



FPDA Membership Survey Results July 2013

Highlights

Background:

- The June survey had 42 respondents comprised of 30 distributors and 9 manufacturing firms.

Highlights:

- **FPDA Index** – The June FPDA Index produced a reading of 42.5, down from May's reading of 44.0. The broader ISM index showed a reading of 50.9 in June, growing from May's reading of 49.0.
- Our monthly fluid power survey indicates demand continues to trend below expectations, and average sales were down 1% y/y in June vs the 2% decline reported in May.
- Backlog was worked down at an accelerated pace in the month and declined sequentially for the third consecutive month.
- Sources cut the outlook 200bp this month and now forecast sales will be down 1% for the year, the fourth cut to the 2013 outlook this year. The current outlook implies 2H sales in the down 1% range, similar to results in 1H13 against easier comparisons

Summary Thoughts

Demand remained below expectations in our June fluid power industry work and average sales were down 1% y/y in June following the down 2% reported in May against comparisons that were significantly easier sequentially. The biggest shortfall vs expectation continues from industrial OEM customers, who have not increased production rates as expected, and it appears production rates were again reduced in June. Industry sources have cut the outlook for the fourth time this year and now forecast sales to decline 1% in 2013, implying sales will continue to trend in the down 1% y/y range in 2H13, inline with results reported in 1H13 against easier comparisons.

NA fluid power sources continued to report softer-than-expected growth throughout 2Q which led to backlog deterioration and another reduction to the full year outlook.

June FPDA Index

- The June FPDA Index produced a reading of 42.5, down from May's reading of 44.0. The broader ISM index showed a reading of 50.9 in June, growing from May's reading of 49.0.
- The FPDA Index is similar in construction to the widely followed ISM Purchasing Manager's Index. These are both seasonally adjusted diffusion indexes which measure the month-to-month change in each of the categories listed below. A reading of 50 indicates no change and the further above or below 50 indicates a faster or slower rate of change.

Fluid Power Index																					
Index	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Direction	Rate of Change	Trend (months)
Sales	71.1	66.5	68.3	34.7	73.0	42.2	50.9	69.0	39.2	61.7	33.4	35.2	83.2	38.9	68.1	66.6	43.1	35.5	Slowing	Slower	2
Prices	77.5	65.3	68.3	59.2	51.5	56.3	61.7	65.5	63.5	69.9	59.7	57.7	66.5	58.6	52.6	54.9	52.4	54.6	Increasing	Faster	35
Orders	75.8	62.7	53.3	44.8	60.5	46.2	40.7	56.0	24.2	68.0	41.5	45.1	74.8	32.0	47.9	71.4	37.9	34.2	Slowing	Slower	2
Backlog	67.6	63.8	57.5	58.1	47.7	42.0	41.8	43.0	33.3	34.4	37.8	35.1	66.7	61.3	37.9	48.4	47.1	38.5	Slowing	Faster	4
Outlook	62.8	54.8	60.0	52.3	51.1	47.8	48.0	43.9	43.1	42.2	47.4	51.4	52.9	51.6	43.3	46.7	62.1	38.5	Decreasing	From Increasing	1
Inventory	68.4	59.3	63.8	67.4	69.8	60.0	57.0	62.8	60.5	51.6	52.6	36.1	54.4	50.0	53.1	45.0	40.9	46.2	Slowing	Slower	3
Supplier Deliveries	61.0	64.1	63.0	59.3	54.2	50.6	50.6	53.4	48.0	54.9	54.3	61.7	54.0	58.3	47.5	51.7	46.8	54.0	Slowing	From Growing	1
Employment	81.7	61.9	69.5	60.8	70.6	68.9	61.4	58.3	56.2	60.0	56.1	52.7	53.0	55.3	53.3	49.2	51.1	42.5	Slowing	From Growing	1
Accounts Receivable	38.2	45.1	45.0	41.9	43.0	37.8	42.9	47.7	43.4	43.8	42.1	45.8	45.6	40.3	46.7	46.6	50.0	41.0	Slowing	From Flat	1
Overall FPDA Index	71.6	62.9	63.6	53.4	65.6	53.6	52.1	59.9	45.6	59.3	47.6	46.2	63.9	46.9	54.0	56.8	44.0	42.5	Slowing	Slower	2
Memo: ISM PM Index	54.1	52.4	53.4	54.8	53.5	49.7	52.6	49.6	51.5	51.7	49.5	50.2	53.1	54.2	54.2	50.7	49.0	50.9	Growing	From Slowing	1

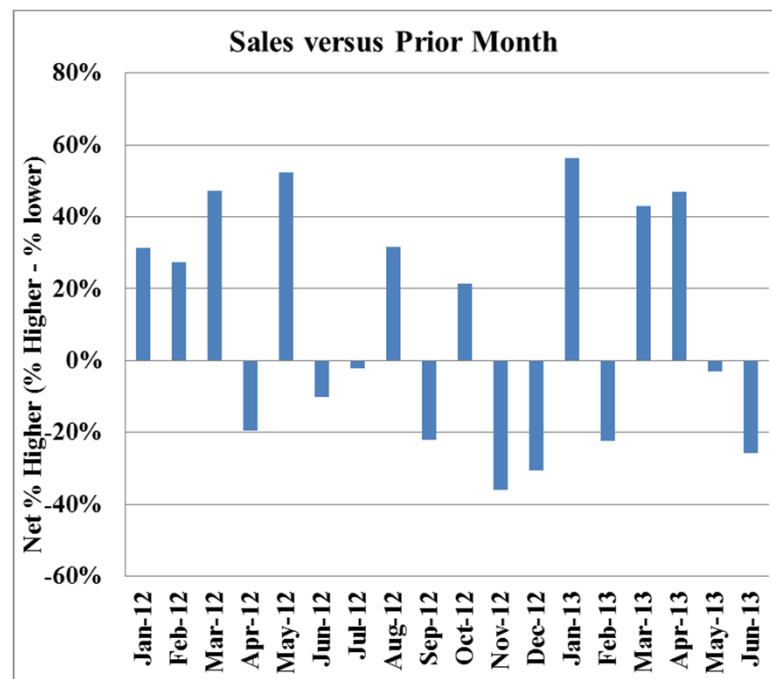
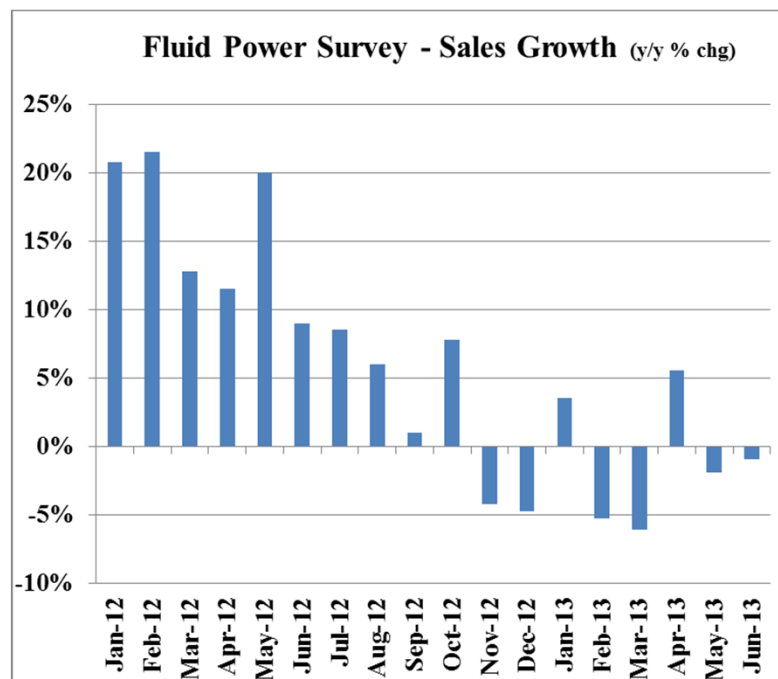
Source: FPDA Survey

Fluid Power Demand Continues to Trend below Expectations

- Our monthly fluid power work indicates sales growth continues to come in below expectations with June trends appearing weaker, as net 38% of participants reported results were worse than expected in the month vs the net 34% in May. More than half (51%) of sources reported below plan performance in June vs the 45% in May. The primary reason underpinning the weaker than expected results is industrial OEM production has not materialized as expected; sources expected production rates would improve beginning in 1Q, and our June checks indicate production rates continue to come down.
- Sales in June remained negative, down 1% y/y, vs down 2% in May against comparisons that were significantly easier sequentially (up 20% in May-12, up 9% in Jun-12). Sales were volatile in the quarter and adjusting for selling days, sales were up 1% in April, were down 2% in May and were up 4% in June. For the quarter, sales were up 1% in 2Q vs down 2% in 1Q against comparisons that were easier sequentially (up 19% y/y in 1Q12 and up 14% y/y in 2Q12).

