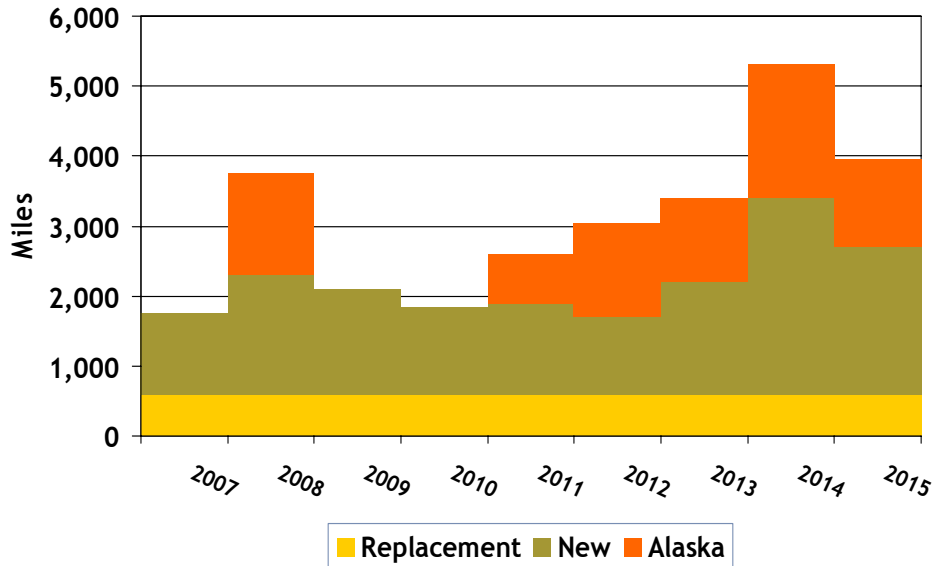
- Market has underperformed for five straight years.
- Imports continue to rise; from 3.2 million in 2002 to 4.2 million in 2005 and 4.5 million in 2006.
- A little over one ton of flat rolled steel per vehicle; 350 pounds of bars and other per vehicle

NA production
(millions of units)



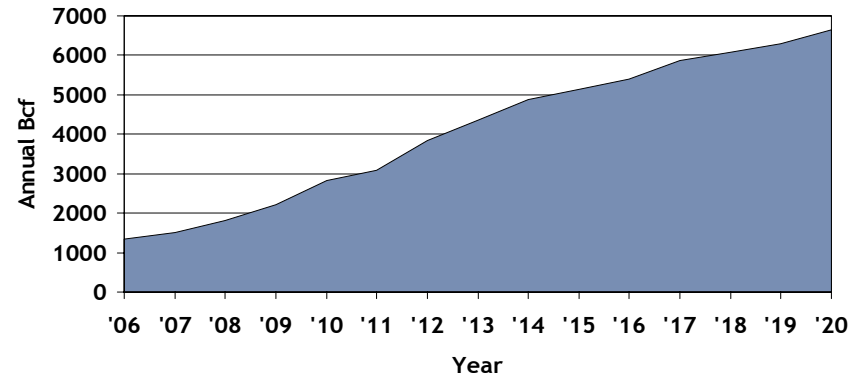
North American Pipeline Forecasts

Miles of Pipeline Additions in North America

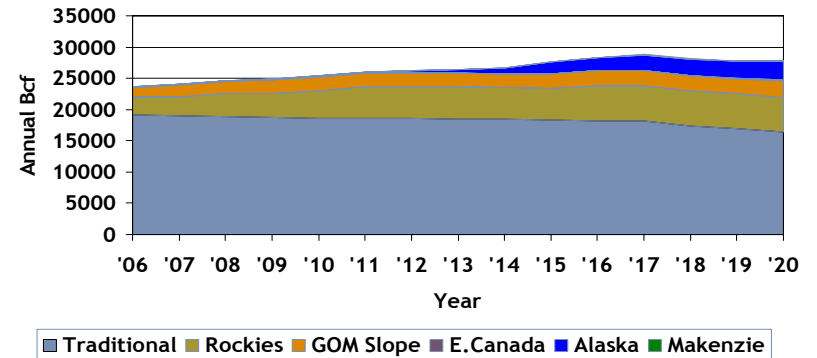


Increased demand and new sources of natural gas supply are driving NG pipeline growth

U.S. LNG Imports



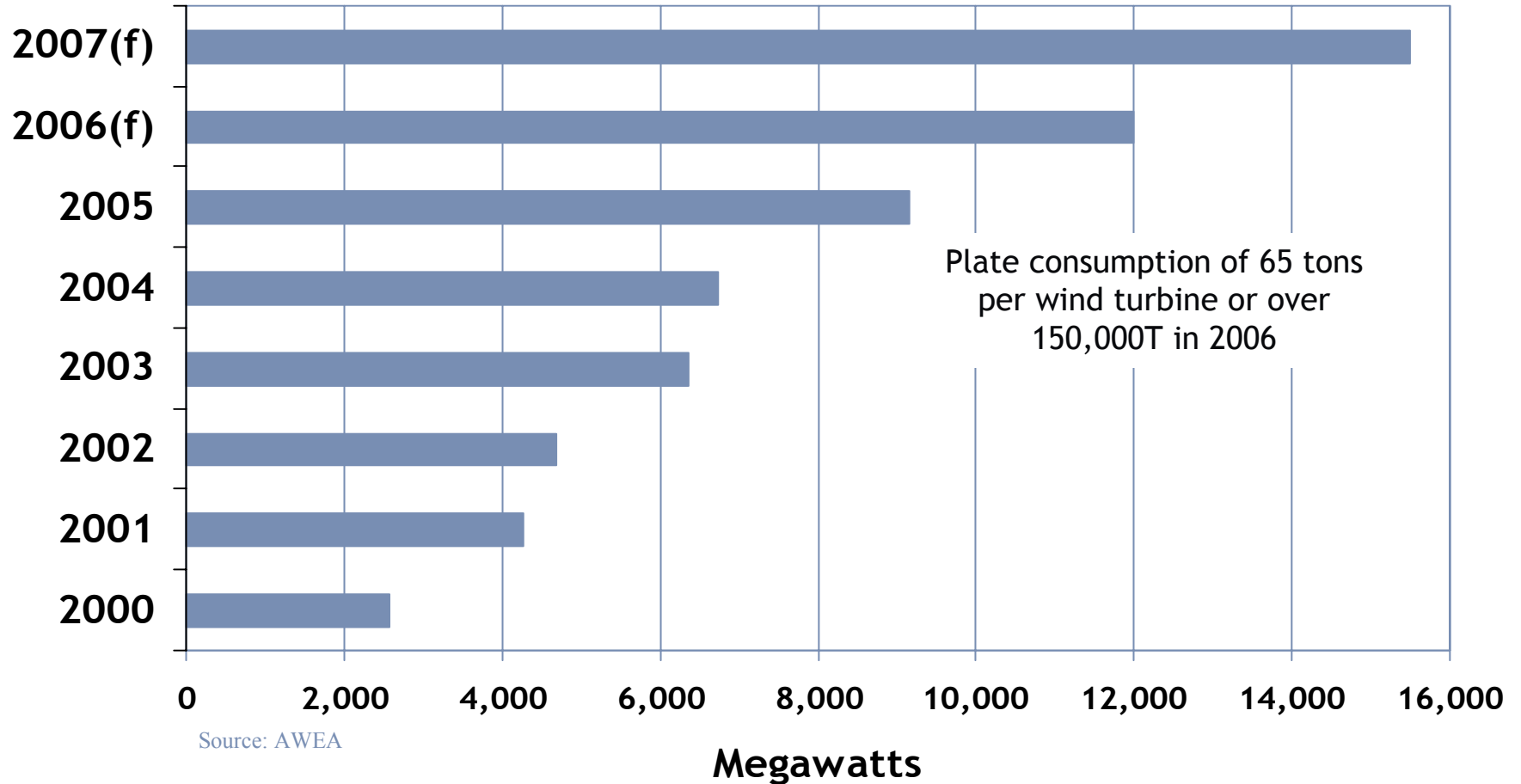
Sources of N.A. Natural Gas



Source: Energy and Environmental Analysis, Inc.

