



Second Quarter 2008

Business Outlook Survey

Thank you for your participation in the business outlook survey sponsored by AIMCAL. Fifty-four member companies participated in the survey this quarter. This is a twenty member increase over the number of members who participated in the first quarter survey. This is the third 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.

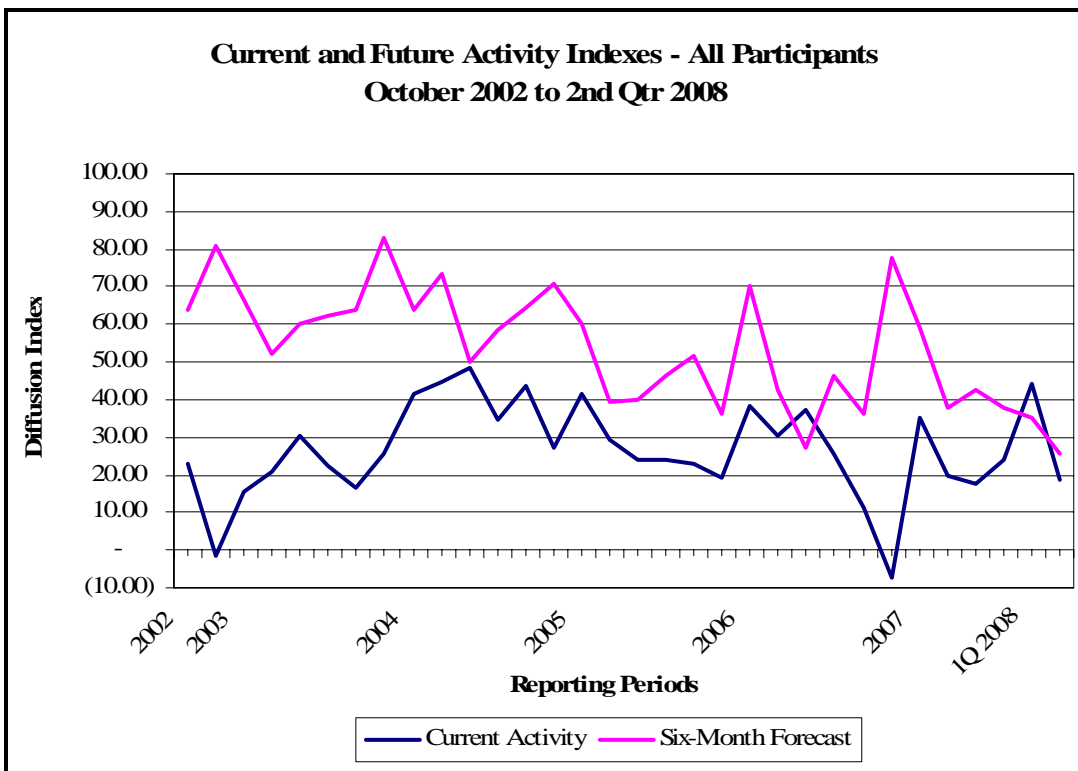
No individual replies have been quoted or published as part of this analysis. This data has been summarized by Alto Mila Consulting, LLC of Cleveland, Ohio.

Current and Forecasted Activity Fall

While expectations for growth over the next six months fell 9.59 percent, the current period index decreased 25.36 percent. After peaking at 77.50 percent in December 2006, the forecasted general activity index has fallen more than 50 percent to this quarter's reading of 25.70 percent. This is the forecasted index's lowest reading in two years.

The current general activity index decreased more than 25 percent to this quarter's reading of 18.75. This is the lowest reading for the current activity index since June 2007. As the graph at the upper right illustrates, optimism continues to drain out of the current and forecasted general activity indexes.

The current individual company business indicators were nearly all negative for the period with eight showing decreases and



two showing increases for the quarter. The current period prices paid index increased by more than 24 percent. The "No Change" responses for the current period varied greatly with those from the last quarter. Seven indicators experienced double-digit changes—three of those changes were near to or greater than 25 percent.