Fluid Power Industry - Monthly Sales Growth												
Overall												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2009	-19%	-18%	-24%	-24%	-28%	-30%	-29%	-29%	-24%	-24%	-13%	-9%
2010	1%	5%	18%	25%	23%	32%	28%	42%	28%	32%	38%	28%
2011	32%	29%	31%	28%	25%	28%	20%	20%	22%	17%	21%	17%
2012	21%	22%	13%	12%	20%	9%	9%	6%	1%	8%	-4%	-5%
2013	4%	-5%	-6%	6%	-2%	-1%						
Distributors												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2009	-16%	-17%	-22%	-22%	-27%	-29%	-29%	-28%	-24%	-25%	-14%	-14%
2010	-6%	-2%	12%	17%	18%	25%	23%	38%	22%	22%	31%	21%
2011	28%	28%	33%	27%	31%	27%	23%	25%	29%	20%	28%	24%
2012	26%	24%	16%	10%	21%	10%	13%	6%	5%	13%	2%	-2%
2013	1%	-6%	-5%	6%	-3%	-1%						
Manufacturers												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2009	-21%	-18%	-26%	-27%	-28%	-32%	-29%	-29%	-24%	-22%	-12%	-4%
2010	9%	11%	24%	32%	28%	39%	33%	46%	34%	42%	44%	28%
2011	35%	31%	30%	29%	18%	28%	17%	14%	14%	14%	15%	11%
2012	17%	19%	10%	13%	19%	8%	5%	6%	-3%	3%	-10%	-8%
2013	7%	-5%	-7%	5%	-1%	0%						

Monthly Sales Growth – June 2013



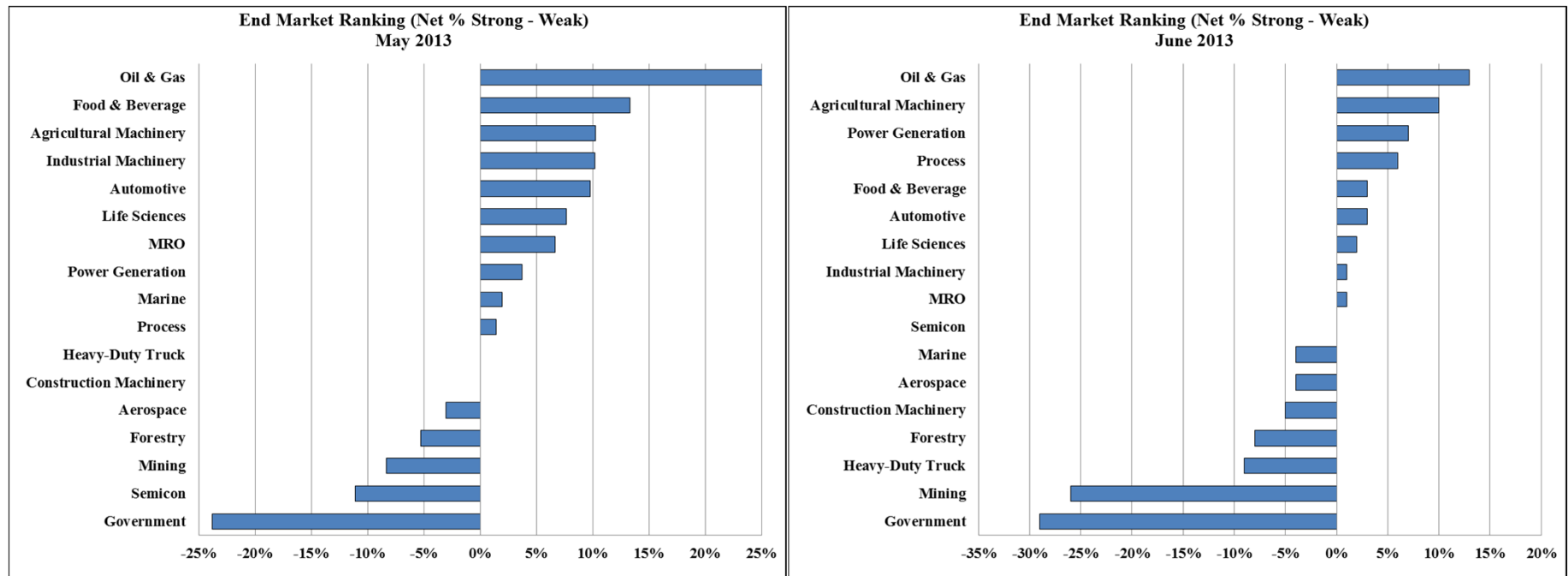
Percent Positive / Negative Growth																		
	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>
Positive Sales Growth	74%	84%	83%	64%	90%	74%	73%	57%	51%	59%	43%	41%	53%	26%	36%	71%	35%	42%
Flat Sales	5%	9%	3%	5%	2%	5%	7%	22%	14%	9%	8%	16%	18%	18%	18%	11%	15%	11%
Negative Sales Growth	21%	7%	15%	31%	7%	21%	20%	22%	35%	31%	49%	43%	29%	56%	45%	18%	50%	47%
Net % (Positive - Negative)	54%	77%	68%	33%	83%	53%	53%	35%	16%	28%	-5%	-3%	24%	-29%	-9%	52%	-15%	-5%

Results vs. Expectations																		
	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>
Better than expected	46%	33%	28%	25%	35%	20%	26%	21%	11%	28%	8%	16%	32%	11%	15%	16%	11%	13%
In line with expectations	33%	51%	50%	52%	51%	50%	40%	51%	51%	31%	41%	38%	35%	31%	29%	57%	45%	36%
Worse than expected	21%	16%	23%	23%	14%	30%	34%	28%	38%	41%	51%	46%	32%	57%	56%	27%	45%	51%
Net % (Better - Worse)	26%	16%	5%	2%	21%	-9%	-8%	-7%	-27%	-13%	-43%	-30%	0%	-46%	-41%	-13%	-34%	-38%