Wind Power

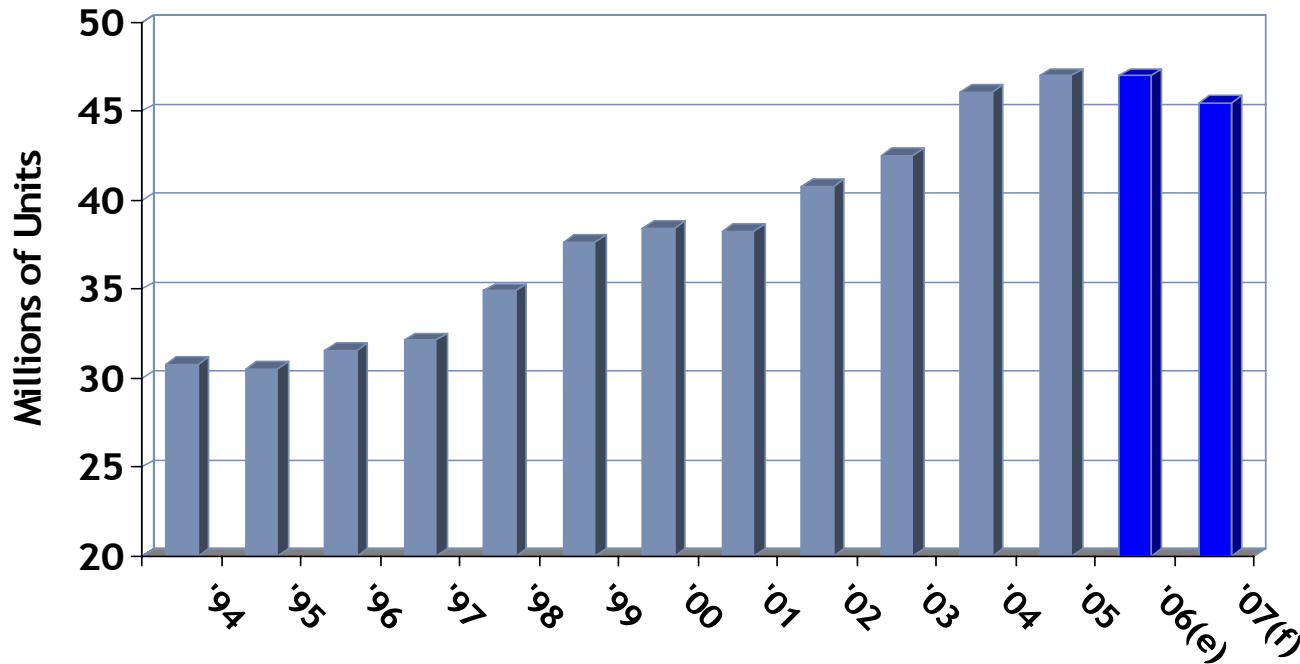
U.S. Installed Capacity



Major* Appliance Annual Shipments



History and Forecast



Appliance shipments drop from record levels as housing starts fall.

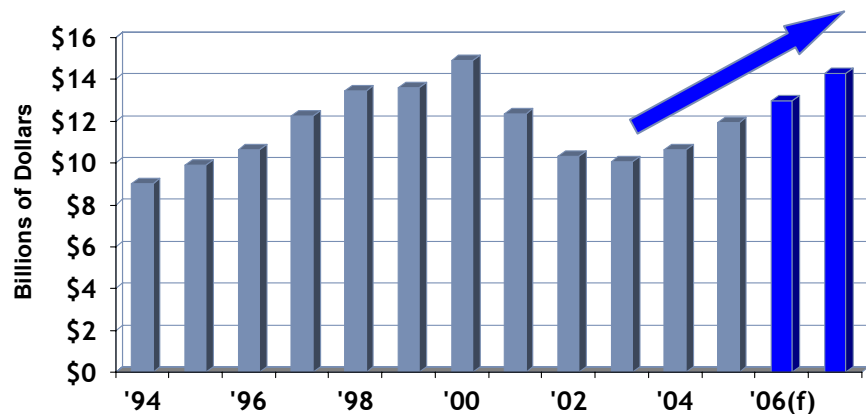
* Washers, Dryers, Dish Washers, Refrigerators, Freezers, Free-Standing Ranges, Built-in Ranges

Electric Machinery

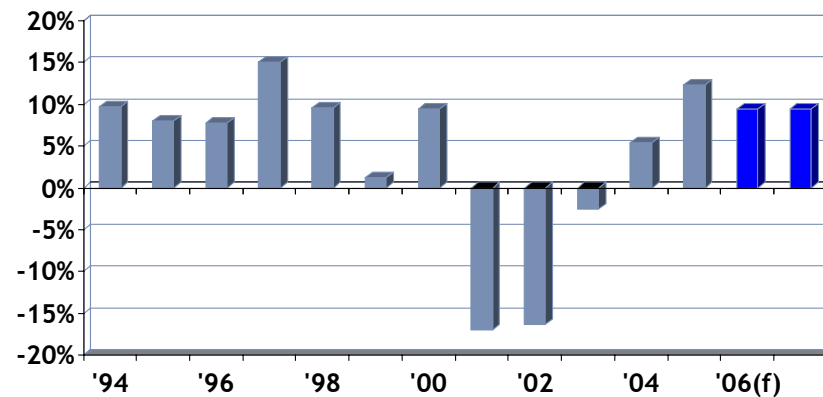
- Electric motors feed everything
- U.S. demand continues to be steady
- Hurricanes and lack of Hurricanes
- Chinese motors enter market through devices
- Domestics active in China and India
- Industry consolidation continuing
 - Emerson
 - Regal/Beloit
 - AO Smith
 - Tempel Steel
- 2005 = 1.6m tons
- 2006 = 1.6m tons
- 2007 = 1.6m tons

Office Furniture Consumption

Office Furniture Consumption



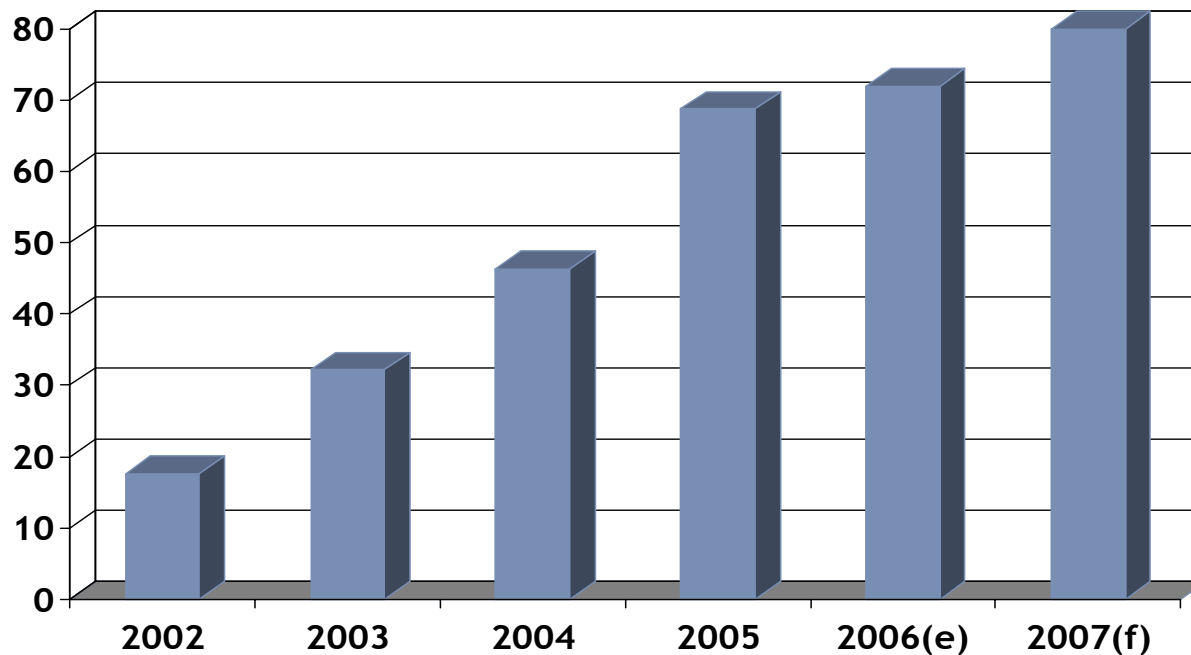
Change in Consumption



Continued growth in consumption of office furniture is anticipated in 2007. Imports constitute approximately 22% of the market, essentially unchanged from 2006.

