



Fourth Quarter 2010

Business Outlook Survey

Thank you for your participation in this business outlook survey which is sponsored by AIMCAL. Forty-seven member companies participated in the survey this quarter. This is a one member decrease over the number of members who participated in the second quarter survey.

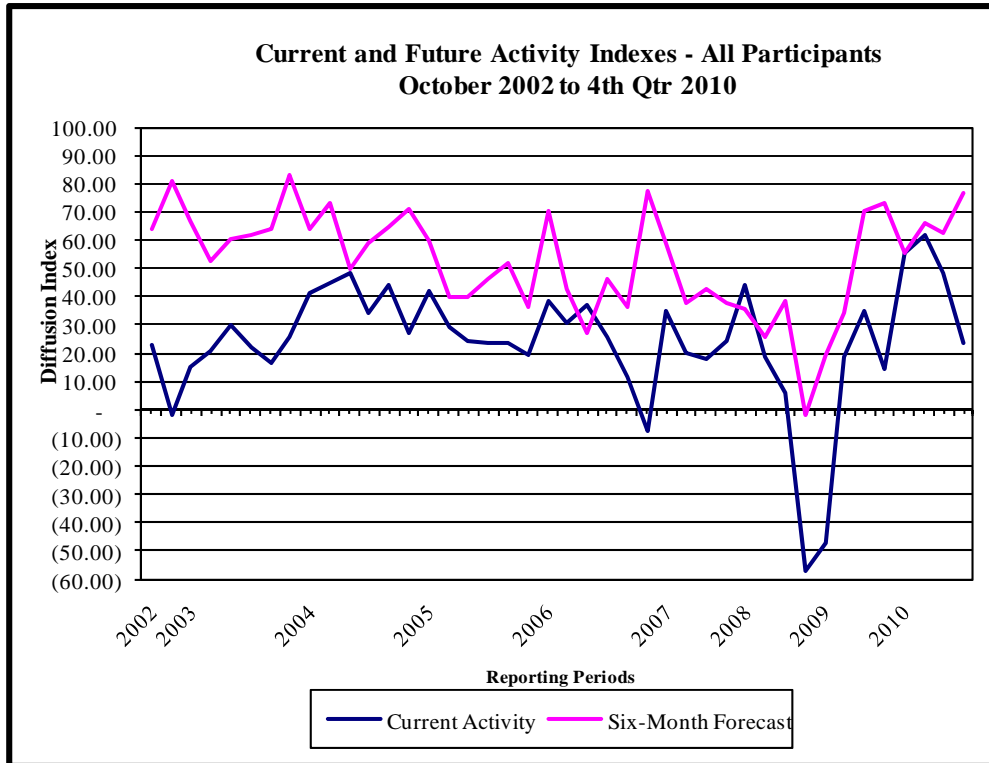
Survey conclusions are drawn from a diffusion index which is defined as the percentage of participants indicating an increase minus the percentage indicating a decrease. A decrease in the index means that member expectations have fallen when compared to the prior reporting period. An increase in the 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 Hobe & Lucas, CPA's, Inc. of Independence, Ohio.

Current and Forecasted General Activity Indexes Split

The current general activity index fell for the second consecutive quarter, falling from 45.84 to 23.41. The index remains nearly 10 points above where it was last year at this time. The forecasted index continued its upward climb for the quarter, rising slightly more than 14 points for the quarter. The forecasted index is nearly 4 points higher than its value from a year ago.

In contrast to the current general activity index, the current individual company business indicators were predominately positive for the quarter while the forecasted business indicators were nearly unanimously positive. Seven of the current business indicators showed increases for the quarter. Of those seven indicators, only the delivery time index showed a double-digit decrease for the quarter, falling 14.54 points. In contrast, the inventory index increased 16.71 points to match the level reported in the second quarter survey. The increases for most of the other current indicators were modest, averaging only about 4 points.