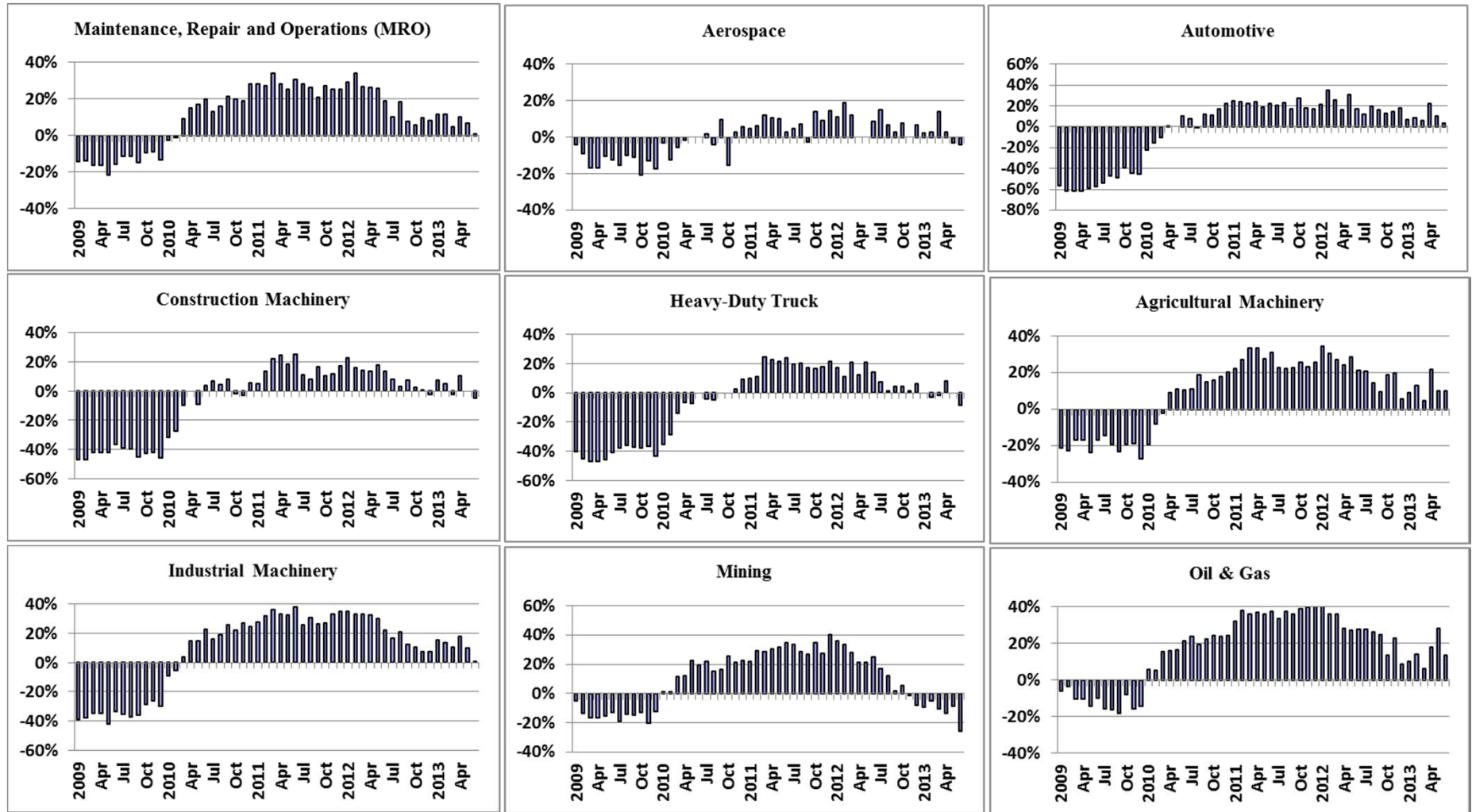
Source: FPDA Survey

End Market Momentum Slows Broadly in May

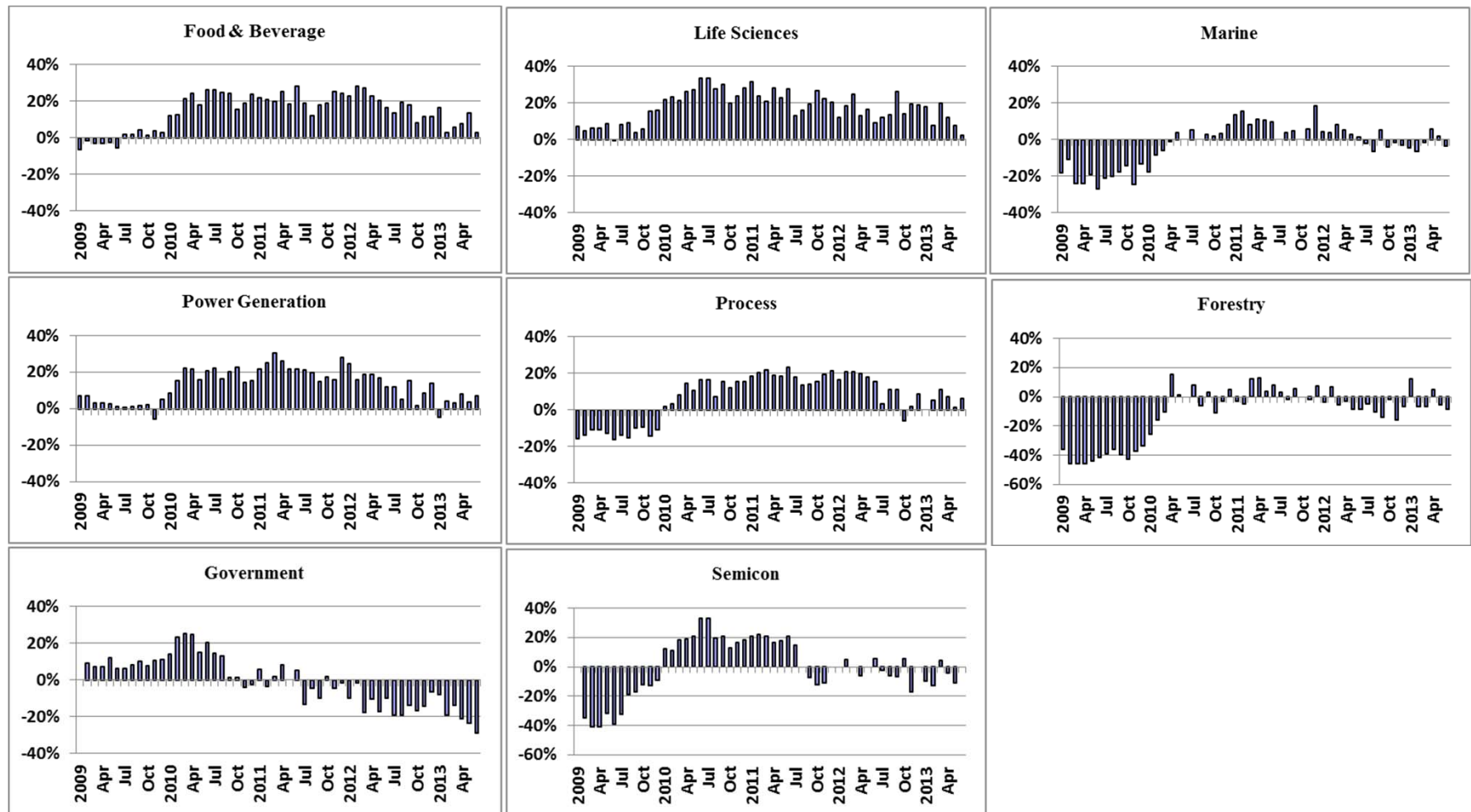
- From an end market perspective, June weakness was broad based with 11 out of 17 end markets softening on a sequential basis as mining, oil and gas and food and beverage saw the most notable pull backs while process and semicon were the only two markets to improve in June. Despite some deterioration in oil and gas markets, it continues to lead all other markets in June followed by agriculture machinery and power generation. The weakest markets continue to be government and mining which both took another step down in the month.



End Market Trends

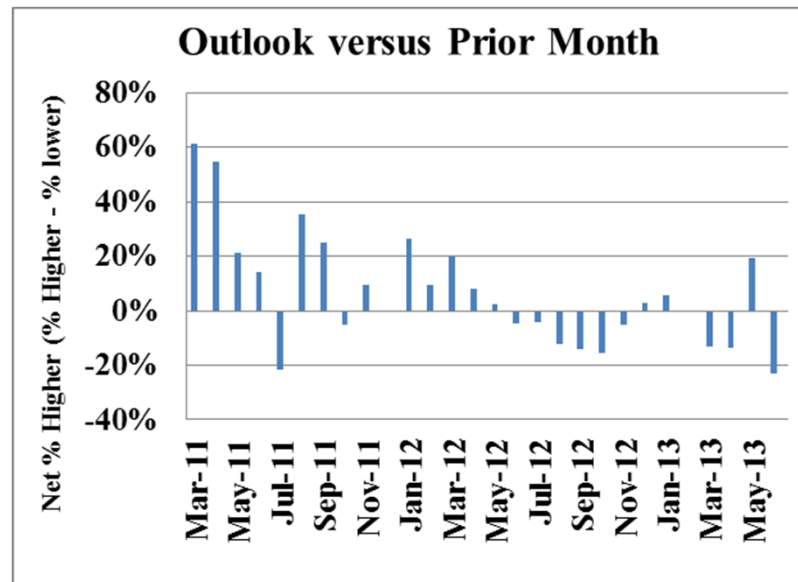


End Market Trends



2013 Outlook Now Forecasting a Decline in Sales

- The full year outlook was revised down 200bps in June with contacts now expecting a 1% decline in 2013 compared to 1% growth expected in May. The current outlook implies sales will remain in the down 1% range in 2H13, similar to the results reported in 1H13 against comparisons that are easier sequentially. One-third of industry sources reduced the full year outlook this month due to soft bookings and a lack of large project bidding opportunities in the pipeline.

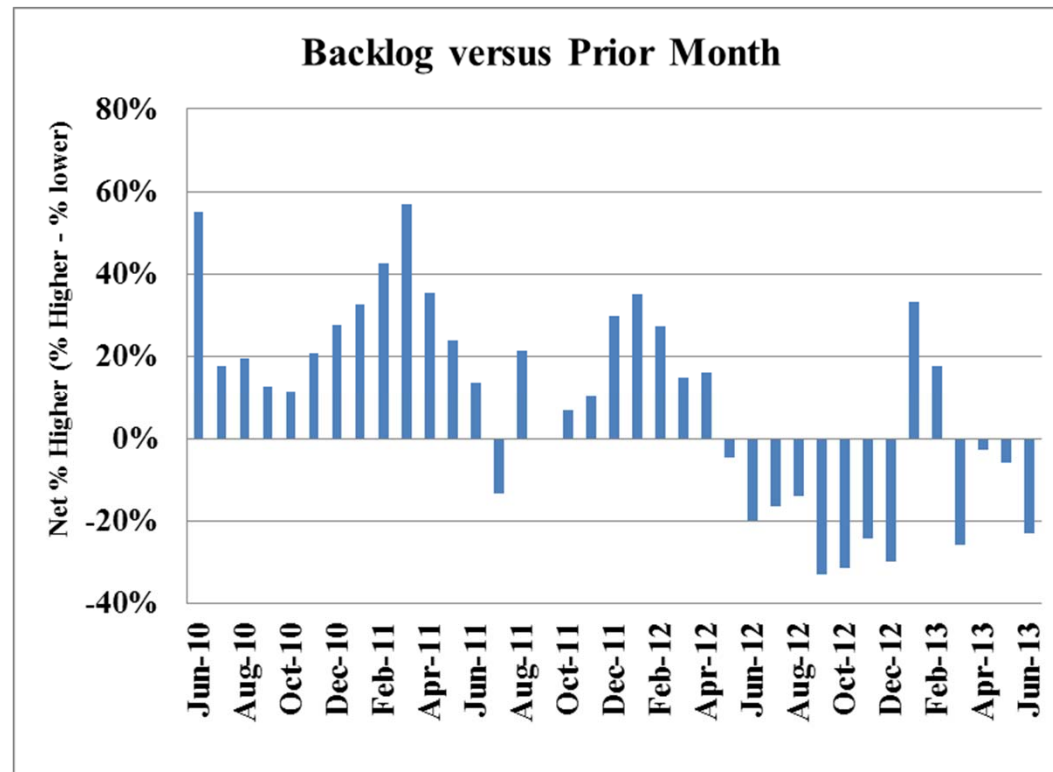


Fluid Power Outlook													
	2011	2012	2013 Outlook										
<u>Sales Growth (v/v)</u>	<u>Actual Results</u>	<u>Actual Results</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>
Overall	32%	8%	7%	8%	8%	6%	5%	4%	4%	2%	2%	1%	-1%
<i>Distributors</i>	31%	8%	6%	7%	8%	7%	5%	4%	7%	5%	4.8%	2.2%	-2.2%
<i>Manufacturers</i>	32%	8%	9%	9%	7%	5%	6%	3%	2%	-0.3%	-0.8%	-0.8%	-0.1%

Source: FPDA Survey

June Backlogs Decline Sequentially for Third Consecutive Month

- Orders continued to decline in June as a net 28% of participants reported orders were lower sequentially vs the net 13% of participants that reported lower orders sequentially in May. Additionally, backlog was worked down at an accelerated pace and declined sequentially for the third consecutive month; a net 23% of distributors report lower backlog vs the net 6% that reported lower backlogs in May. On a y/y basis, backlogs were 7% lower y/y in June following down 2% y/y in May, and the down 7% y/y reading in June is the worst y/y decline reported in the history of our survey.



Order and Backlog Growth Trends

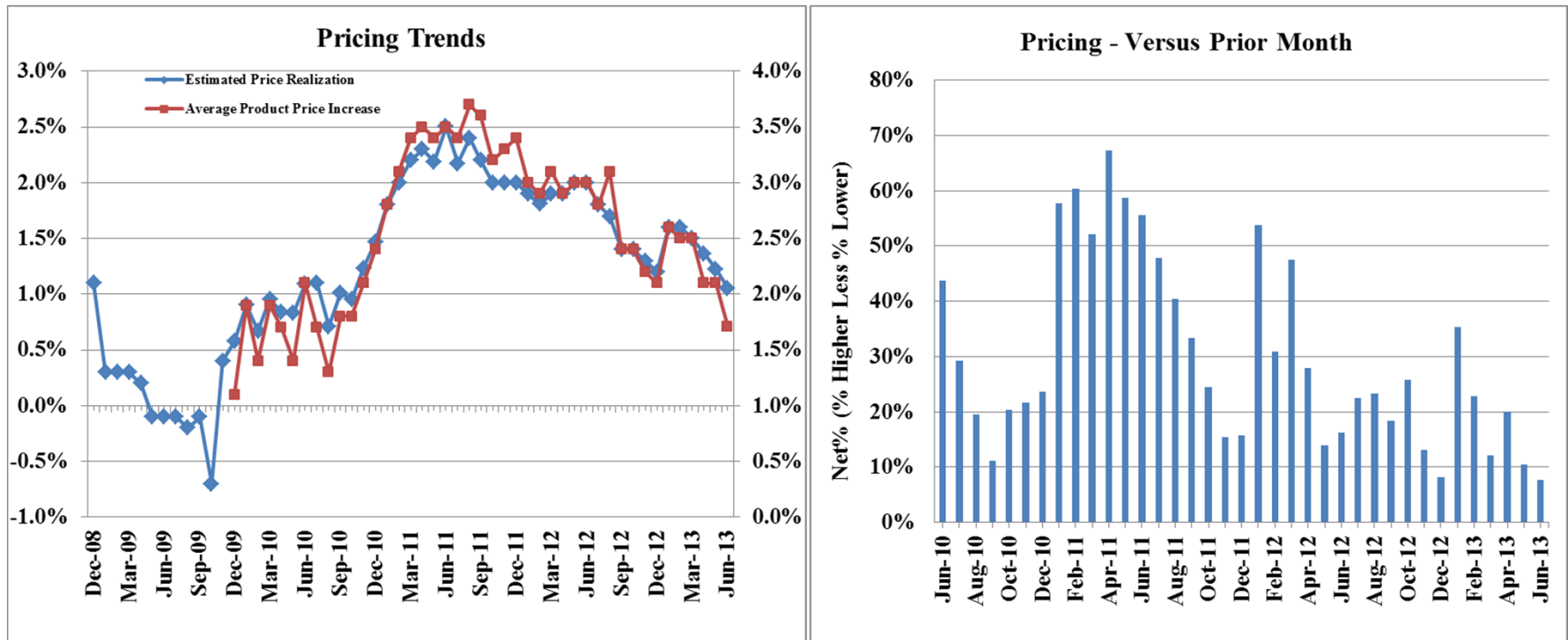
Fluid Power Industry - Monthly Order Growth												
Overall												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2010	9%	16%	30%	31%	29%	34%	27%	40%	29%	26%	23%	18%
2011	25%	31%	29%	23%	19%	28%	23%	18%	24%	25%	20%	18%
2012	14%	18%	6%	10%	10%	5%	5%	5%	-2%	3%	-2%	-6%
2013	1%	-5%	-11%	3%	3%	0%						
Distributors												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2010	1%	12%	29%	30%	28%	28%	20%	34%	29%	25%	28%	27%
2011	25%	31%	30%	29%	27%	33%	25%	29%	30%	25%	21%	21%
2012	13%	19%	10%	8%	5%	1%	8%	6%	1%	-4%	-1%	-1%
2013	3%	-7%	-6%	5%	5%	-2%						
Manufacturers												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2010	18%	21%	31%	32%	30%	41%	34%	46%	29%	26%	17%	17%
2011	25%	31%	29%	18%	12%	24%	20%	7%	19%	23%	19%	14%
2012	15%	17%	3%	12%	15%	10%	2%	5%	-5%	10%	-3%	-11%
2013	-1%	-3%	-15%	2%	2%	2%						