U.S. Railcar Production

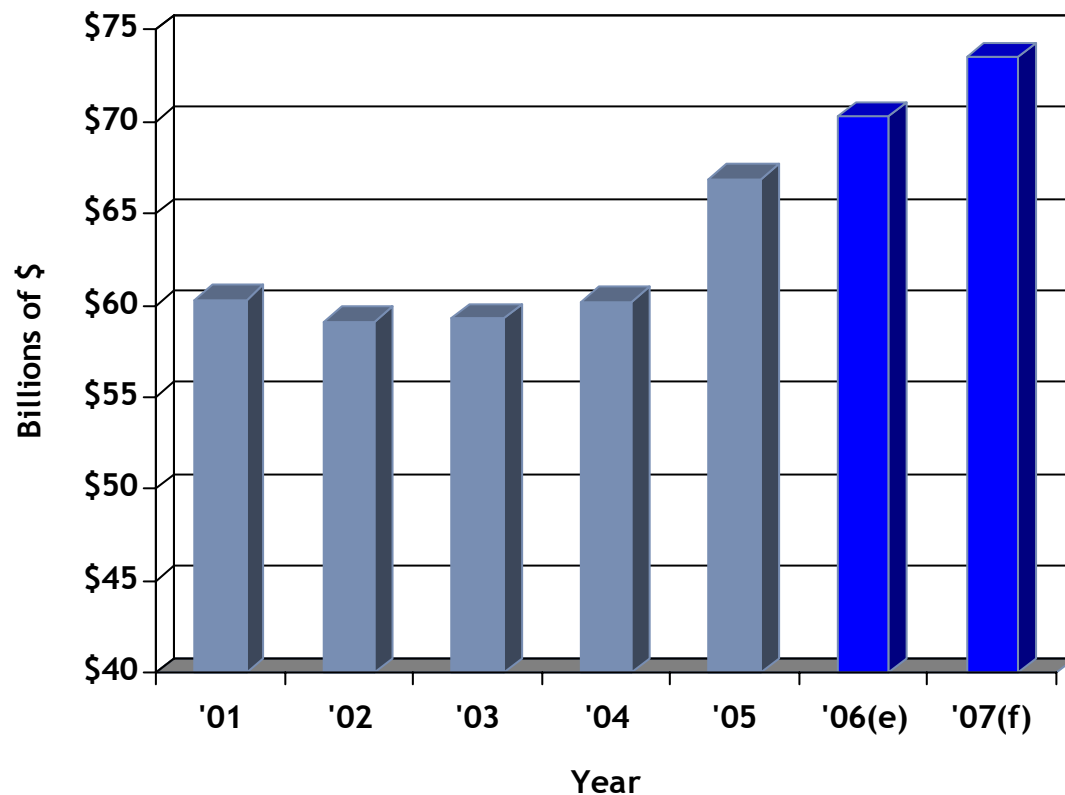
Thousands of Units



Record backlogs in 2006 will fuel strong railcar production throughout 2007. Replacement of an aging fleet, strong economic growth and ethanol production increases are all major drivers.

Highways and Bridges

Value of Construction Work

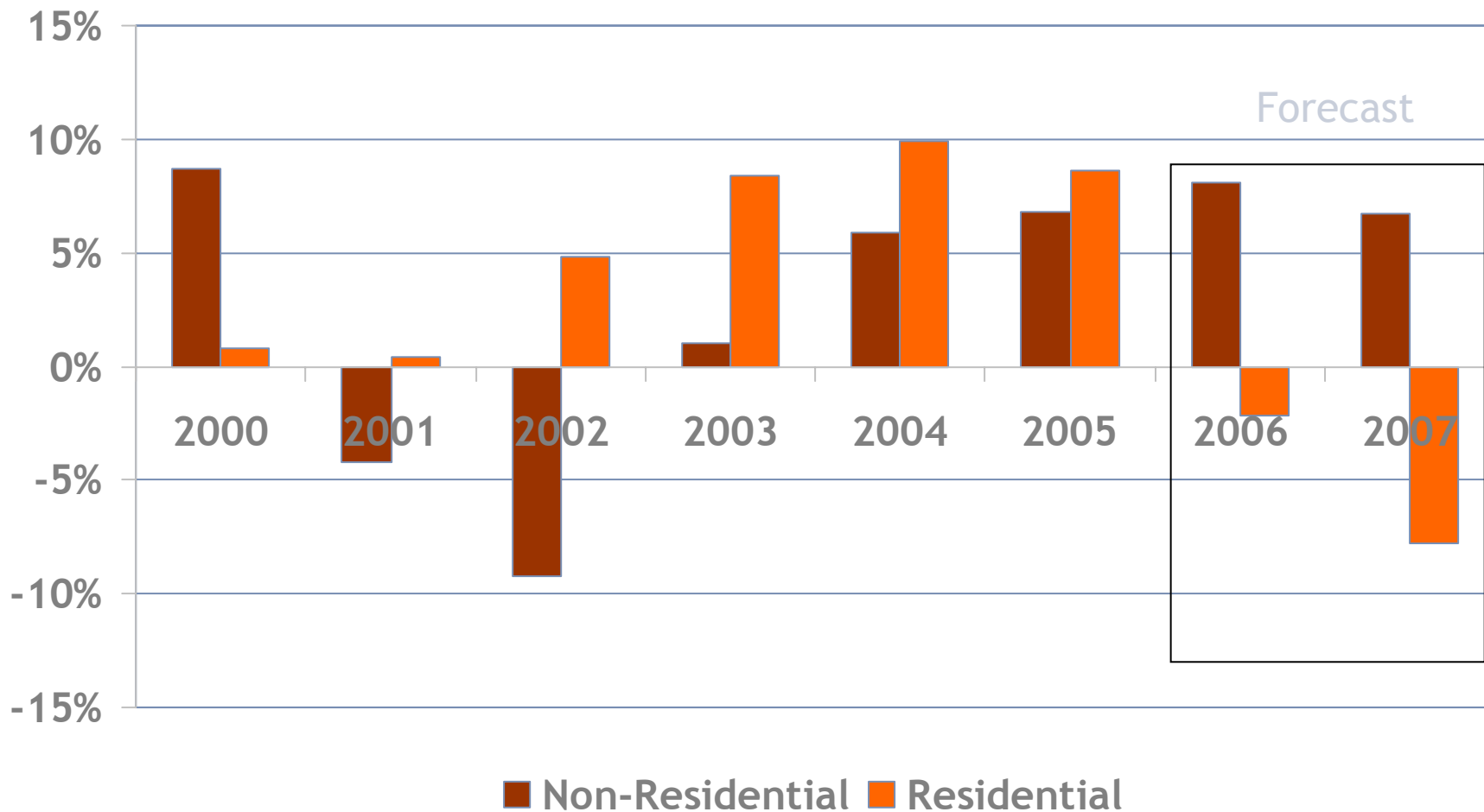


Highway and bridge construction is expected to grow another 4.5% in 2007 partially in response to increased funding under the federal Transportation Bill (SAFETEA-LU).

