



## First Quarter 2008

### Business Outlook Survey

Thank you for your participation in the business outlook survey sponsored by AIMCAL. Thirty-four member companies participated in the survey this quarter. This is a sixteen member decrease over the number of members who participated in the fourth quarter survey. This is the second quarterly survey reported since the conversion of the survey from bi-monthly to quarterly.

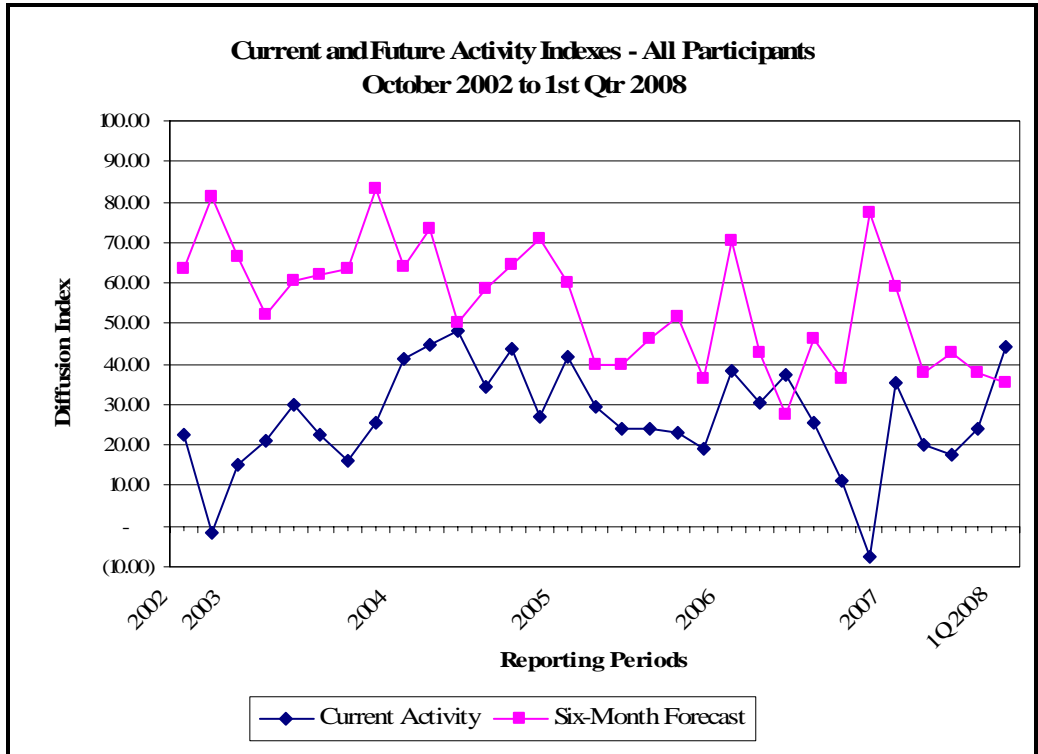
Survey conclusions are drawn from a diffusion index, which is defined as the percentage of participants indicating an increase minus the percentage indicating a decrease. A decrease in the index means that member expectations have fallen when compared to the prior reporting period. An increase in the index indicates that members are more optimistic about economic conditions than they had been in the last period. Conclusions drawn are based on a limited sample of data and should not be taken out of the context of this survey.

No individual replies have been quoted or published as part of this analysis. This data has been summarized by Alto Mila Consulting, LLC of Cleveland, Ohio.

### Current Activity Rises as Forecasted Activity Falls

While expectations for growth over the next six months fell 2.71 percent, the current period index increased 20.11 percent. After peaking at 77.50 percent in December 2006, the forecasted general activity has fallen more than 42 percent to this quarter's reading of 35.29 percent. This is the second lowest reading for this index since the survey began, the lowest reading occurring in June 2006.

The current general activity index, after reaching bottom in December 2006 has risen from -7.50 percent to 44.11 percent. This is the highest reading for this index since February 2005 and the third highest reading since the survey began in October 2002. This is only the second time in the history of the survey that the current period reading has been higher than the forecasted reading, as the graph at the right shows.



Optimism appears to have drained out of the forecasted general activity and business indicators over the last year.

