

NEWSLETTER

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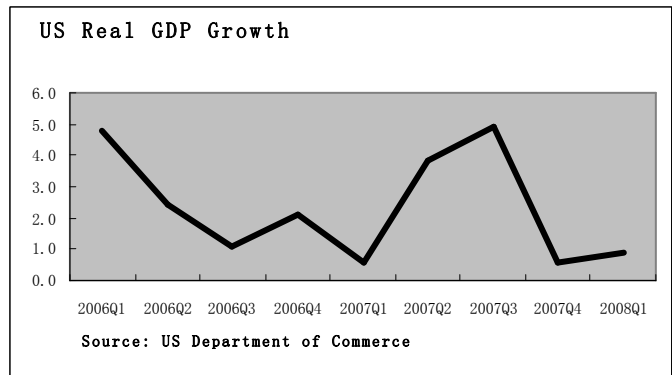
U.S. ECONOMY REMAINS SLUGGISH

U.S. economy grew at an annual rate of 0.9 percent in the first quarter. The continued slow growth in GDP reflecting a decline in housing market and continued weakness in consumer spending.

In May, U.S. unemployment rate jumped 5.5%, which represents the biggest rise since 1986.

The Consumer Price Index, a key inflation reading, 4.2% through the 12 months ended in May.

For the month of May, overall CPI rose 0.6%, compared to an increase of 0.2% in April. That's the biggest increase since last



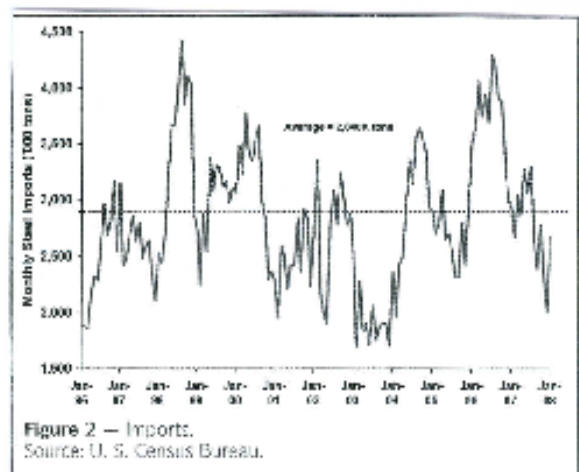
The dramatic increase in energy costs were largely responsible for the overall inflation. Energy costs rose 4.4% in May, and surged

17.4% over the 12 months ending in May.

STEEL INDUSTRY

U.S. demand for steel products in auto industry continued to decrease, showing negative growth on year-on-year basis.

On the other hand, the demand for steel products in energy sector recorded spectacular growth.



RAW MATERIAL PRICE TRENDS

Rapidly rising raw material prices are impacting integrated mills, with iron ore price increase of 474% since 2002 and 65% in the last year. Coking coal price rose more than 400% since 2002 and 100% in the last year.

Considering these increases, as well as rising scrap prices, the cost to make a ton of steel has increased approximately \$100 in the last year.

Higher natural gas and electricity costs will also have their own impact on higher steel production costs.

Item	Item cost per unit		Unit	Per ton usage	Cost per ton of steel		Change	
	2008	2007			2008	2007	\$/ton	%
Integrated (AKS, X):								
Iron ore	\$168	\$35	ton	1.2	\$190	\$76	\$51	65%
Coking coal	\$128	\$88	ton	0.4	\$71	\$36	\$36	100%
Scrap (auto bundle)	\$309	\$295	ton	0.2	\$80	\$59	\$21	35%
Total cost increase for integrated					\$280	\$173	\$107	62%
Minimills with both flat and long products (NUE, STD):								
Scrap (10 Hdy) - 50% long products	\$346	\$258	ton	0.5	\$173	\$129	\$45	35%
Scrap (auto bundle) - 50% flat products	\$350	\$295	ton	0.1	\$199	\$147	\$52	35%
Total cost increase for minimills with both long and flat products					\$450	\$301	\$149	50%
Mini mills with long products only (CMC, GNA):								
Scrap (10 Hdy)	\$346	\$258	ton	1	\$346	\$258	\$88	35%
Total cost increase for minimills					\$346	\$258	\$88	35%

Figure 21 — Impact of raw material costs on steel costs. Source: American Iron Market, Q5 Research estimates

BDI SEES RECORD DECLINE AS PORT CONGESTION EASES

Bloomberg reported that the BDI, a measure of shipping costs for commodities, posted a record decline in June 12 as port congestion in Australia and China eased and on speculation China may buy less iron ore.