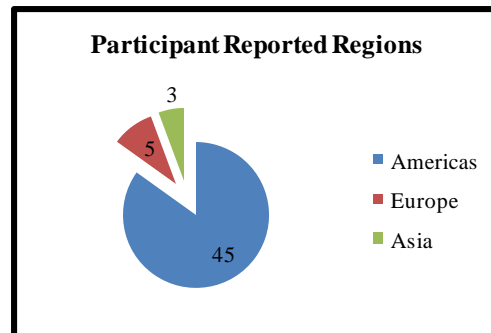
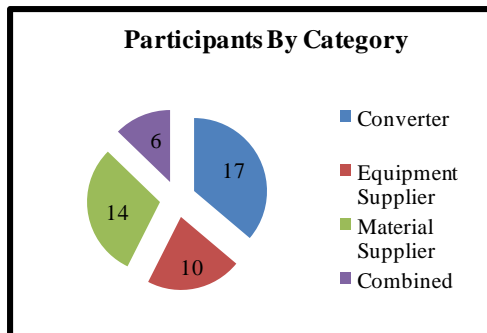


Much like the forecasted general activity index, the forecasted individual company business indicators remained positive for the quarter. Nine of the ten indicators reported increases for the quarter. Four indicators increased by double-digits—the new orders index rose more than 20 points. The one indicator decreasing for the quarter, the number of employees index, fell slightly more than 3 points. That decrease, together with the 17.33 point increase in the average employee workweek index, may indicate that the labor market relief that seemed to be developing last quarter has lost strength. This same labor market pattern was also evident in the current indicators with the number of employees index decreasing by nearly 10 points and the average employee workweek index increasing about 1 point for the quarter.

The current and forecasted inventory indexes both increased for the quarter. The current index reported an increase of more than 16 points for the quarter and the forecasted index reported an increase of nearly 15 points. Both inventory indexes are at or above their highest readings over the last year.

Prices Paid Indexes Split, Prices Received Indexes Rise

The current prices paid index fell for the second consecutive quarter to a reading of 48.93 points, a decrease of about 3 points. To the contrary, the forecasted prices paid index climbed another 3 points to its highest level since the second quarter of 2008. The forecasted index has risen little by little every quarter since the third quarter of 2009—nearly tripling its value.



The current prices received index reversed course and increased to a reading of 36.17, the fifth increase over the last six quarters. The forecasted prices received index continued its climb for the eighth consecutive quarter. Its value of 44.68 is the highest value for this index since reporting began in October 2002. While prices of inputs appear to be split, the survey indicates that the prices member companies receive for goods will apparently increase in both the current and forecasted periods.

Labor Indexes Split as Number of Employees Decreases and Average Workweek Increases

The current number of employees index fell by more than 9 points—stopping a string of six consecutive increases. The index had increased nearly 87 points before falling back nearly 10 points this quarter to a reading of 29.78. The forecasted index decreased as well, falling more than 3 points off its two-year high.

The average employee workweek index increased less than 1 point for the current period to 29.79. The index is 11 points higher than where it was a year ago. The forecasted average employee workweek index increased more than 17 points to a reading of 31.91—its highest value since the fourth quarter of 2007. The data this quarter does not appear as optimistic as it was last quarter. Either there is some seasonality impacting the numbers or the labor market has been zapped of some of its strength.

Members Report on their Capital Spending for 2011

This month’s special relevant issue question asked members for their expectations concerning their capital expenditures for 2011. While differences exist between industry segments (see table below), nearly 60 percent of members, across all segments, reported that their companies were expecting to increase their capital expenditures in 2011 versus 2010. Only 2 percent of members reported that their capital expenditures would decrease. Nearly 20 percent of members reported that their companies were looking to increase capital spending by more than 50%. About 38 percent of members indicated that their companies were planning to hold their capital expenditures at the same level. The converter segment lead the way with nearly 71 percent expecting to increase capital expenditures. The equipment suppliers and combined participants were split in their reporting between increasing and holding the line on their capital expenditures.

Current and Forecasted Capital Expenditures Indexes Rise Again

The current capital expenditures index rose for the fifth time in six quarters to a value of 38.30—its highest value under this survey. The forecasted index increased by another 3 points to a reading of 46.81—its highest value in more than 8 years. Taken together the indexes continue to indicate that member companies are looking to expand and/or replace their property, plant and equipment. This trend is confirmed by this quarter’s special relevant issue question.