Fluid Power Industry - Monthly Backlog Growth												
Overall												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2010						24%	29%	37%	37%	34%	32%	25%
2011	25%	32%	40%	31%	25%	29%	25%	17%	24%	22%	26%	19%
2012	22%	18%	15%	16%	10%	8%	7%	6%	4%	-1%	-3%	-3%
2013	1%	-2%	-5%	-6%	-6%	-7%						
Distributors												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2010						29%	24%	29%	37%	24%	23%	20%
2011	22%	35%	39%	36%	37%	32%	29%	36%	33%	26%	29%	27%
2012	30%	22%	24%	25%	11%	11%	12%	7%	9%	-4%	-3%	1%
2013	0%	-2%	-2%	-6%	-6%	-6%						
Manufacturers												
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2010						20%	34%	45%	37%	45%	41%	30%
2011	28%	30%	41%	27%	14%	25%	22%	-1%	16%	19%	23%	12%
2012	13%	13%	7%	7%	10%	6%	3%	6%	-1%	3%	-4%	-6%
2013	1%	-1%	-8%	-6%	-6%	-7%						

Source: FPDA Survey

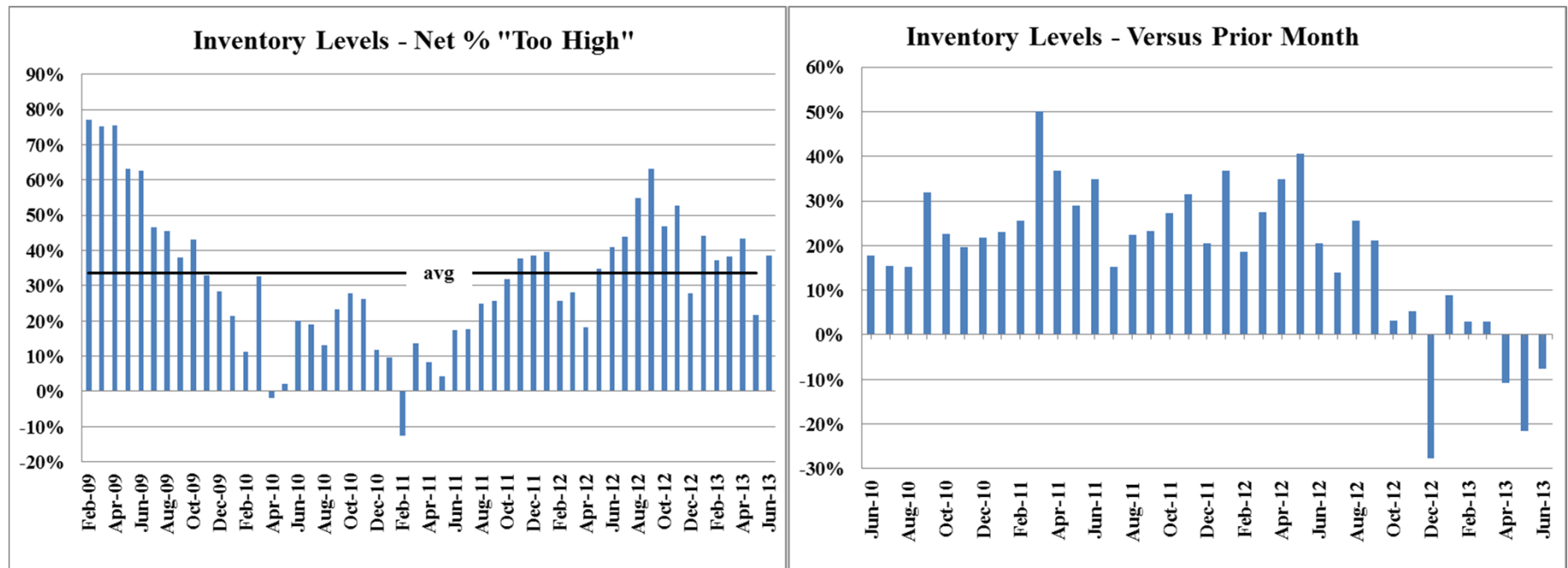
Price Contribution Continues to Erode

- Product price increases continue to see pressure and are now estimated up about 1.7% y/y compared to 2.1% in the prior month. Price realization in June was ~1.1% vs 1.2% in May with June marking 5 consecutive months of deterioration, dropping to the lowest level since October 2010. We continue to hear markets remain very price sensitive and sources report a step up in aggressive pricing tactics during the last 30 days.



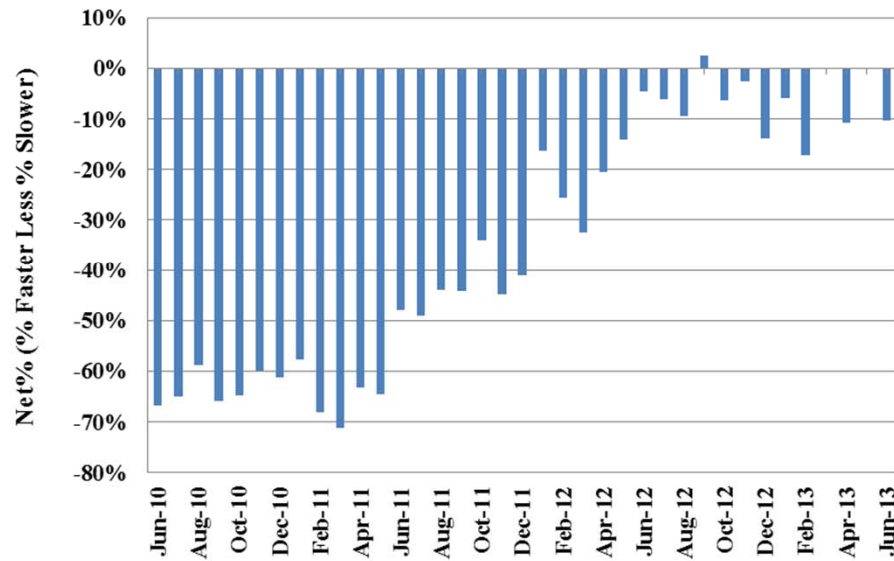
Inventories Appear too High Given 2H Expectations

- A net 8% of participants reported lower inventory levels compared to last month (15% higher; 62% same; 23% lower) vs a net 22% reporting lower inventory in May. Even as inventories came down in June, sentiment worsened with a net 38% of participants categorizing their inventory levels as “too high”, up from 22% in May. Concern over inventory levels is likely reflective of the reduced outlook and sluggish demand trends. Sources indicate inventory destocking is likely to continue until inventory levels meet the weaker than expected current demand levels.