The current individual company business indicators were positive for the period with seven showing increases, two showing decreases and one remaining about the same. The current period prices paid and prices received indexes both showed large increases. The "No Change" responses for the current period varied greatly with those from the last quarter with seven indicators experiencing double-digit changes—two of those were nearly 40 percent changes. It would appear that most of last quarter's "No Change" responses have become this quarter's "Increase" as most of the changes appear to have moved in that direction.

Similar to last quarter, the forecasted business indicators were decidedly negative with seven indicators reporting decreases and only three indicators reporting increases for the quarter. Three of the seven indicators reporting decreases reported double digit decreases. The employment indexes were the most impacted with both indexes among those with the largest decreases for the quarter. There were three significant changes in the "No Change" response in the

forecasted period. Both employment indexes and the prices paid index experienced double-digit changes. The employment indexes moved downward as the priced paid index moved upward.

### Prices Paid Indexes Move Upward as Prices Received Indexes Split

The current prices paid index rose nearly 13 percent and has increased more than 42 percent since December 2006. The index after falling to a reading of 10 percent has risen steadily to 52.94 percent for this survey period and is comparable to the level it held in December 2005. The outlook is that prices will continue to rise as the forecasted index increased for the quarter by more than 9 percent to a value of 47.06 percent. Since April when the index reached its bottom at 16 percent, the index has risen to 31.06 percent.

The current prices received index increased more than 26 percent for the current quarter to a value of 38.24 percent—its highest reading since February 2005. In contrast, the forecasted prices received index fell, but only by 3.53 percent to its reported value of 26.47 percent for the quarter. The forecasted index has risen more than 14 percent since April 2007.

### Forecasted Labor Indexes Lose Optimism and Turn Downward

While the current number of employees index increased nearly 4 percent, the other employment indexes all decreased for the period. In contrast, the forecasted number of employees index decreased more than 8 percent. Both the current and forecasted average employee workweek decreased for the quarter. The current index fell by more than 8 percent and the forecasted index by more than 18 percent for the quarter. Overall, the labor sector has lost the optimism that was reported in the last quarter.

### Members Positive about Business Growth in All Regions

This month's special relevant issues question was concerned with the business growth over the next twelve month in three regions: the Americas, Europe, and Asia. Members were positive in all regions with the Americas leading the way in increases. Nearly 62 percent of members were looking for growth in the Americas. The Asian region reported the lowest number of increases with only 35 percent of member reporting increases. The European region fell between the others with 50 percent reporting increased growth over the next twelve months. Decreases, when reported, were in the one

to ten percent category. Less than 6 percent of members reported decreases with the Asian sector reporting less than three percent growth. While differences exist by industry segment (see table below), the material supplier segment reported the most decrease responses and the converter segment reported the most increase responses.

### Capital Expenditures Rise For Both Current and Forecasted Periods

Member companies reported increases in both capital expenditures indexes for the quarter. The current index rose by more than 16 percent and the forecasted index rose by more than 6 percent. Both indexes have increased consistently since June 2007.

### Summary

The survey results fail to offer much in the way of optimism for the future. The current index, while much more positive than the last survey, is contrasted with a forecasted index that is lower than the current activity level. This would indicate that members are expecting conditions in the economy to worsen over the next six months. The "No Change" responses that accounted for many of the responses last quarter have moved to "decrease", especially in the labor sector. The effect of oil prices at more than \$100 per barrel, the dollar that continues to weaken, inflation, jobs and the fear of

"recession" continue to be issues that will need to be addressed as we move forward.

### Segments, Tables and Charts

The following tables and charts report comparative diffusion index results for the entire population of data received and the results by segment. Upon review of the included tables, the reader will see the differences in the three segments reported for both the current and the forecasted activity periods. Analysis of the included tables makes these differences visible.

Please note that the charts show data bi-monthly between October 2002 and June 2007 and quarterly beginning with the fourth quarter of 2007.

For this reporting period, there were 34 total participants. The participants can be further broken down as follows: 12 converters, 10 equipment suppliers, 9 material suppliers, and 3 undisclosed participants. The data referring to all participants includes all 34 responses received. Other data is labeled as to the segment it reports.

### We Would Love to Hear From You

Do you have comments or a special relevant issue question? Send your comments or questions to Alto Mila Consulting, LLC via e-mail to [alto@altomila.com](mailto:alto@altomila.com).