Summary

While the mood indicated by the current general activity index may not be rosy, there appears to be some positive signs that things are improving. Seven of the current business indicators showed improvement even though the general outlook was down. Additionally, the forecasted period continued to improve with its general activity index reporting its highest value since December 2006. Likewise, the forecasted business indicators were nearly all positive. The prices paid and received indexes slowed their climbs, however, both indexes are forecasted to continue upward, albeit more slowly. The labor markets, which offered a glimpse of relief last quarter, seem to have backed off a little. As with the last few quarters, it appears that there are encouraging improvements in the data.

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 segments reported for both the current and the forecasted activity periods. Analysis of the included tables makes these differences visible.

For this reporting period, there were 47 total participants. The participants can be further categorized into industry segments and region as shown in the pie charts on page 1. The data referring to all participants includes all responses received. Other data is labeled as to the segment it reports.

Special Relevant Issue Question By Participant Segment					
	All	Converters	Equipment Suppliers	Material Suppliers	Combined
My company's capital expenditures for 2011 are expected to...?					
Increase by 50% or more	19.15	35.29	10.00	14.29	-
Increase 25% - 50%	12.77	17.65	10.00	14.29	-
Increase 25% or less	27.66	17.65	30.00	28.57	50.00
No Change	38.30	23.53	50.00	42.86	50.00
Decrease 25% or less	2.13	5.88	-	-	-
Decrease 25% - 50%	-	-	-	-	-
Decrease by 50% or more	-	-	-	-	-
Not Answered	-	-	-	-	-
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 December 21, 2010.					

Business Outlook Survey

Summary of Returns

4th Quarter 2010

4th Quarter '10 vs. 3rd Quarter '10

	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?	45.84	23.41	60.00	11.76	46.67	40.00	46.15	21.43
<u>Company Business Indicators</u>								
New Orders	25.00	29.78	60.00	11.77	26.67	50.00	7.69	14.29
Shipments	25.00	29.79	60.00	11.76	33.33	50.00	(7.69)	14.29
Unfilled Orders	6.25	6.38	20.00	-	13.33	40.00	(15.38)	(7.14)
Delivery Time	16.66	2.12	20.00	(5.88)	33.34	20.00	(7.69)	(14.28)
Inventories	(14.58)	2.13	6.66	-	(6.67)	-	(38.46)	(7.14)
Prices Paid	52.09	48.93	80.00	52.94	26.67	20.00	46.16	64.29
Prices Received	27.08	36.17	20.00	23.53	13.33	10.00	46.16	57.14
Number of Employees	39.59	29.78	46.67	41.18	46.67	30.00	15.39	21.43
Average Employee Workweek	29.17	29.79	40.00	5.89	40.00	70.00	7.69	14.28
Capital Expenditures	35.41	38.30	33.33	47.06	40.00	30.00	30.77	35.71

Six Months from Now vs. 4th Quarter '10

	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?	62.50	76.59	20.00	70.59	73.33	70.00	92.31	78.57
<u>Company Business Indicators</u>								
New Orders	58.33	78.72	40.00	70.59	66.67	80.00	69.23	78.57
Shipments	62.50	78.72	40.00	70.59	73.33	80.00	69.23	78.57
Unfilled Orders	4.16	12.77	13.33	17.65	13.33	30.00	(7.69)	(7.14)
Delivery Time	-	6.38	6.66	(5.88)	6.67	40.00	(23.08)	(7.14)
Inventories	4.16	19.15	(6.67)	17.65	6.66	20.00	15.39	21.43
Prices Paid	47.92	51.06	53.33	52.94	20.00	50.00	69.23	50.00
Prices Received	43.75	44.68	46.67	17.65	13.33	60.00	61.54	57.14
Number of Employees	43.75	40.43	53.33	29.41	53.33	60.00	23.08	50.00
Average Employee Workweek	14.58	31.91	-	35.29	20.00	60.00	30.77	14.29
Capital Expenditures	43.75	46.81	46.67	52.94	40.00	40.00	46.15	57.14

Notes:

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