According to Baltic Exchange in London, the index tracking transport costs on international trade routes dropped by 963 points or 8.7% to 10,472 points.

According to the industry analyst, this move was reflection of potential for slowing iron ore buying in China after the nation's stockpile rose to a record level, and signs of port congestion easing in Australia and China.

Capesize rates recorded one of their steepest falls on June 12, dropping as much as USD15,000 per day on the major Pacific route, as demand for iron ore and coal

STEEL PRICES ARE GETTING TOO HIGH

What a difference a couple of months makes. In March, Ian Christmas, secretary-general of the International Institute of Iron and Steel (IISI), told Reuters that there was no sign that the strong global demand for steel that had been driving up prices would slow down any time soon.

But in June, Bloomberg reported that the vice chairman of IISI, Paolo Rocca, said world demand would slow down in another three years

The reason: high prices for iron ore and other raw materials. The U.S. steel scrap is setting record highs in price, partly because high export prices are leaving little scrap for the U. S. market.

The high raw-materials costs are one of the factors pushing up the price of steel. But some analysts say mills have overcompensated, forcing unwarranted price hikes.

Market analysts says the resulting high steel prices are not sustainable, and predictions of an eventual drop in demand would seem to back up that assertion.

Meanwhile, sustainable or not, all steel grades tracked by purchasingdata.com increased by an average of 14% between April and May

INDUSTRY NEWS

RHI AG completed the acquisition of two refractories ISO plants in Scotland (bonnybridge) and United States(Saybrook), both previously operated by Foseco plc, ISO products.

ENucor Corp's Wholly owned subsidiary,

The David J. Joseph Co. completed the acquisition of substantially all the assets of Galamba Metals Group, Kansas City, Mo. Galamba operates 16 full service scrap processing facilities in Kansas, Missouri and Arkansas (including two automobile shredders).

Tenova Melt Shops has been chosen by Vallourec & Sumimoto Tubos do Brasil Ltda, a joint venture formed in mid 2007 by France's Vallourec and Japan's Sumimoto to supply a Greenfield plant in Brazil comprising Consteel, an EAF and a dedusting system.

U.S. Steel plans carbon alloy synthesis, co-gen facilities in Alabama

United States Steel Has filed permit application for construction of a new carbon alloy synthesis facility and a cogeneration facility in Port of Epes in Sumter County, Ala. The proposed facility would utilize state-of-the-art technology supplied by Carbomyx Inc. to process coal

said to have the potential to displace traditionally manufactured coke in the steelmaking process.

ArcelorMittal and Nippon Steel to add second continuous galvanizing line at I/N Kote

ArcelorMittal is expanding its joint-venture partnership with Nippon Steel Corp. with the construction of a new continuous galvanizing line(CGL) at the I/N Kote facility in New Carlisle, Ind.

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*As a WISCO community member,
we encourage you to contribute your
story. Send your story to
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WISCO America Company Ltd., wholly owned by Wuhan Iron & Steel (Group) Corp., was established in 2007 in California, USA. WISCO America is the headquarters for various [Wuhan](#) Steel Group subsidiaries in American Continent.

As an important window for [Wuhan](#) Steel Group's international trading business in America, WISCO America Company Ltd. mainly deals with exporting steel products, and importing raw materials for its parent company. In addition, WISCO America is planning to expand trading services to various items, including textiles, energy, metals, food, and beverages. WISCO America is also planning to form a joint venture with other leading steel companies to acquire iron ore mines in American continent.

WISCO America's goal is to constantly pursue ambitious growth and become number one or two in each of the market it serves.