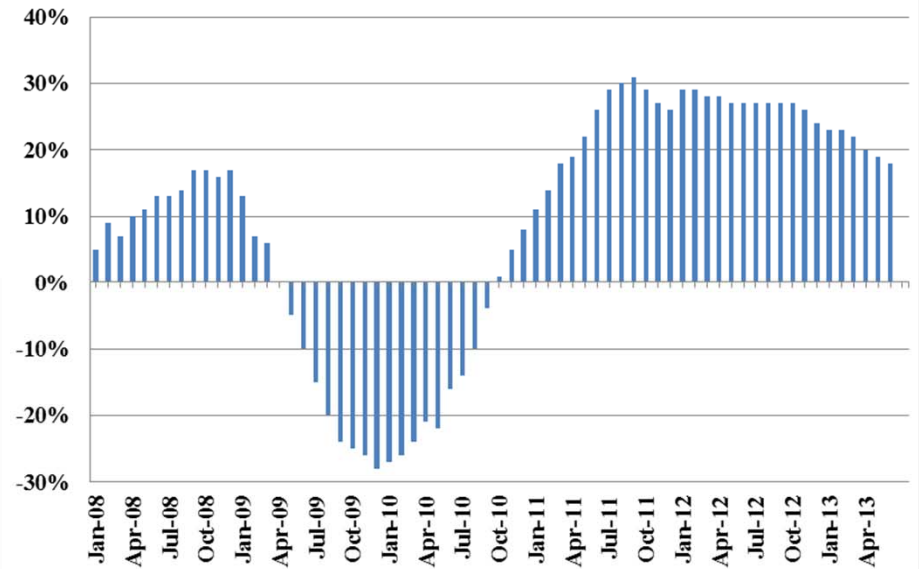


Inventory Levels

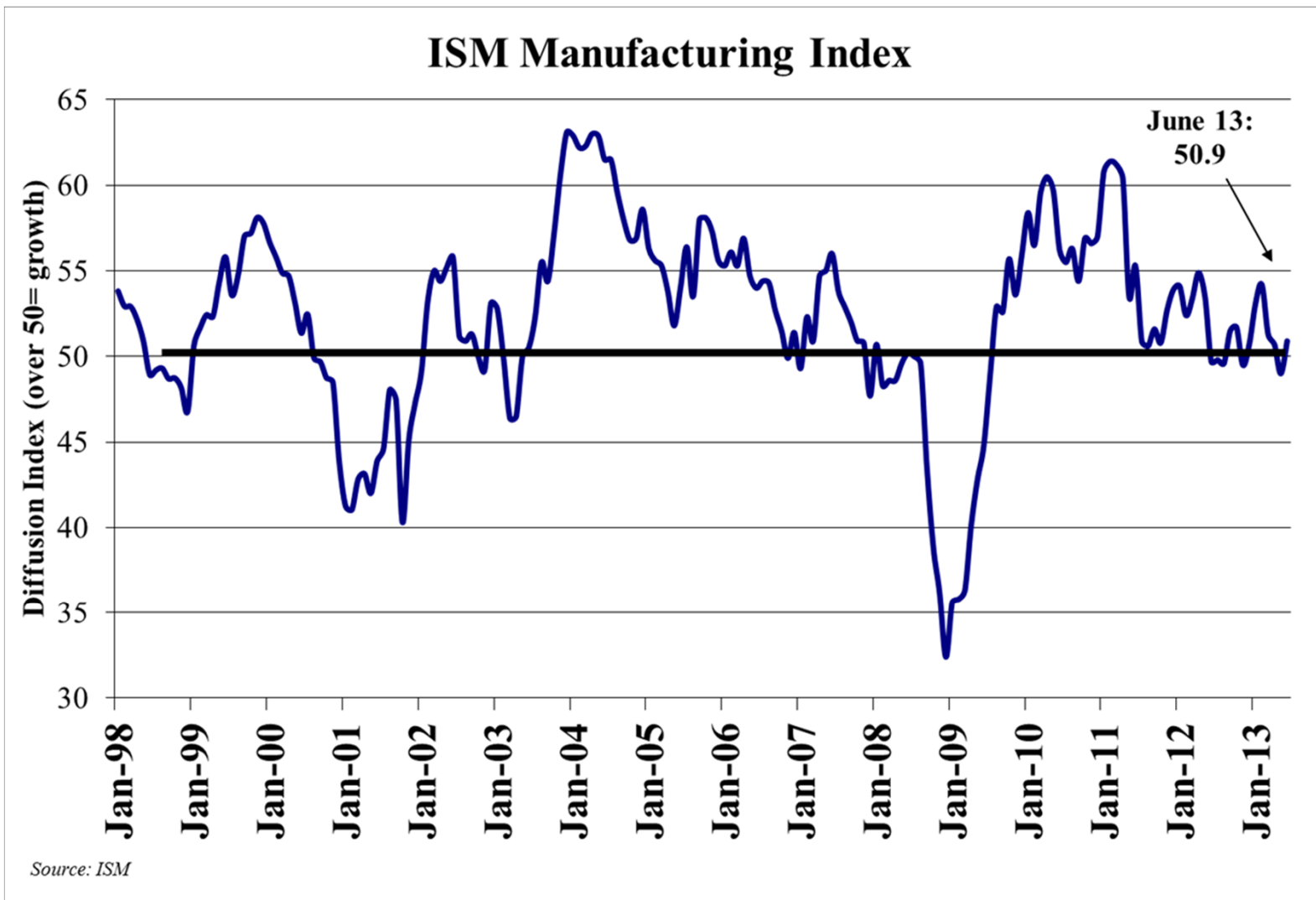
Supplier Deliveries - Versus Prior Month