Similar to last quarter and to the current indicators from this quarter, the forecasted business indicators were again decidedly negative with eight indicators reporting decreases and only two indicators reporting increases for the quarter. Half of the eight indicators reporting decreases reported double digit decreases. The new orders, shipments and unfilled orders indexes were impacted the most showing decreases in the 15 to 21 percent range. The inventory, delivery time and employment indexes showed the smallest decreases of the forecasted indicators, falling by 5 percent or less.

Prices Paid Indexes Move Upward as Prices Received Indexes Split

The current prices paid index rose nearly 25 percent and has increased nearly 68 percent since December 2006. The index, after falling to a reading of 10 percent, has risen steadily to 77.78 percent for this quarter's

survey and is at the highest level reported under this survey since reporting began in October 2002. The outlook is that prices will continue to rise as the forecasted index increased for the quarter by more than 21 percent to a value of 68.52 percent. Since April when the index reached its lowest level, the forecasted prices paid index has risen more than 50 percent.

The current prices received index decreased more than 3 percent for the current quarter to a value of 35.18 percent. In contrast, the forecasted prices received index rose, but only by 6.86 percent to its reported value of 33.33 percent for the quarter. The forecasted index has risen more than 8 percent since last June.

There is some disparity in the prices paid and received indexes. The prices received index values are about half of what the prices paid indexes are for the quarter. Member companies may not be able to pass along (or have been reluctant to pass along) to their customers the price increases they themselves are facing.

Forecasted Labor Indexes Continue to Fall, But More Slowly

The current number of employees index

decreased nearly 3 percent, while the other employment indexes all decreased about four percent for the quarter. The current average employee workweek has fallen to its lowest level since October 2003 and the forecasted index has fallen to its lowest level since June 2007. The labor market continues to show weakness for the third consecutive quarterly report.

Members Report on the Impact of the Subprime Crisis

This month’s special relevant issues question was concerned with the impact the subprime mortgage crisis and its resulting credit crunch have had on their businesses. Overall, the negative impact leaned toward the slightly negative, but differences do exist by segment. Negative effects were reported by 33.33 to 44.44 percent of members in the converter and equipment supplier segments, respectively. Only the material suppliers reported any positive impact—and it was small, only 5.56 percent. More than 50 percent of members from all segments reported little impact on their businesses as a result of the subprime crisis. While differences exist by industry segment (see table below), the data would indicate that while the crisis and resulting credit crunch have had little impact for more than half of the member participants, ap-

proximately 2 in 5 members experienced slight to somewhat negative impact as a result of it.

Capital Expenditures Fall For Both Current and Forecasted Periods

Member companies reported decreases in both capital expenditures indexes for the quarter. Both the current and forecasted indexes fell by more than 15 percent. This is the first decrease in both indexes since last June. The first decline in about a year in both of these indexes may indicate that member companies are allocating their dollars to areas other than capital expenditures.

Summary

The survey results continue to offer a less than optimistic view of the future. The current and forecasted indexes both moved lower for the quarter. This would indicate that members are not expecting conditions in the economy to noticeably improve over the next six months. The effect of oil prices at more than \$100 per barrel (and climbing), the weak U. S. dollar, inflationary pressures and fears, the jobs market as well as the fear of a potentially deep recession continue to be issues that will need to be sorted out as we move forward. Another variable that will begin to be have an impact is the U. S. presidential election campaign. With the economy in doubt, presidential campaigning

may add more layers to the already complex economic variables at work.

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 54 total participants. The participants can be further broken down as follows: 18 converters, 18 equipment suppliers and 18 material suppliers. The data referring to all participants includes all 54 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.