	<b>Special Relevant Issue By Participant Segment</b>											
	All			Converters			Equipment Suppliers			Materials Suppliers		
	(1) Americas	(2) Europe	(3) Asia	(1) Americas	(2) Europe	(3) Asia	(1) Americas	(2) Europe	(3) Asia	(1) Americas	(2) Europe	(3) Asia
How do you see your business growing by region in the next twelve months?												
Increase more than 10%	8.82	17.65	29.41	8.33	8.33	16.67	-	10.00	10.00	11.10	22.22	55.56
Increase 1 - 10%	52.94	32.35	5.88	75.00	33.33	8.33	40.00	40.00	10.00	33.33	33.33	-
Remain the same	32.35	17.65	23.53	16.67	16.67	25.00	60.00	20.00	40.00	33.33	22.22	11.11
Decrease 1 - 10%	5.88	5.88	2.94	-	-	-	-	10.00	10.00	22.22	11.11	-
Decrease more than 10%	-	-	-	-	-	-	-	-	-	-	-	-
Don't Know / No Answer	-	26.47	38.24	-	41.67	50.00	-	20.00	30.00	-	11.11	33.33
Notes:												
(1) Items may not add up to 100 percent because of omissions by participants.												
(2) Survey results reflect data received thru February 29, 2008.												

**Business Outlook Survey**  
**Summary of Returns**  
**1st Quarter 2008**

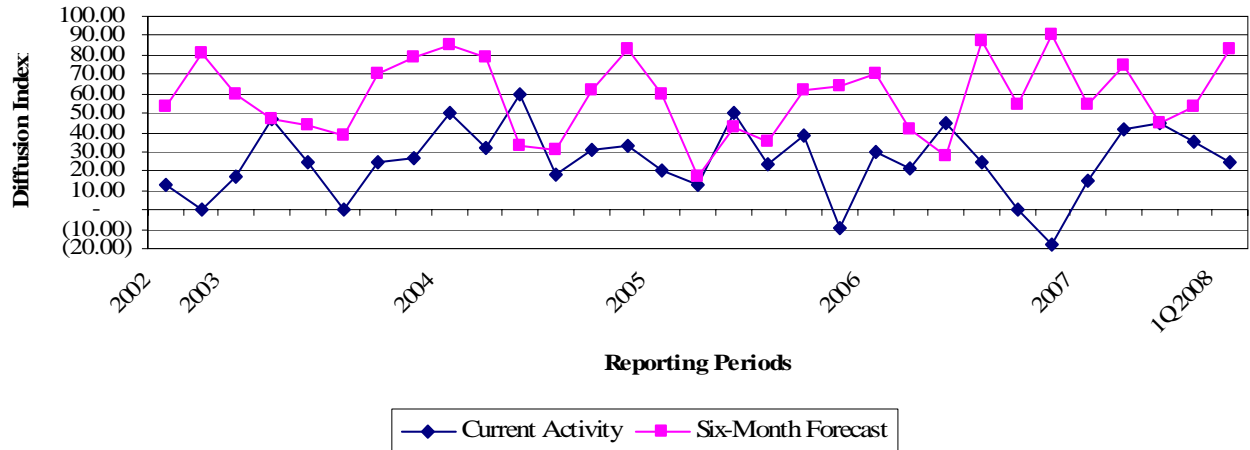
	1st Quarter vs. 4th Quarter							
	All		Converters		Equipment Suppliers		Materials Suppliers	
	Previous		Previous		Previous		Previous	
	Diffusion	Diffusion	Diffusion	Diffusion	Diffusion	Diffusion	Diffusion	Diffusion
Index	Index	Index	Index	Index	Index	Index	Index	
What is your evaluation of the level of general business activity?	24.00	44.11	35.30	25.00	37.50	50.00	-	55.56
<b>Company Business Indicators</b>								
New Orders	32.00	52.94	41.18	50.00	37.50	50.00	10.00	44.45
Shipments	18.00	38.23	35.30	41.67	-	-	-	55.56
Unfilled Orders	2.00	14.71	-	8.34	12.50	10.00	(10.00)	11.11
Delivery Time	(6.00)	(11.77)	-	(8.33)	(12.50)	(20.00)	(40.00)	(22.22)
Inventories	(18.00)	(17.65)	(11.77)	(8.33)	25.00	(10.00)	(40.00)	(55.56)
Prices Paid	40.00	52.94	52.94	83.33	37.50	40.00	10.00	22.22
Prices Received	12.00	38.24	17.65	33.34	25.00	10.00	(10.00)	55.56
Number of Employees	8.00	11.77	-	25.00	25.00	(20.00)	10.00	11.11
Average Employee Workweek	20.00	11.77	23.53	8.33	25.00	20.00	20.00	-
Capital Expenditures	10.00	26.47	17.65	33.33	12.50	10.00	20.00	33.33