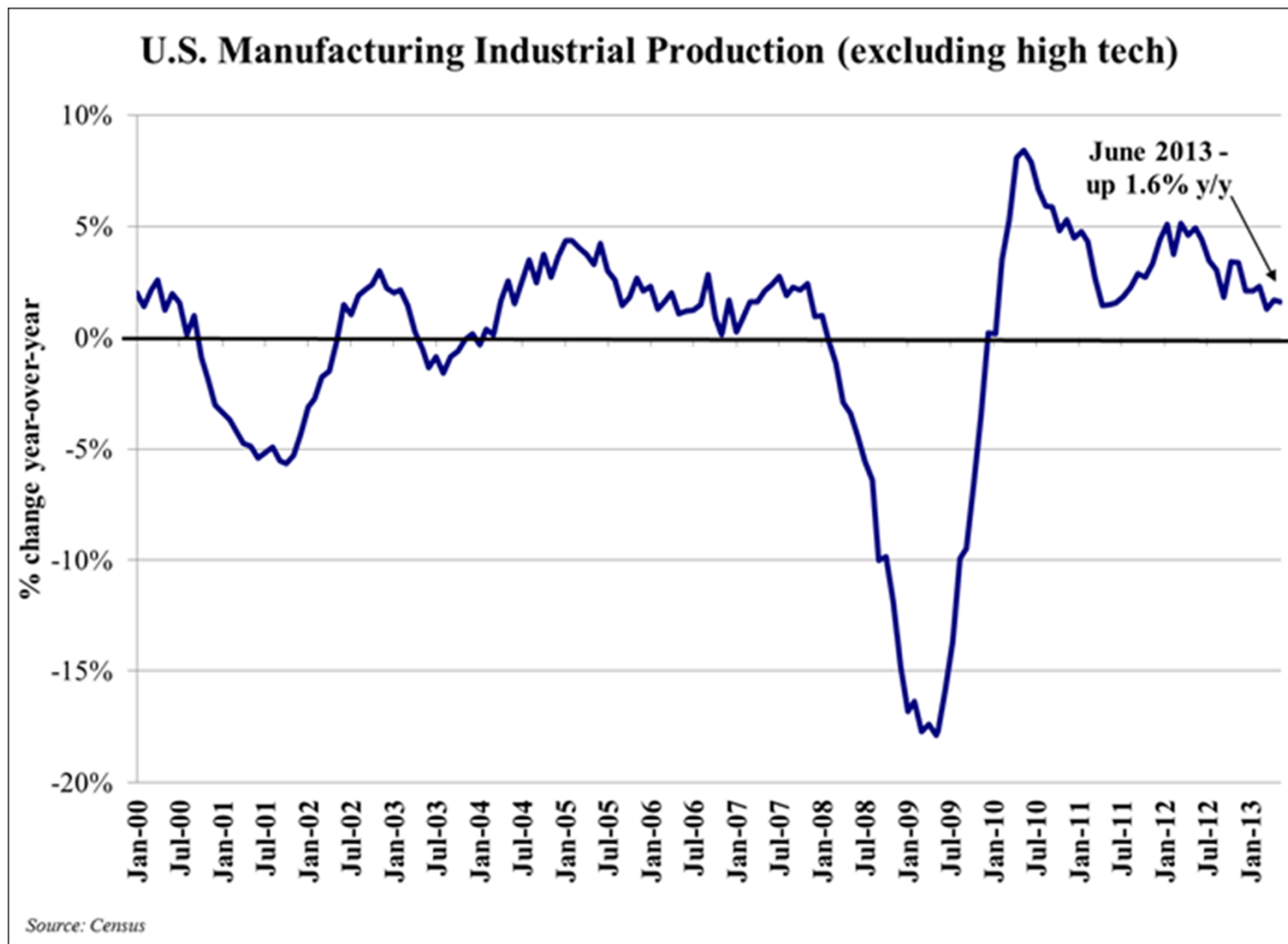
Inventory Levels - Versus Last Year



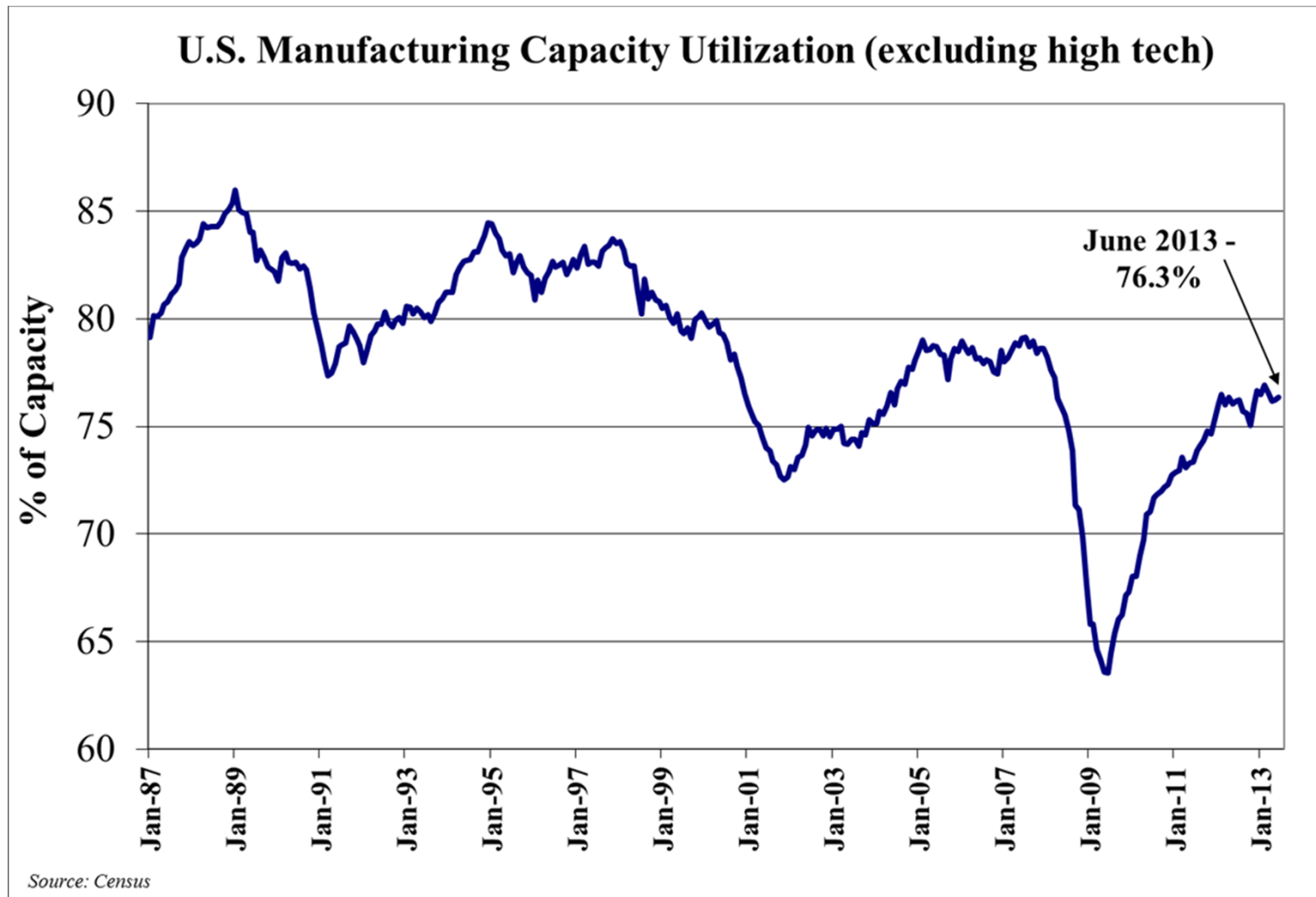
ISM Improves in June



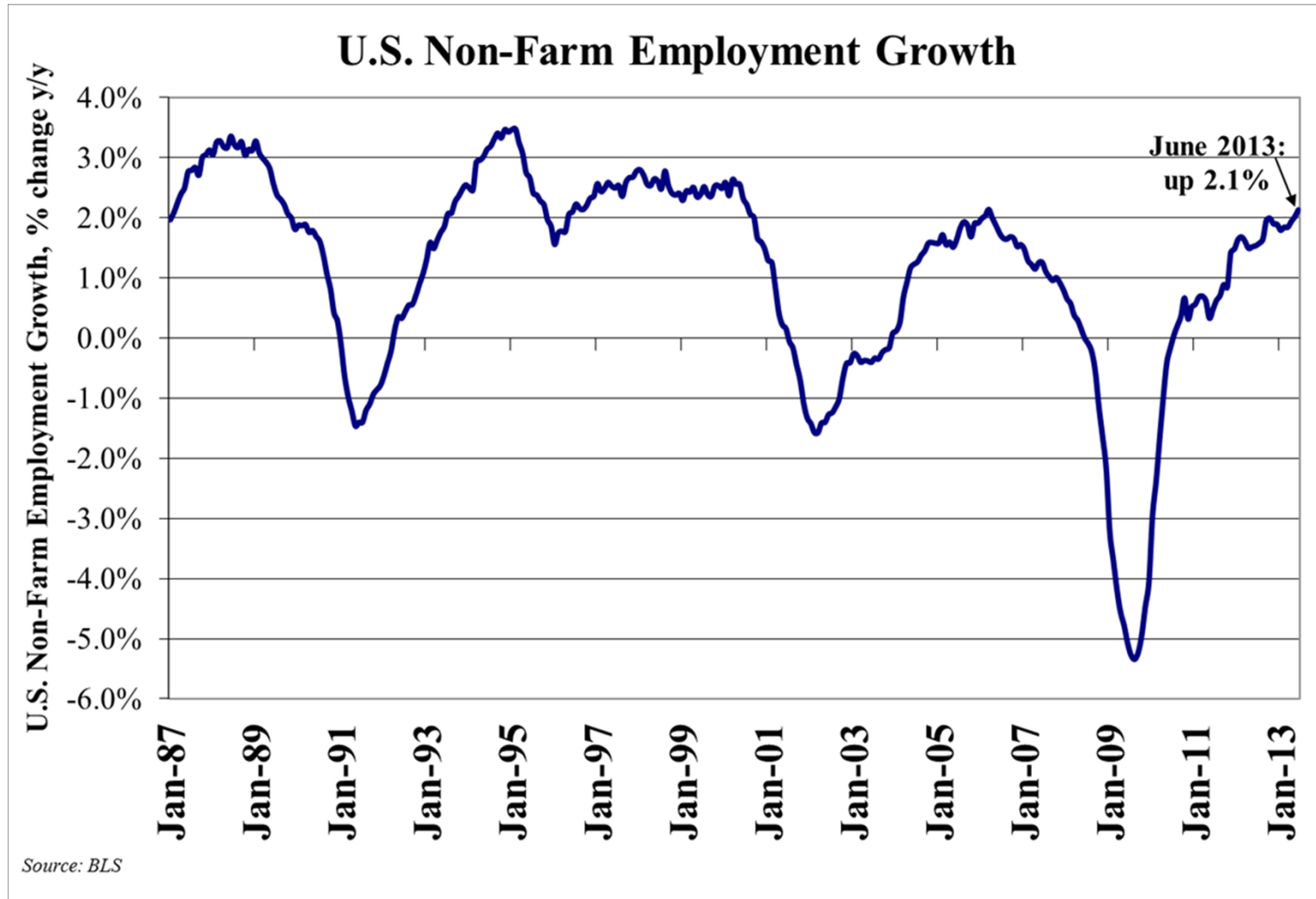
Manufacturing IP: Falls to 1.6% in June



Capacity Utilization: Lower in June



Non-Farm Employment - Continued Growth in June



Manufacturing Employment - Growth Slowing in June



Manufacturing End Market Trends

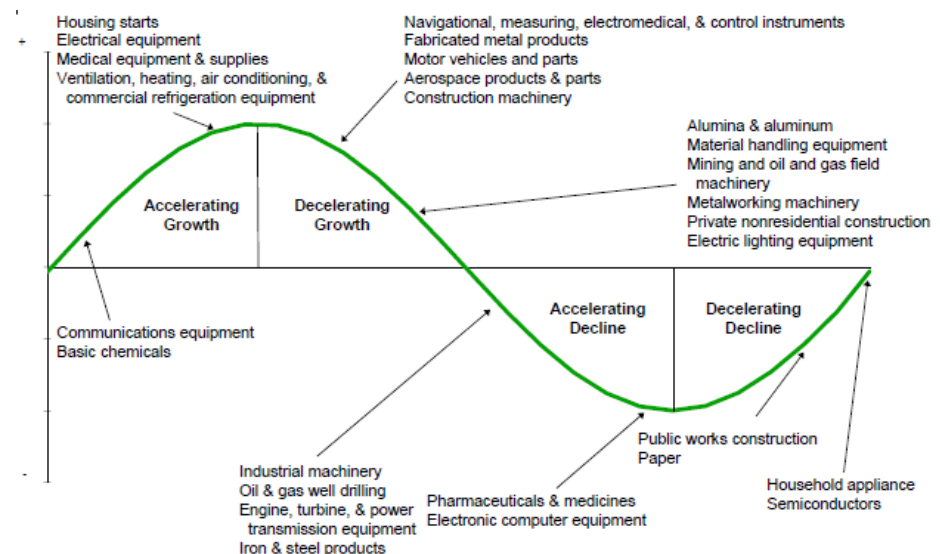
ISM Manufacturing End Market Momentum														
Major End Market	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Apparel, leather and allied products	↑	↓	↓	↑	↑	↑	↓	↓	↑	↑	↑	↑	↑	↑
Chemical products	↑	↓	↓	↑	↓	↑	↓	↓	↓	↓	↓	↑	↓	↓
Computer and electronic products	↑	↓	↓	↓	↓	↓	↑	↑	↓	↓	↑	↑	↓	↓
Electrical equipment, appliances, components	↑	↑	↑	↓	↓	↓	↑	↓	↑	↑	↑	↑	↑	↑
Fabricated metal products	↑	↑	↑	↓	↑	↓	↓	↓	↑	↑	↑	↑	↑	↑
Food, beverage and tobacco products	↓	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↓	↑	↑
Furniture and related products	↑	↑	↑	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Machinery	↑	↑	↓	↓	↓	↓	↓	↓	↑	↑	↓	↑	↑	↑
Miscellaneous manufacturing	↑	↑	↓	↑	↑	↑	↓	↓	↑	↑	↑	↔	↓	↔
Nonmetallic mineral products	↑	↓	↓	↓	↓	↓	↓	↓	↓	↑	↑	↔	↑	↑
Paper products	↑	↓	↓	↑	↑	↑	↑	↑	↔	↑	↑	↑	↑	↑
Petroleum and coal products	↓	↓	↑	↑	↑	↑	↑	↑	↑	↑	↓	↔	↔	↑
Plastics and rubber products	↓	↓	↑	↔	↔	↑	↓	↓	↑	↑	↑	↔	↓	↑
Primary metals	↑	↑	↔	↑	↑	↓	↓	↑	↑	↑	↑	↓	↓	↑
Printing, related support activities	↑	↑	↓	↑	↑	↔	↓	↔	↑	↑	↑	↑	↑	↔
Textile mills	↑	↔	↓	↓	↑	↔	↔	↔	↑	↓	↔	↔	↔	↓
Transportation equipment	↓	↓	↓	↓	↓	↓	↓	↓	↑	↑	↑	↑	↓	↓
Wood product	↔	↔	↓	↔	↑	↓	↓	↑	↓	↑	↑	↓	↑	↑
Statistics	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
% Better	72%	39%	33%	44%	61%	44%	33%	39%	72%	83%	78%	56%	56%	67%
Unchanged	6%	11%	6%	11%	6%	11%	6%	11%	6%	0%	6%	28%	11%	11%
% Worse	22%	50%	61%	44%	33%	44%	61%	50%	22%	17%	17%	17%	33%	22%
Net % of Industries Improving	50%	-11%	-28%	0%	28%	0%	-28%	-11%	50%	67%	61%	39%	22%	44%
PMI	53.5	49.7	49.8	49.6	51.5	51.7	49.5	50.7	53.1	54.2	51.3	50.7	49.0	50.9