Investment - USA Fixed



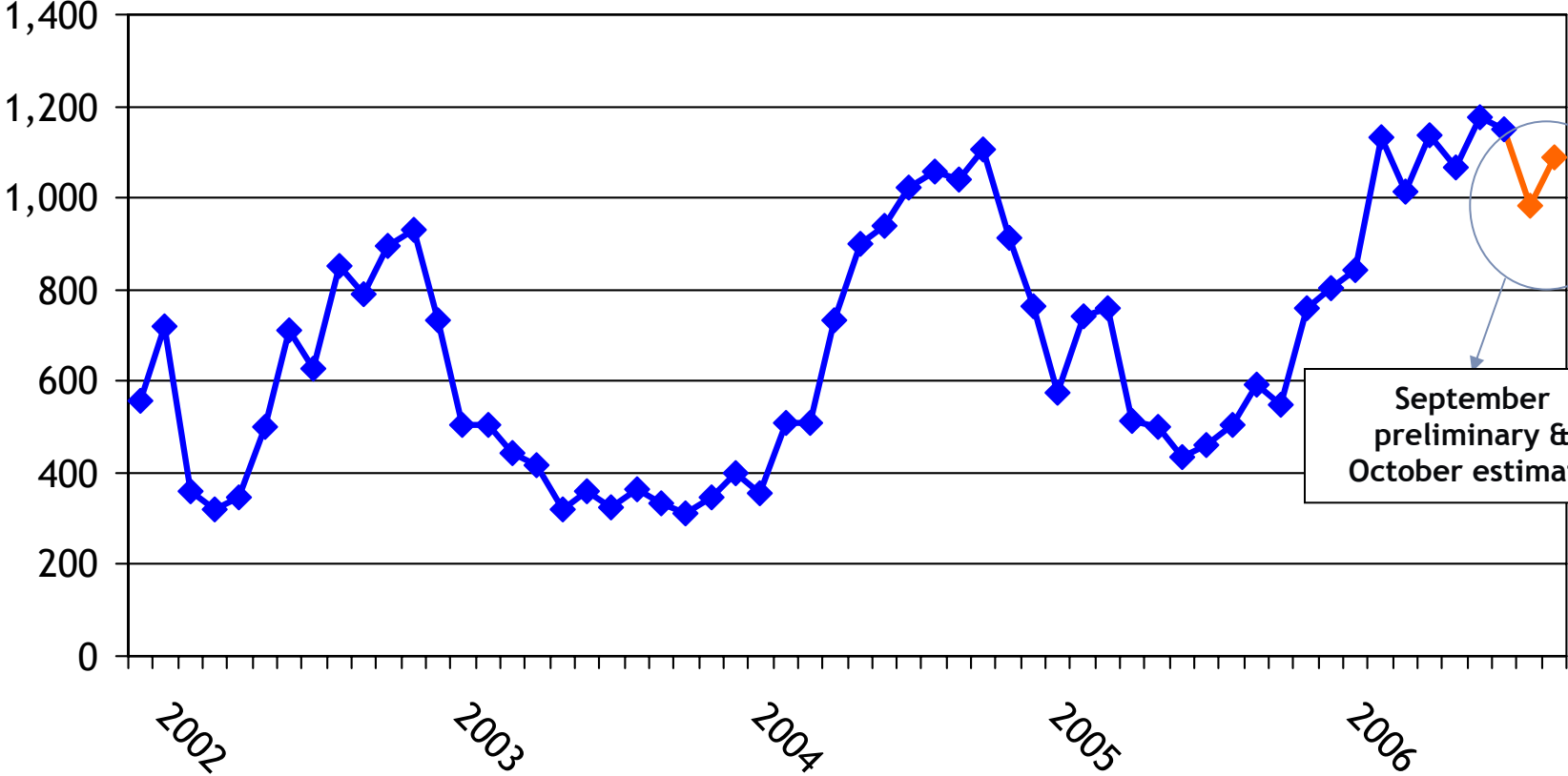
Non-Residential and Residential



US carbon sheet and strip* imports, through October 2006



Imports at high levels



September preliminary & October estimate

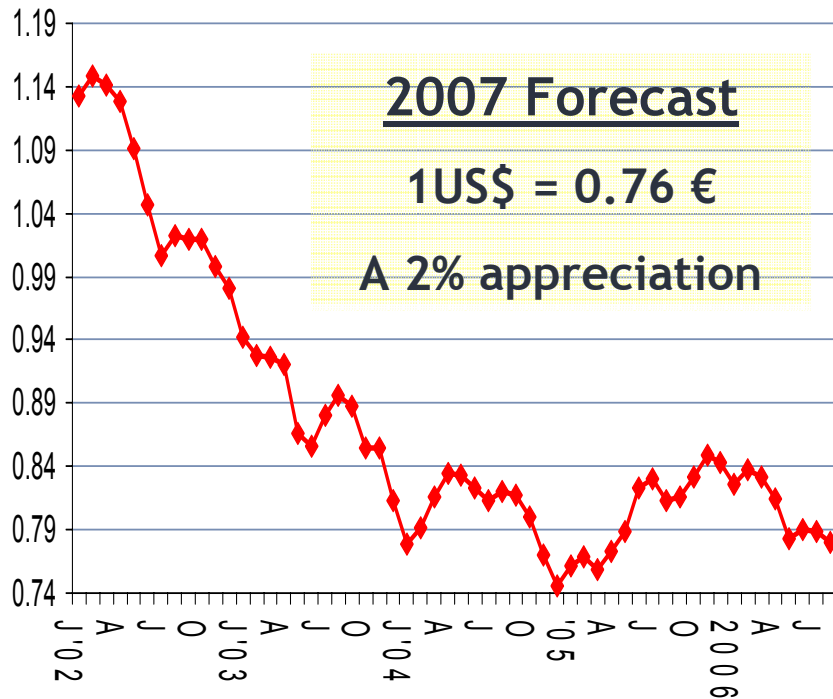
* HR, CR, HDG, EG, other coated, HR Strip, CR Strip

Currency

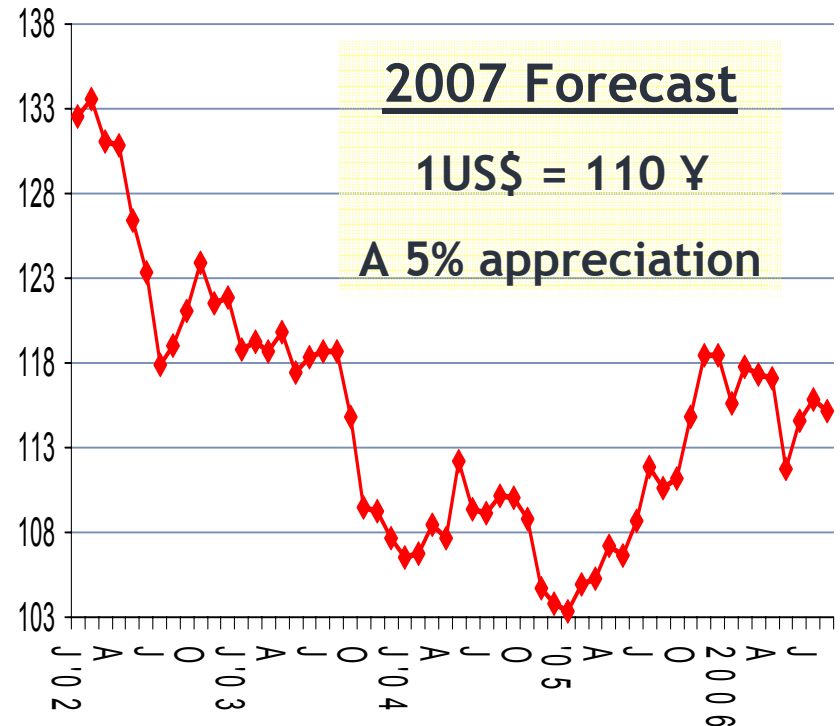


The U.S Dollar weakens again..

Euros to 1 USD 2002 - August 2006



Japanese Yen to 1 USD 2002 - August 2006



The USD will weaken against the Euro and Yen by another 2-5% by the end of 2007. Although the Chinese Yuan will have a controlled float, it will still strengthen vs the US\$.

