



FIRST, THE GOOD NEWS: MSCI data indicates inventories declined to levels not seen since November 2005. Shipments also declined but service center execs and analysts were quick to point out why.

Centers' steel stocks sag to 22-month low in Sept.

CHICAGO — Steel service center inventories sank again in September, with stocks reaching levels not seen since November 2005, according to data from the Metals Service Center Institute (MSCI).

Shipments also declined, although service center executives and analysts said the drop, along with a rise in months of supply above a benchmark level, didn't concern them because there were four fewer shipping days in September than in August or October. The 3.1 months' supply held by U.S. service centers in September, up from 2.8 months in August, would have been closer to 2.6 months' supply in a 23-shipping-day month, they said.

"We believe we'll see a correction back to about 2.8 (See **SERVICE CENTERS**, page 2)

Service centers' steel stocks fall to 22-month low in Sept.

(Continued from page 1)

months of supply for October," James P. Bouchard, chairman and chief executive officer of Esmark Inc., Chicago, said. "The mills continue to ship on Saturday, when most service centers are down."

U.S. steel product inventories fell to 12.6 million tons in September, down 3.6 percent from the previous month and down 24.3 percent from September last year, the data from Rolling Meadows, Ill.-based MSCI shows.

Steel product shipments of slightly more than 4 million tons during the month were down 13.4 percent from the previous month and were off 8.1 percent from September 2006, but daily shipments climbed 4.9 percent to 211,800 tons in September from 202,000 tons in August. Year-to-date shipments of 40.1 million tons were down 7.9 percent from the first nine months of last year.

The September inventory decline was larger than expected, with all products falling, Michelle Applebaum, managing director of Michelle Applebaum Research Inc., Chicago, said in her latest Steel Market Intelligence report. Products registering accelerated rates of decline included bar (down 6.9 percent), plate (down 10.2 percent) and stainless steel (down 13.5 percent), she said.

However, supplier-driven pessimism is still expected to dominate in a market that is increasingly seeing supply tightening. "Pessimism breeds disbelief in price increases in sheet, which means that buyers will continue to liquidate inventories into a rising market," Applebaum said.

Flat-rolled inventory levels were down 0.4 percent in September, while average daily shipments increased 5.8 percent from a month earlier but remained 3.3 percent below 2006 levels, she said. This suggests a sheet-short environment will be seen

going into 2008, although declines in long products and plate inventories are healthy.

"Our feeling is that inventories have been slowly but surely declining. In most cases, they are plus or minus in balance," Joe Klein, chief executive officer of Klein Steel Service Inc., Rochester, N.Y., said. "As far as we can see, shipment tonnage isn't great but it's OK. If the number of inventory tons are going down and shipments are OK you know you're going to be in better shape."

The MSCI also reported that aluminum product inventories and shipments declined in September. Aluminum product inventories totaled 272,000 tons, down 12 percent from August and off 29.9 percent from a year earlier. Shipments totaled 89,000 tons, down 13 percent from August and off 16.1 percent from September 2006.

Philip Burgert
pburgert@amm.com