Special Relevant Issue Questions By Participant Segment				
	All	Converters	Equipment Suppliers	Material Suppliers
What impact has the subprime mortgage crisis and the resulting credit crunch had on your business this year?				
Extremely Negative	-	-	-	-
Somewhat Negative	16.67	27.77	16.67	5.56
Slightly Negative	22.22	5.56	27.77	33.32
Little Impact	55.56	61.11	55.56	50.00
Slightly Positive	1.85	-	-	5.56
Somewhat Positive	-	-	-	-
Extremely Positive	-	-	-	-
Not Answered	3.70	5.56	-	5.56

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 June 5, 2008.

Business Outlook Survey
Summary of Returns
2nd Quarter 2008

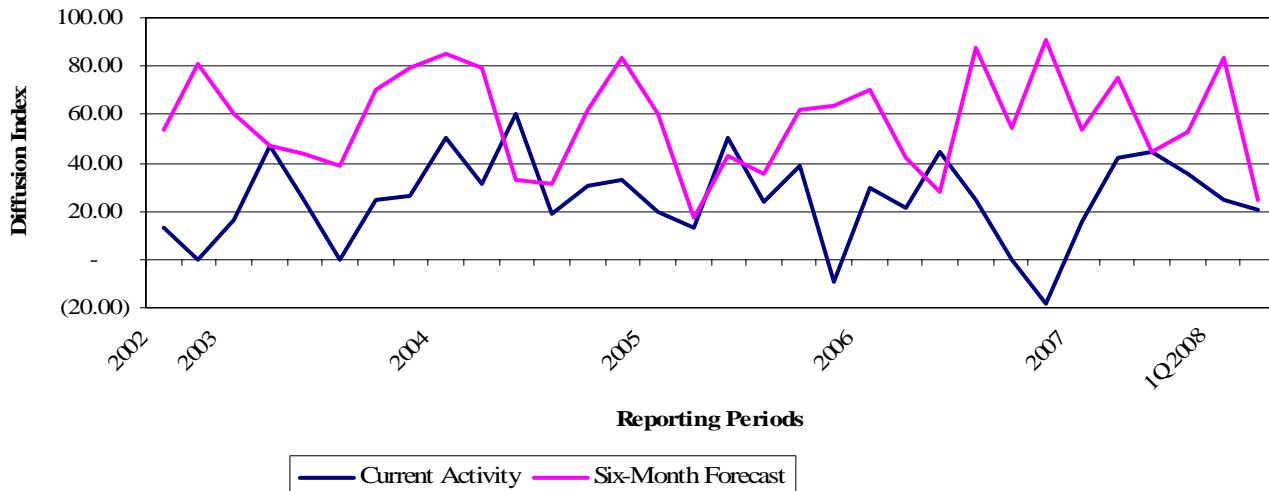
	2nd Quarter vs. 1st Quarter							
	All		Converters		Equipment Suppliers		Materials Suppliers	
	Previous		Previous		Previous		Previous	
	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index
What is your evaluation of the level of general business activity?	44.11	18.75	25.00	20.84	50.00	14.58	55.56	8.33
<u>Company Business Indicators</u>								
New Orders	52.94	22.22	50.00	27.78	50.00	16.67	44.45	11.11
Shipments	38.23	27.78	41.67	27.78	-	22.22	55.56	11.11
Unfilled Orders	14.71	(1.86)	8.34	22.22	10.00	(22.22)	11.11	38.89
Delivery Time	(11.77)	(3.70)	(8.33)	-	(20.00)	(11.11)	(22.22)	33.33
Inventories	(17.65)	(24.08)	(8.33)	-	(10.00)	(27.78)	(55.56)	38.89
Prices Paid	52.94	77.78	83.33	66.66	40.00	77.78	22.22	-
Prices Received	38.24	35.18	33.34	16.67	10.00	22.22	55.56	-
Number of Employees	11.77	9.26	25.00	16.66	(20.00)	16.66	11.11	11.11
Average Employee Workweek	11.77	7.41	8.33	16.66	20.00	16.67	-	11.11
Capital Expenditures	26.47	11.11	33.33	11.11	10.00	16.67	33.33	5.56