U. S. Steel Service Center



Number of Months Shipments on Hand

Carbon Flat Rolled

Based on a representative sample of the U.S. Service Center Industry



Not seasonally adjusted

January 2002 through August 2006

U. S. Steel Service Center

Total Shipments & Inventories

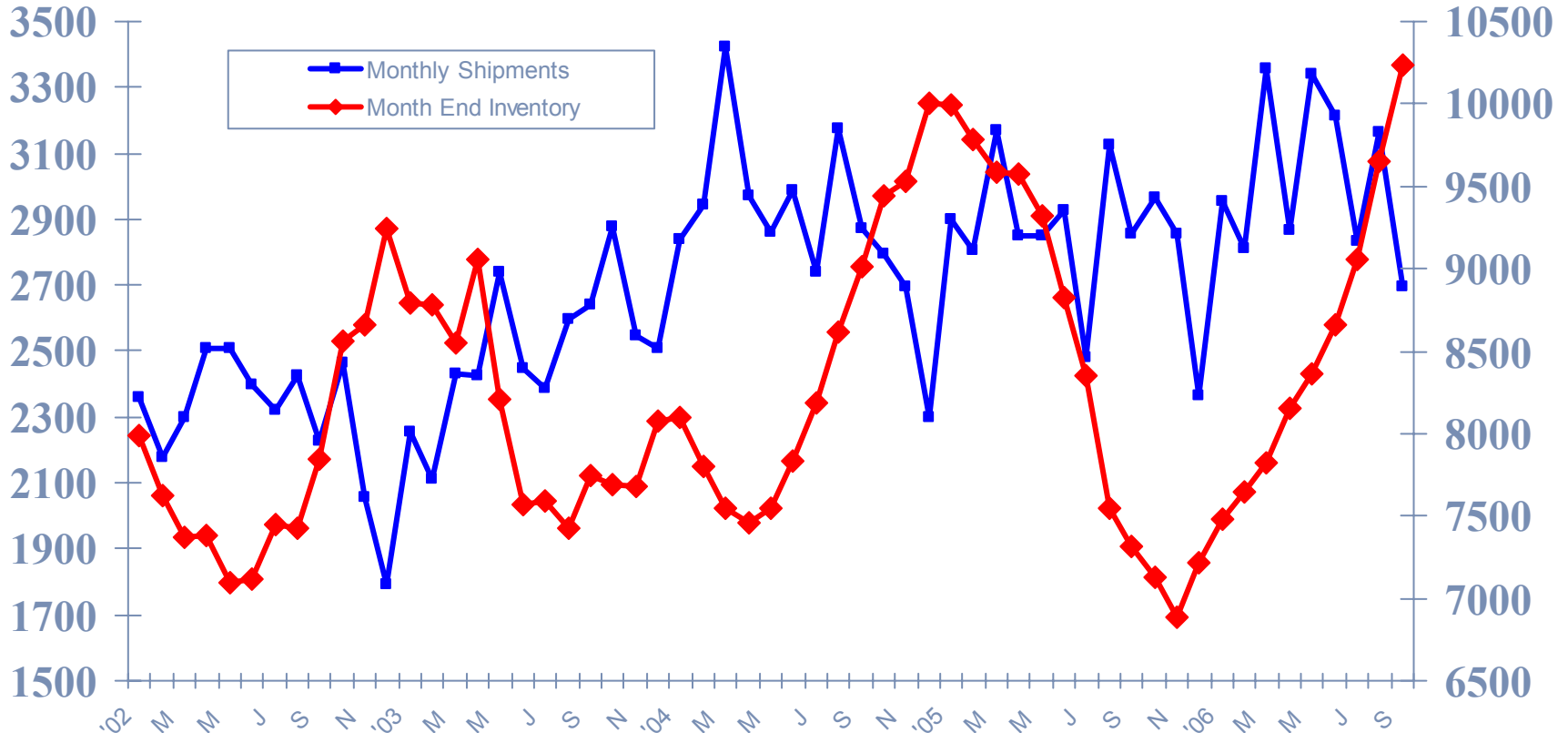
Carbon Flat Rolled



Based on a representative sample of the U.S. Service Center Industry

Monthly Shipments ,000 Tons

Ending Inventory ,000 Tons

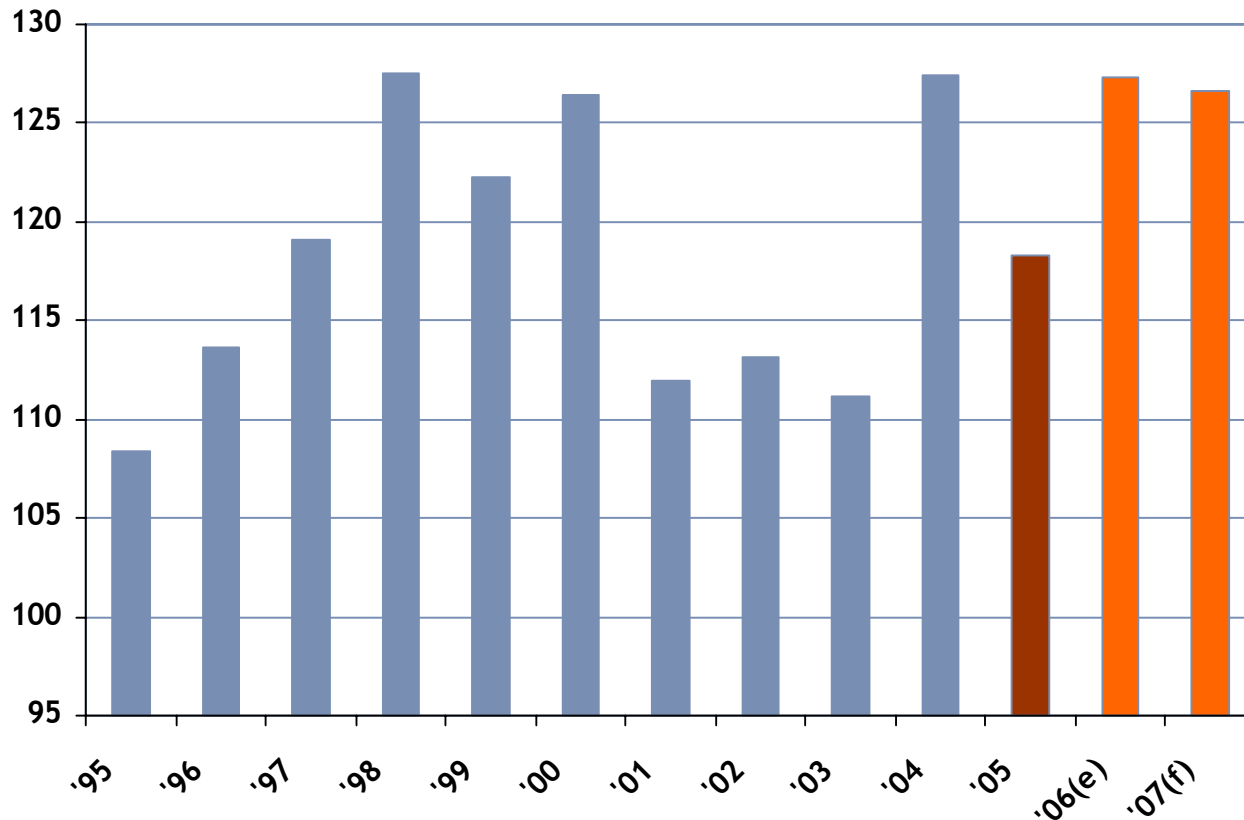


Not seasonally adjusted

January 2002 through September 2006

Apparent US Steel Consumption

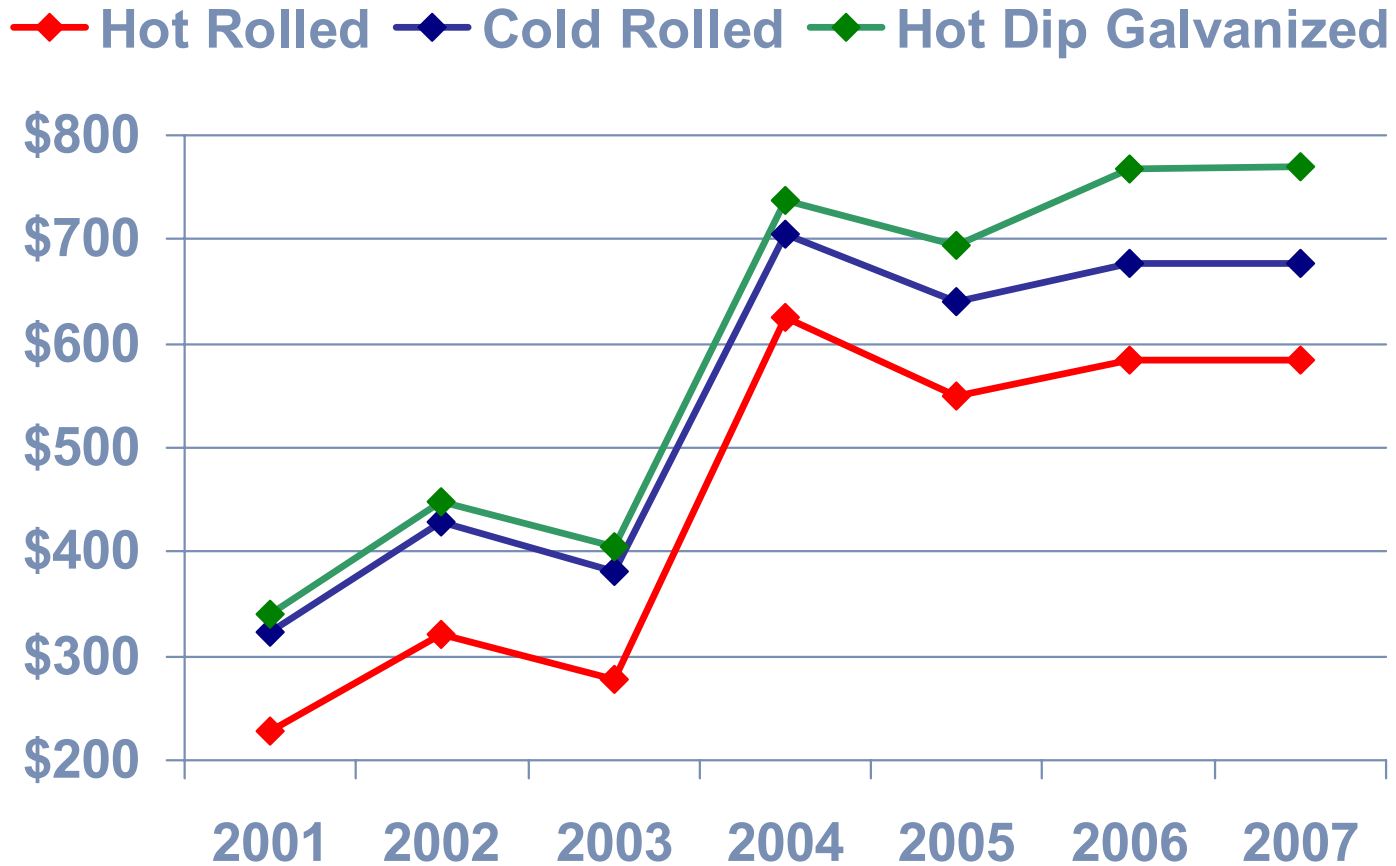
(millions of tons)



Apparent consumption = AISI shipments + finished imports - exports - non raw steel producers