Source: ISM

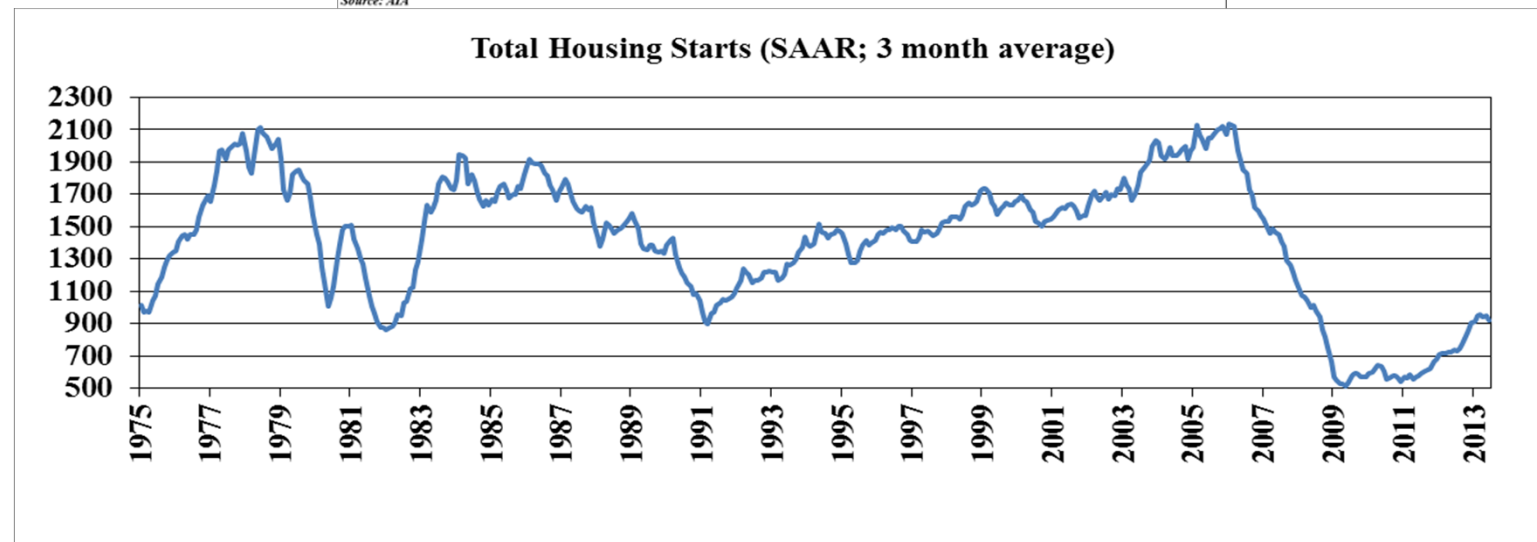
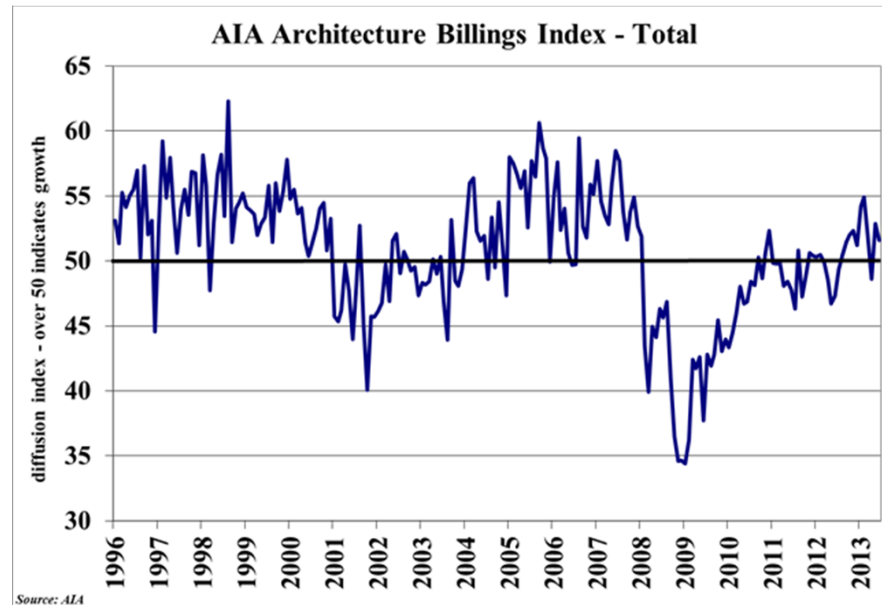
Industrial Sector – Phase of Cycle

- The table to the right highlights the MAPI business cycle forecasts for 24 different industrial related end markets.
- In 2012, 15 of the 24 industries are grew. With Housing, motor vehicles & parts, engines/turbines/power transmission growing the most. Four industries (electronic computer equipment - most severe) declined. The remaining four industries remained flat.
- In 2013, most industries are expected to be relatively flat, with the exclusion of significant growth in housing/aerospace and moderate declines in industrial machinery and engine/turbine/power transmissions.
- In 2014 housing and aerospace products and parts are expected to increase meaningfully again. Other significant increases include electric lighting equipment and communications equipment. Moderate increases / flat are expected for the rest of the end markets.

