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Recovery Fires Up For Steel Industry May 4, 2010

Amid firming signs of recovery in the U.S., some steelmakers are expanding operations and re-hiring in hopes of getting an early jump on burgeoning demand in the energy, appliance and automotive markets.

Welspun Corp., is increasing production at its Little Rock, Ark., operations to 24 hours a day and the India-based manufacturer said Monday it will hire up to 230 more workers to produce its oil and gas pipelines.

ArcelorMittal, the world's largest steelmaker, said last week that it would restart production at a major operations center in Indiana that makes steel for nearly all markets. French steelmaker Vallourec SA is expanding its Youngstown, Ohio, operation to make pipe for natural gas drilling.

Overall, U.S. steel mills are operating currently at between 70% and 75% of capacity, two-thirds busier than at the start of 2008 when operating rates were hovering between 40% and 45%. At their higher utilization rates, most steelmakers should return to profit this quarter. Some steelmakers, including Pittsburgh-based U.S. Steel Corp., have logged a string of quarterly losses due to the downturn in the steel consumption.

Despite the optimism, steelmakers said Monday are still not sold that their industry's nascent recovery will last.

"We are seeing in some sectors a much stronger uptick: Automotive and in the last quarter or so, appliances and the energy sector," said Dan DiMicco, chief executive officer of Nucor Corp., of Charlotte, N.C. Mr. DiMicco and other top executives met in Boca Raton, Fla., to discuss the industry outlook. "We are optimistic, but we are cautiously optimistic," he said.

James L. Wainscott, chairman of AK Steel Holding Corp., West Chester, Ohio, said that government stimulus programs designed to spur infrastructure building have so far had a minimal effect on new steel orders. He said that construction, both residential and commercial, has been sluggish.

But other steel markets, particularly in the energy sector, are going strong. Vallourec is investing \$650 million at its Youngstown plant to beef up production of small-diameter steel tubes that can be used for drilling for natural gas in the Marcellus basin, one of the largest shale formations in the world, spanning from West Virginia, to Pennsylvania to New York.

At Welspun's Little Rock operations, the large-diameter pipe maker said that it has a backlog of orders until 2012 thanks to a flurry of new pipelines being built across the U.S.

Energy companies are building pipelines in anticipation of the country's growing energy needs several years from now, said Joel Johnson, vice president of North and South America sales.

Mr. Johnson said that the demand fueling Welspun's Little Rock operations is not as beholden to short-term economic swings because it takes years for pipeline projects to be completed. "That's why we feel we can put more money into Little Rock because we know our customers are working on jobs beyond 2010," he said.

Unlike other major steelmakers, Welspun is cushioned because it makes its large diameter pipes to specific order and does not have to worry about looking for buyers on the open market. The company

said that once it adds the 230 or so new workers, its workforce will number around 600, nearly double what it was this time last year. Hiring has already begun, Mr. Johnson said.

Mr. Johnson said that since the mill began operation early last year, it has processed 1,200 miles of large diameter pipe, much of it for a natural-gas pipeline stretching from the Rocky Mountains to California.