Apparent steel consumption (ASC) in 2005 was significantly impacted by withdrawals from inventory built up during 2004. Inventory was replenished during 2006. Withdrawals from inventory are assumed for Q1 2007. SC inventories grew by 3m tons in 06. If demand remained neutral in 07 apparent consumption should be 3m tons lower as the inventory is burned off 07 will see a more neutral affect on apparent consumption.

Steel Prices



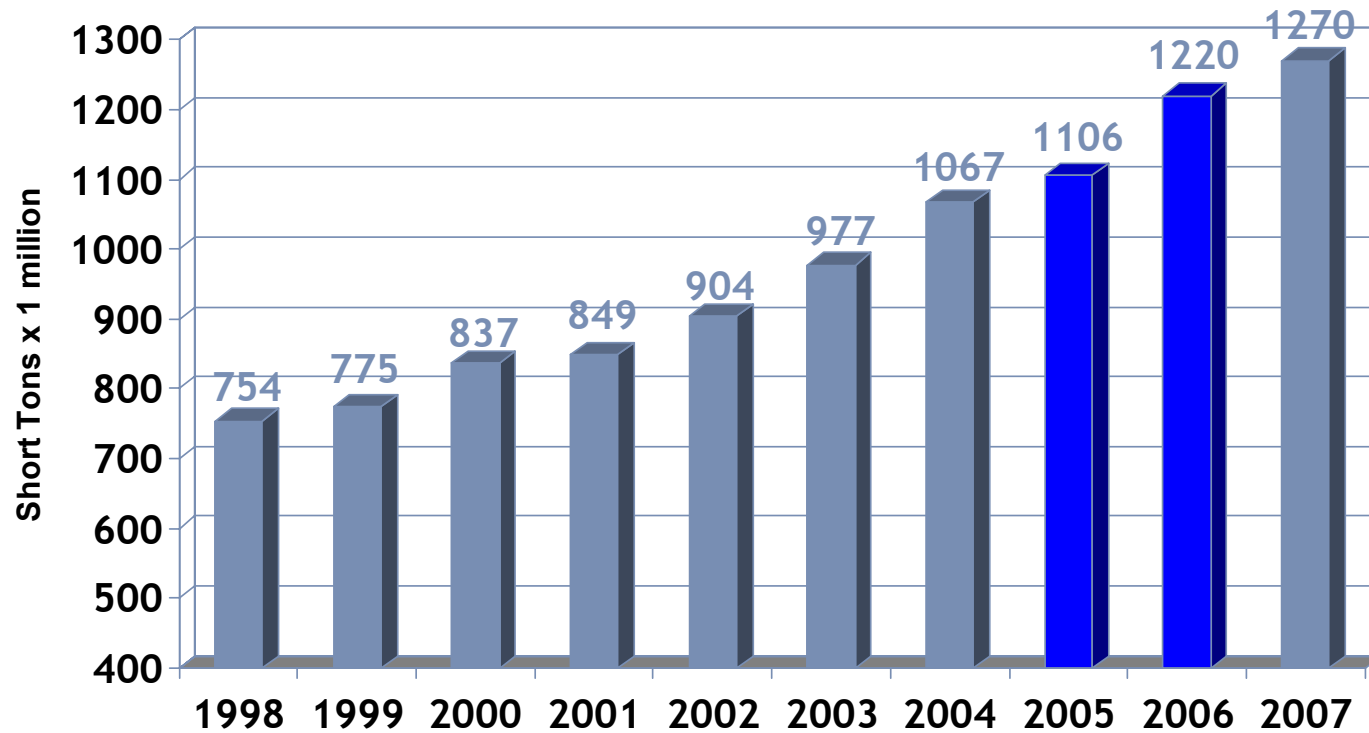
Source: Purchasing Magazine

Trends



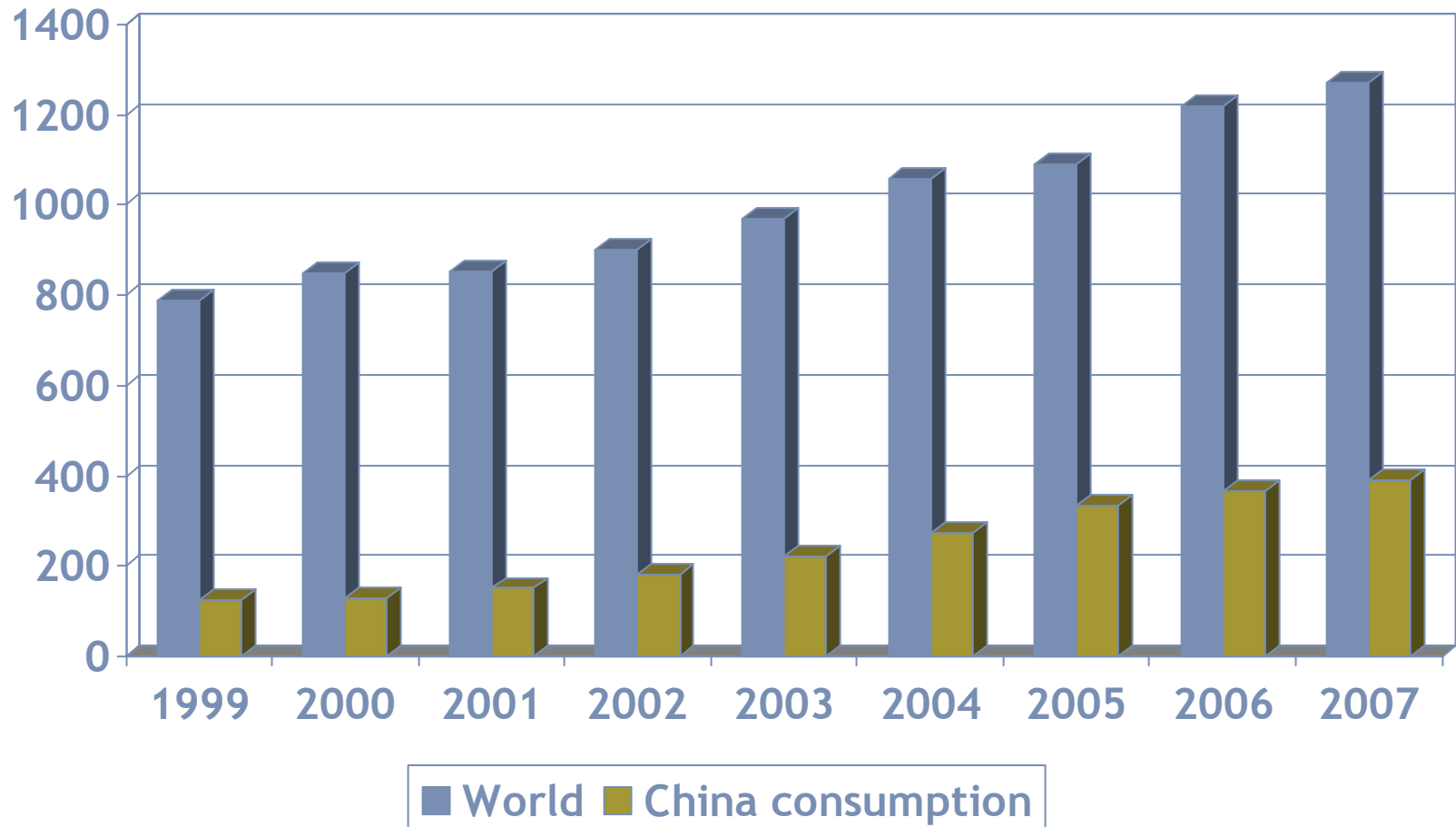
- Global demand is growing
- Lack of investment in infrastructure has put pressure on the global industry
- Production cost increases
- China still leads consumption growth