	Six Months from Now vs. 2nd Quarter							
	All		Converters		Equipment Suppliers		Materials Suppliers	
	Previous		Previous		Previous		Previous	
	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index
What is your evaluation of the level of general business activity?	35.29	25.70	83.33	25.00	(20.00)	13.34	44.45	44.45
<u>Company Business Indicators</u>								
New Orders	47.06	31.48	83.33	22.22	10.00	27.78	44.44	44.45
Shipments	47.06	37.04	83.33	27.77	10.00	38.89	33.33	44.45
Unfilled Orders	2.95	(18.52)	16.67	(11.11)	10.00	(5.55)	(33.33)	(38.89)
Delivery Time	(11.77)	(12.97)	8.33	(16.66)	(10.00)	5.55	(22.22)	(27.77)
Inventories	(8.82)	(11.12)	16.66	(16.66)	(40.00)	-	(22.22)	(16.67)
Prices Paid	47.06	68.52	66.67	66.67	40.00	66.67	33.34	72.22
Prices Received	26.47	33.33	50.00	22.22	(20.00)	11.11	44.45	66.67
Number of Employees	26.47	22.22	25.00	22.22	10.00	22.22	44.44	22.22
Average Employee Workweek	17.65	12.96	33.33	16.66	10.00	27.78	-	(5.55)
Capital Expenditures	26.47	11.12	25.00	16.67	10.00	5.55	44.44	11.11

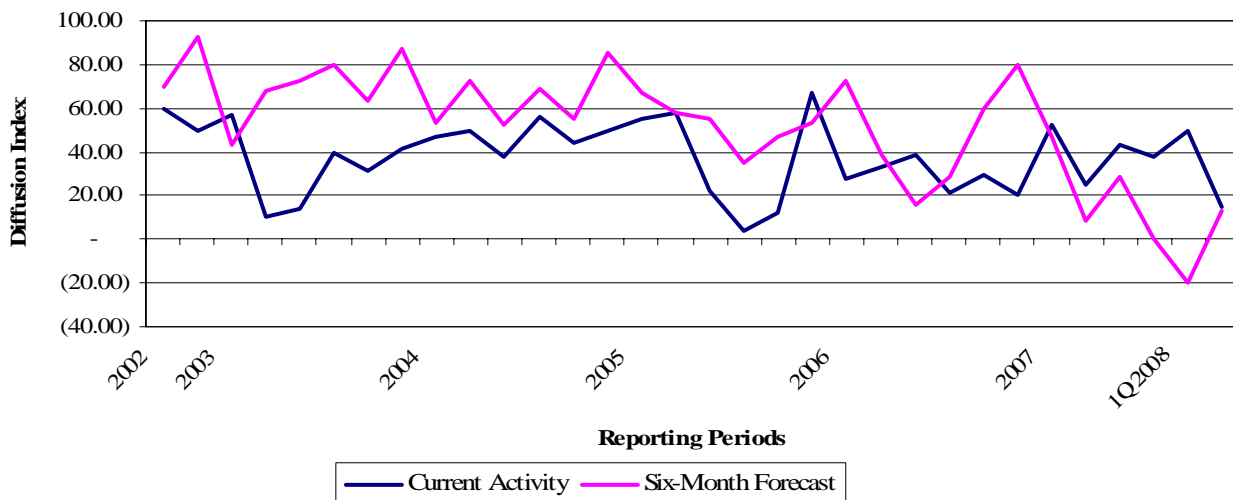
Notes:

- (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 June 5, 2008.

Current and Future Activity Indexes - Converters
October 2002 to 2nd Quarter 2008



Current and Future Activity Indexes - Equipment Suppliers
October 2002 to 2nd Quarter 2008



Current and Future Activity Indexes - Materials Suppliers
October 2002 to 2nd Quarter 2008