	Six Months from Now vs. 1st Quarter							
	All		Converters		Equipment Suppliers		Materials Suppliers	
	Previous		Previous		Previous		Previous	
	Diffusion	Diffusion	Diffusion	Diffusion	Diffusion	Diffusion	Diffusion	Diffusion
Index	Index	Index	Index	Index	Index	Index	Index	
What is your evaluation of the level of general business activity?	38.00	35.29	52.94	83.33	-	(20.00)	50.00	44.45
New Orders	44.00	47.06	58.82	83.33	37.50	10.00	60.00	44.44
Shipments	50.00	47.06	58.82	83.33	50.00	10.00	60.00	33.33
Unfilled Orders	4.00	2.95	11.77	16.67	25.00	10.00	(10.00)	(33.33)
Delivery Time	(4.00)	(11.77)	11.76	8.33	-	(10.00)	(10.00)	(22.22)
Inventories	10.00	(8.82)	11.77	16.66	37.50	(40.00)	10.00	(22.22)
Prices Paid	38.00	47.06	41.18	66.67	25.00	40.00	30.00	33.34
Prices Received	30.00	26.47	35.29	50.00	-	(20.00)	30.00	44.45
Number of Employees	38.00	26.47	35.29	25.00	50.00	10.00	30.00	44.44
Average Employee Workweek	36.00	17.65	58.82	33.33	25.00	10.00	10.00	-
Capital Expenditures	20.00	26.47	35.29	25.00	12.00	10.00	10.00	44.44

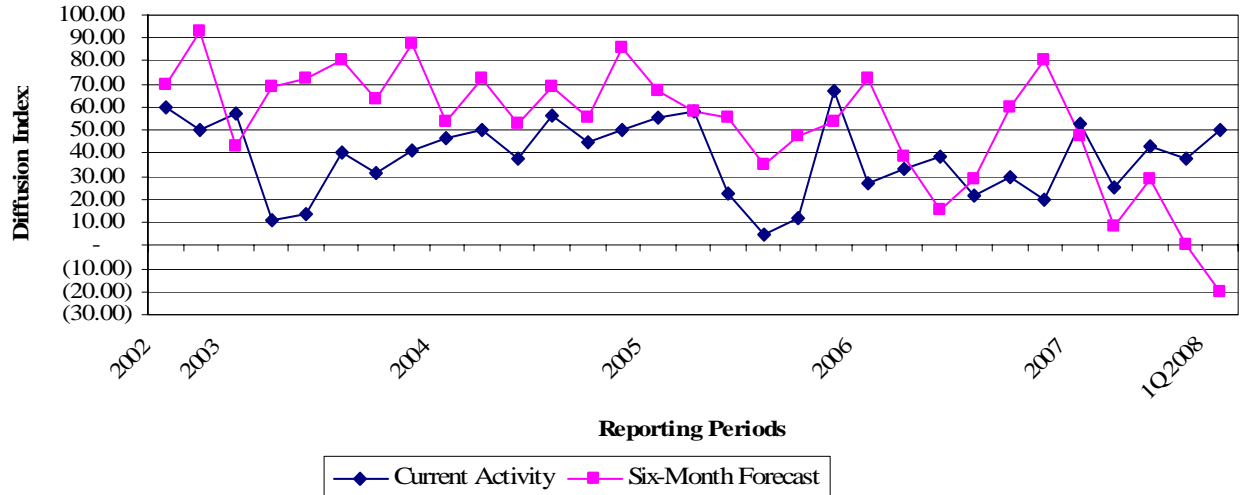
Notes:

- (1) Items may not add up to 100 percent because of omissions by participants.
- (2) The diffusion index represents the percentage of participants indicating an increase minus the percentage indicating a decrease.
- (3) Survey results reflect data received thru February 29, 2008.

**Current and Future Activity Indexes - Converters**  
**October 2002 to 1st Quarter 2007**



**Current and Future Activity Indexes - Equipment Suppliers**  
**October 2002 to 1st Quarter 2008**



**Current and Future Activity Indexes - Materials Suppliers**  
**October 2002 to 1st Quarter 2008**