Global Apparent Steel Consumption



World and China Consumption

000s of tons

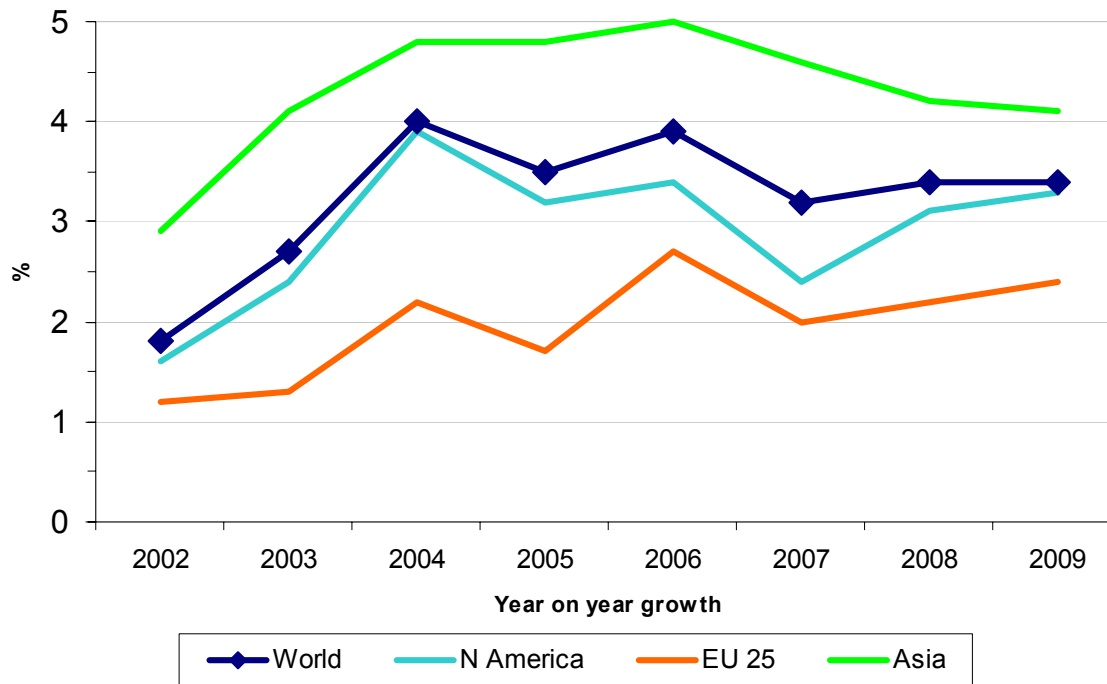


Despite the US economy slowdown, world growth should remain robust



Globalization contributes to the convergence of GDP growth rates between regions

Real GDP growth by region

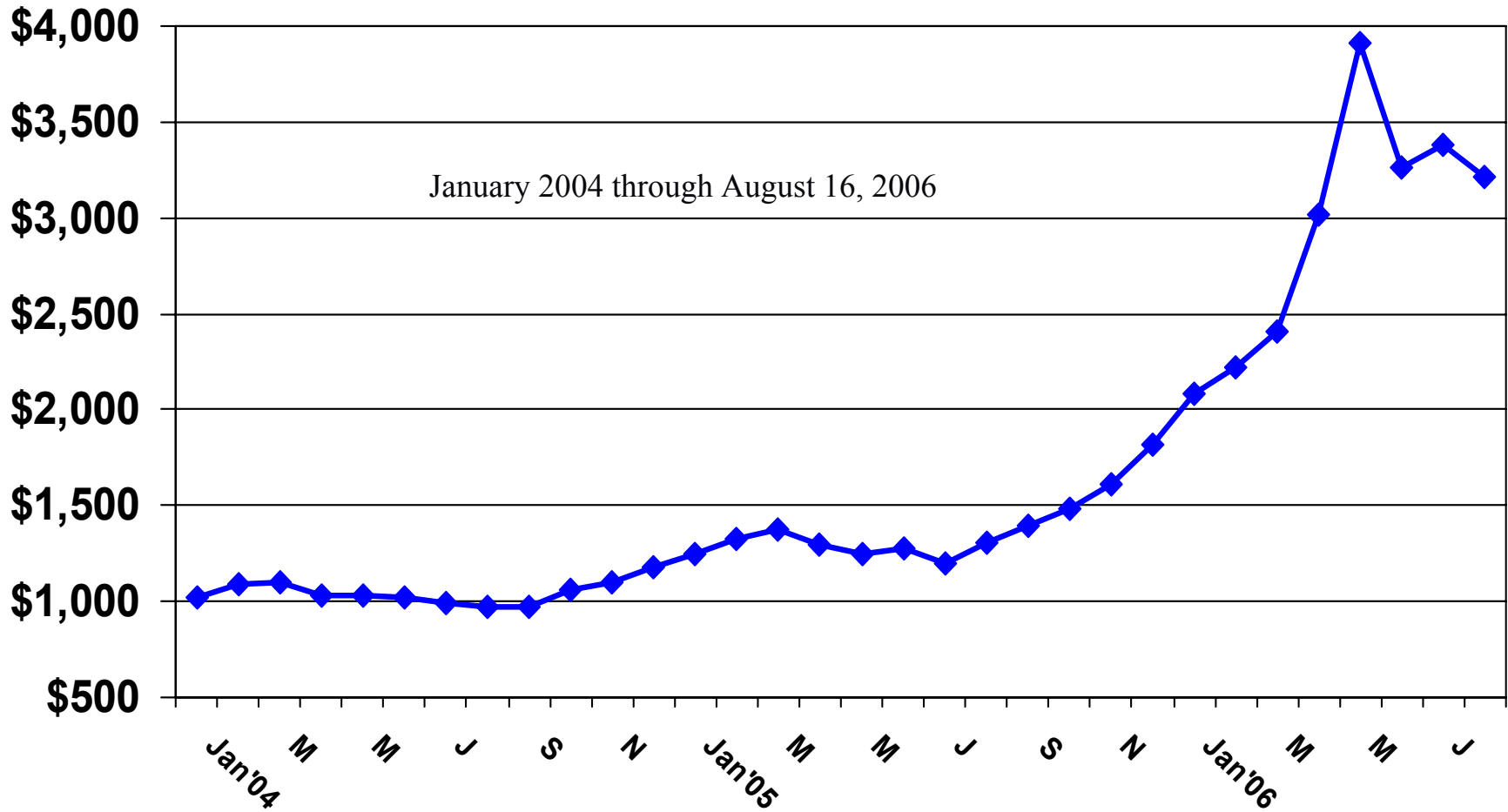


- World growth is stabilizing above 3% p.a.
- North America is already showing a slowdown
- European economies remain quite weak in comparison with ROW
- Despite the US economy decline in 2007, growth in the rest of the world should remain solid
- Growth in Asia will remain strong as China and India continue to surge

Zinc Prices



LME US\$ per Ton



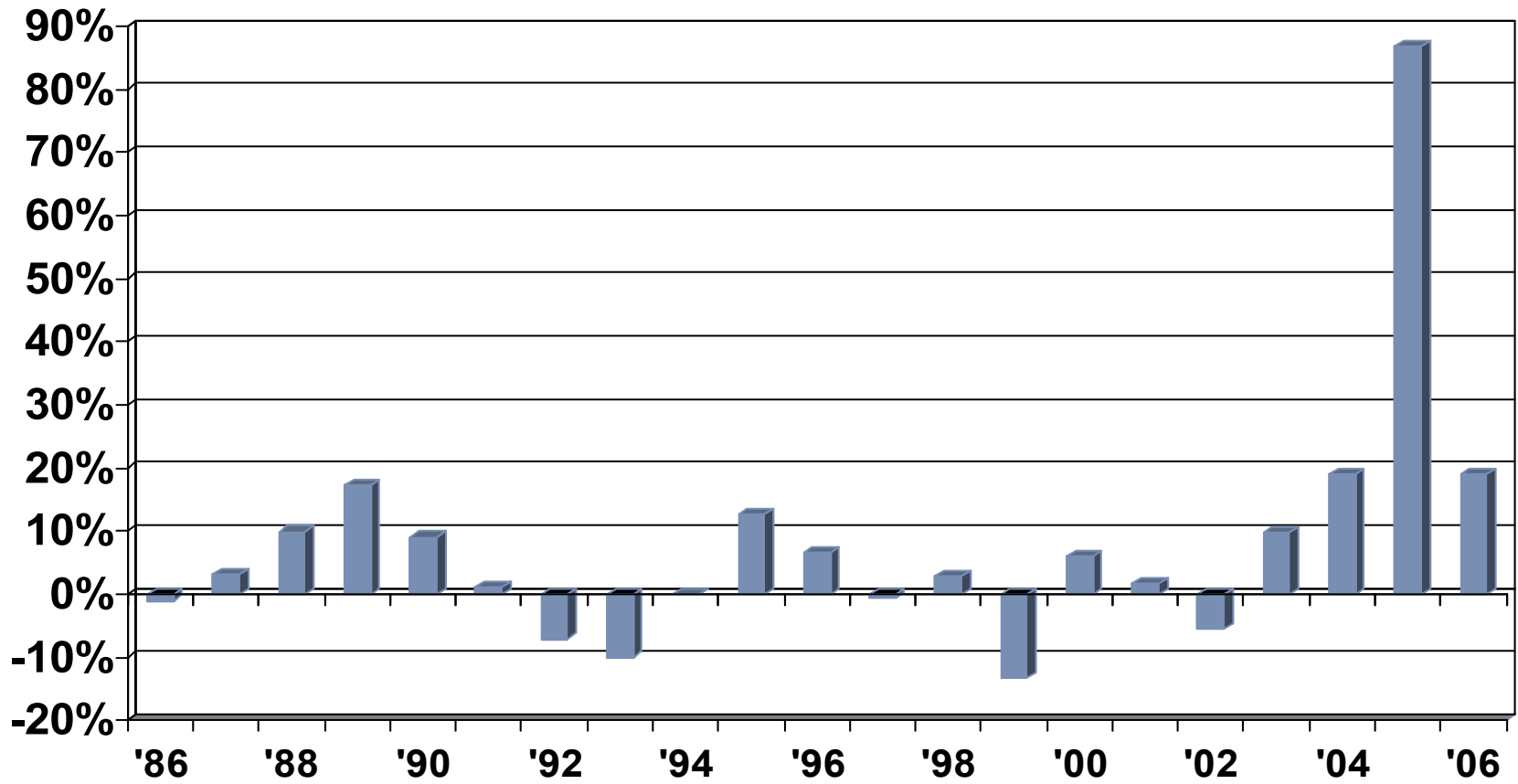
Raw Materials / Zinc / LME Cash seller & settlement \$/t,
end of month

Iron Ore Prices



CVRD Tubarao Pellets

% Change Year on Year



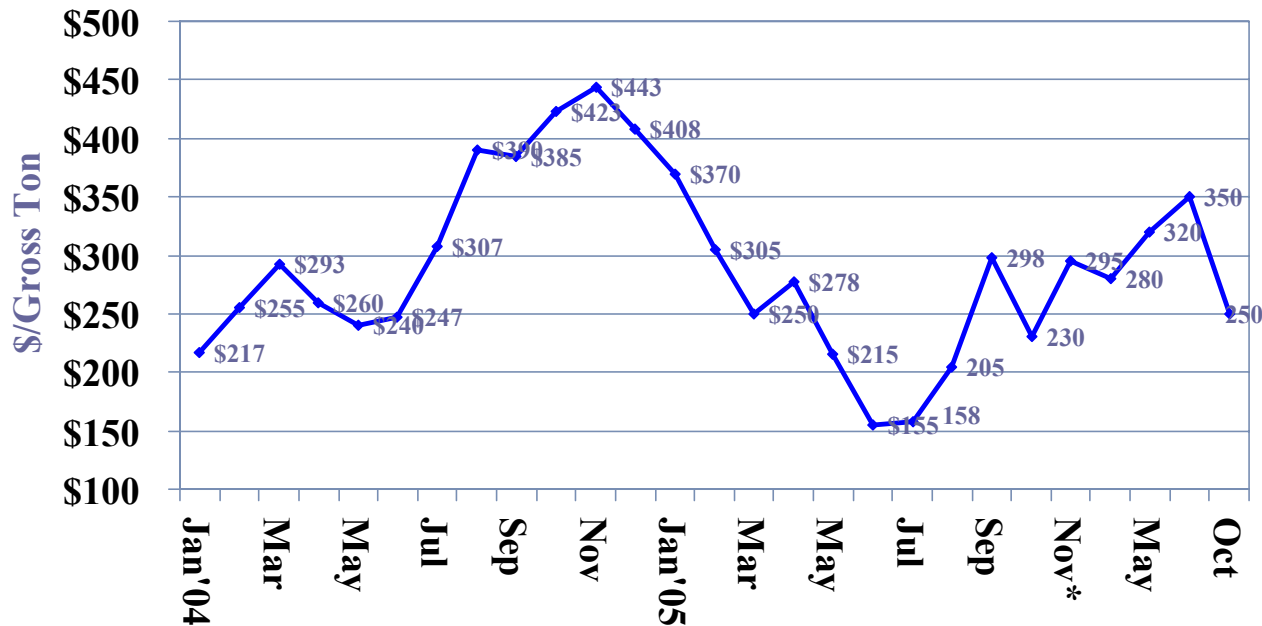
Key World Commodity Pricing



Commodity	2000	2006	% Change
Thermal Coal \$/tonne	\$25.1	\$56.4	125%
Coking Coal \$/ton	\$44.45	\$94.23	112%
Iron Ore \$/tonne	\$28.8	\$77.35	169%
Natural Gas \$/1000m3	\$110	\$293	166%
Electricity Cents/KwH	4.3	5.78	34%

Source - steelonthenet.com

Prices - Scrap Steel Auto Bundles Purchasing Magazine



January 2004 through October 2005 plus November projected

Supply of scrap substitutes are now beginning to flow into the USA again and scrap processing has increased. Some scrap price moderation is expected.

2007 Forecast Summary



- The economy will continue to grow only at a slower pace. No recession is forecast over the next 18 months.
- Housing starts will drop from record levels
- Auto production steady
- Appliance shipments will decrease slightly from record levels
- Non-residential construction will continue to be strong; the manufacturing sector is strong.
- Inventories will decrease
- Imports will decrease
- Steel consumption and apparent consumption will decrease slightly compared to 2007.
- Energy and geopolitical events remain risk factors.