Industrial Sector by Phase of Cycle

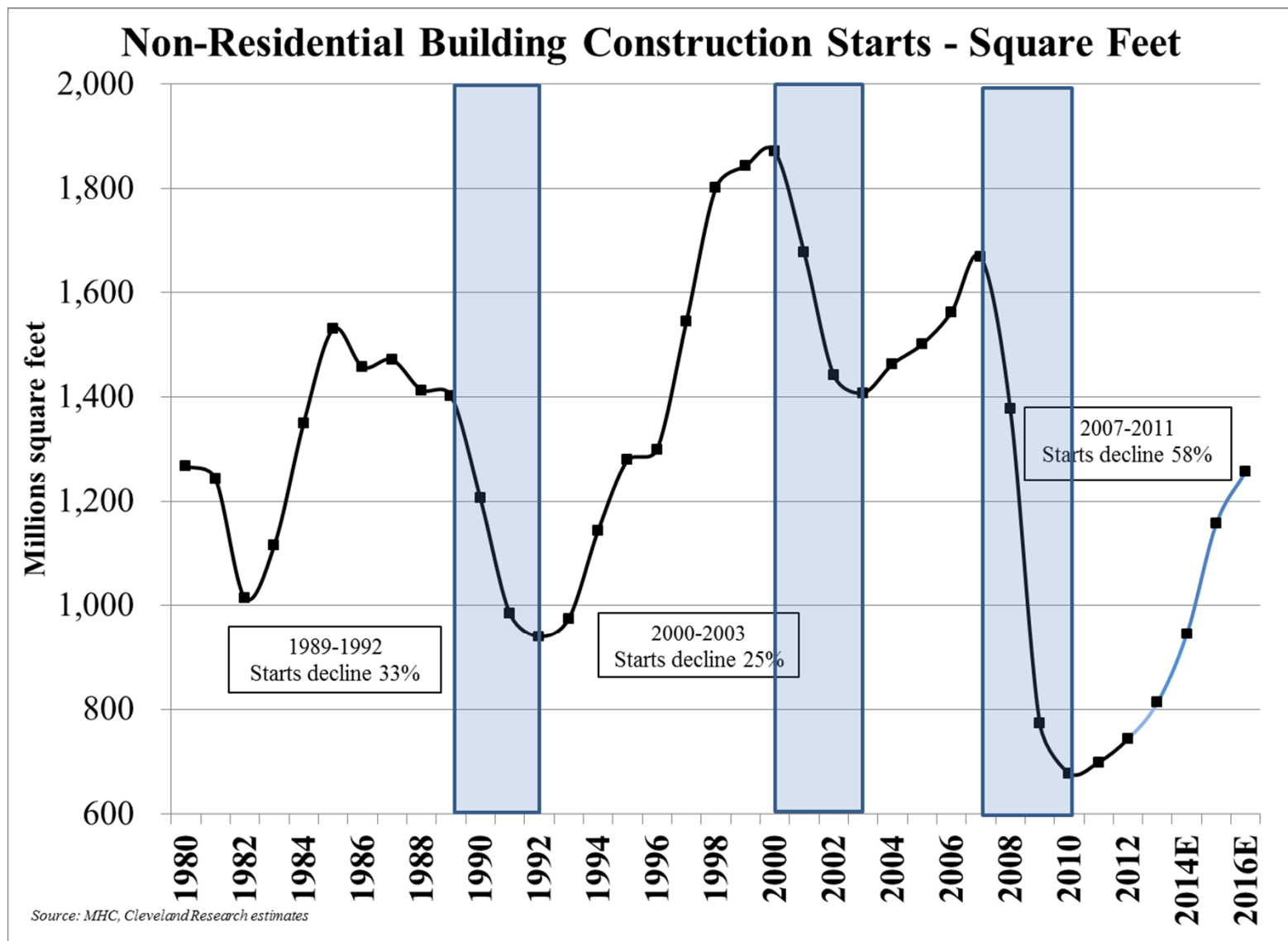


Construction Indicators



Source: U.S. Census Bureau; AIA; Company Reports

Non-Res Construction Starts: Forecast Up 8% in 2013



No Change to 2013 Non-Res Forecast – Acceleration Forecast for 2014

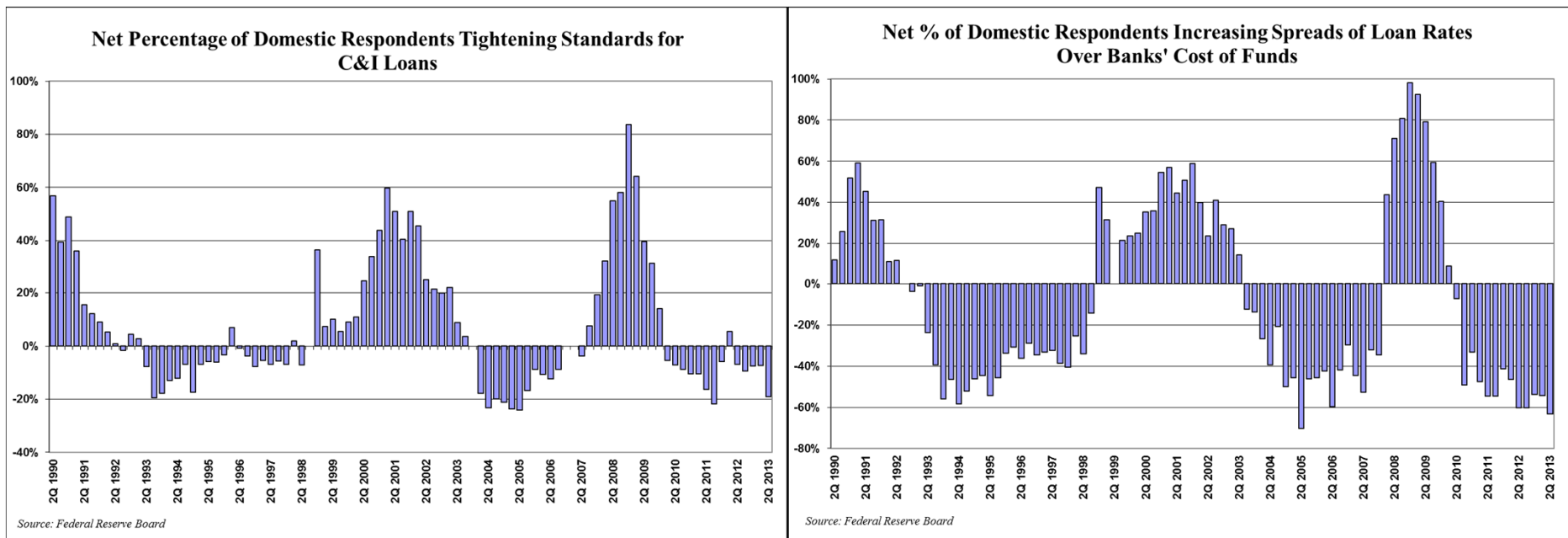
- McGraw Hill kept its 2013 non-residential construction starts forecast unchanged in 2Q. Non-res building starts are still forecast up 6% in dollars (5% in 4Q update) and 8% in square feet (6% in 4Q update). By segment, forecasts for dormitories, hotels and motels, stores & restaurants, and warehouses ticked up while forecasts for government service buildings, hospitals, and religious buildings ticked down. Non-building starts (bridges, highways) are slightly worse in 2013 - now forecast down 11% vs down 10% prior. Non-residential constructions starts are forecast up 16% (square feet) and up 14% (in dollars) for 2014.

McGraw-Hill Construction Starts History and Forecast									
U.S. Starts Forecast (Value \$mm)	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E
Amusement, Social and Recreational Bldgs	0%	-14%	-4%	-12%	-18%	9%	13%	23%	24%
Dormitories	16%	-5%	1%	-15%	2%	0%	6%	8%	6%
Government Service Buildings	7%	15%	-32%	-14%	-13%	-6%	4%	8%	10%
Hospitals and Other Health Treatment	23%	-33%	16%	-7%	-6%	0%	11%	15%	15%
Hotels and Motels	-9%	-64%	-28%	58%	20%	16%	20%	29%	-2%
Manufacturing Plants, Warehouses, Labs	44%	10%	-5%	74%	-29%	8%	14%	20%	2%
Miscellaneous Nonresidential Buildings	19%	16%	29%	-29%	-13%	2%	13%	15%	13%
Office and Bank Buildings	-15%	-28%	-18%	-3%	-3%	12%	18%	31%	19%
Parking Garages and Automotive Services	-21%	-47%	9%	26%	20%	13%	19%	16%	-2%
Religious Buildings	-5%	-7%	-29%	-10%	-13%	-2%	7%	13%	17%
Schools, Libraries, and Labs (nonmfg)	9%	-17%	-3%	-11%	-13%	-2%	11%	26%	22%
Stores and Restaurants	-27%	-40%	-5%	3%	14%	16%	18%	24%	8%
Warehouses (excl. manufacturer owned)	-22%	-58%	-16%	23%	20%	25%	22%	21%	10%
Nonresidential Building Starts (\$mm)	242,186	168,877	162,640	165,455	154,364	162,917	185,669	226,020	255,864
% change y/y	1%	-30%	-4%	2%	-7%	6%	14%	22%	13%
Nonresidential Building Starts (sq ft)	1,377	773	678	702	753	813	945	1,157	1,257
% change y/y	-18%	-44%	-12%	4%	7%	8%	16%	23%	9%
Single Family Housing Starts (sq ft, 000)	1,203	951	978	905	1,146	1,440	1,991	2,513	2,571
% change y/y	-42%	-21%	3%	-7%	27%	26%	38%	26%	2%
Nonbuilding Starts (bridges, highways, etc, \$mm)	152,486	144,769	148,329	150,209	152,763	136,300	132,100	136,300	151,100
% change y/y	9%	-5%	2%	1%	2%	-11%	-3%	3%	11%

Source: MHC (2Q13 fcast)

Credit – C&I Loan Demand Declines as Lending Standards Loosen

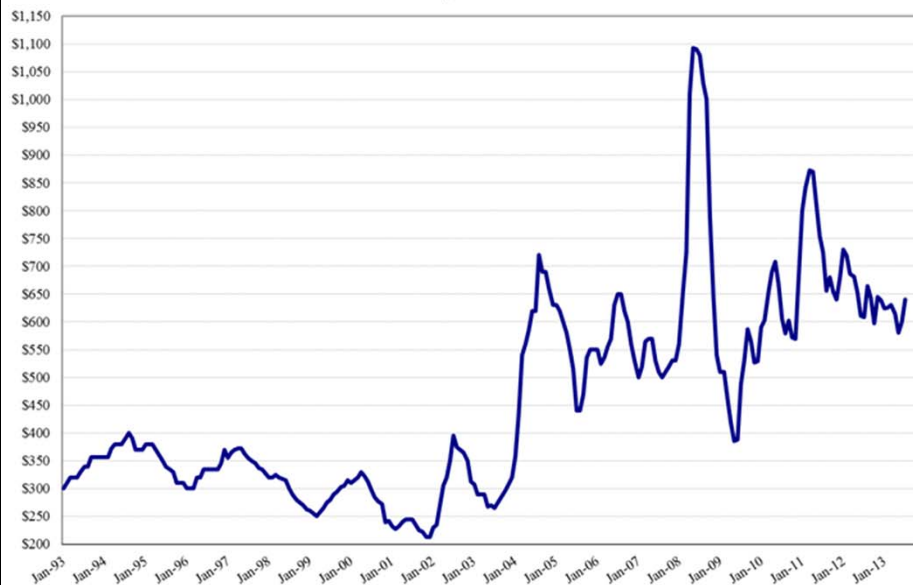
- The 2Q13 Senior Loan Officer survey saw a further loosening of loan standards. A net 19% of loan officers reported easier credit standards in 4Q12 compared with a net 7% in 1Q.
- Bank rate spreads contracted again in 2Q13 with a net 63% of loan officers reporting lower lending spreads, up from a net 54% in 1Q.
- Demand for commercial and industrial loans deteriorated in 2Q as a net 6% of loan officers reported stronger demand for commercial and industrial loans, down from the net 19% of loan officers reporting stronger demand for loans in 1Q.



Source: FRB

Commodity Price Trends – Steel

Domestic Hot Rolled Sheet Prices
Monthly 1993 to Present

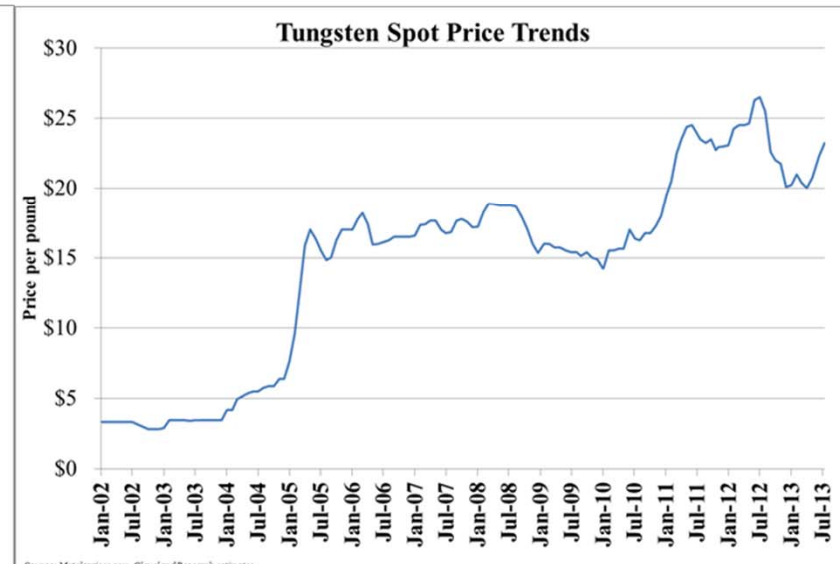
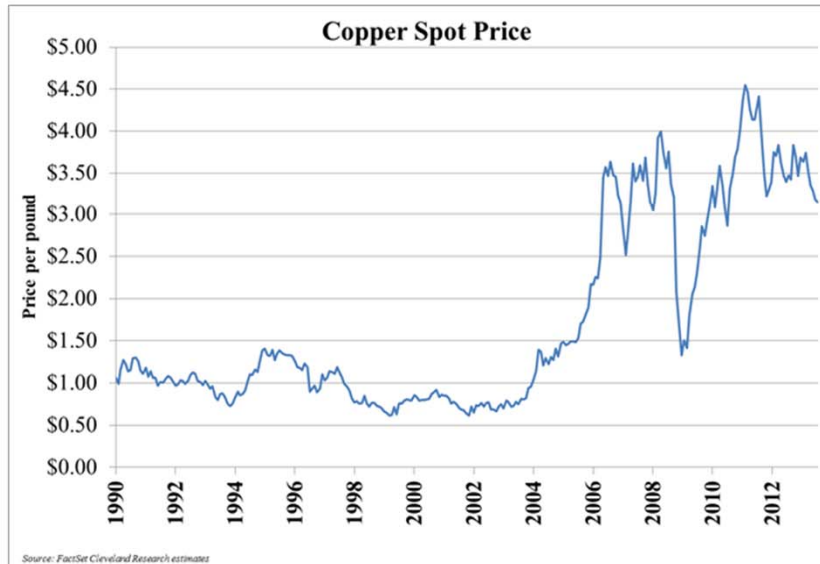
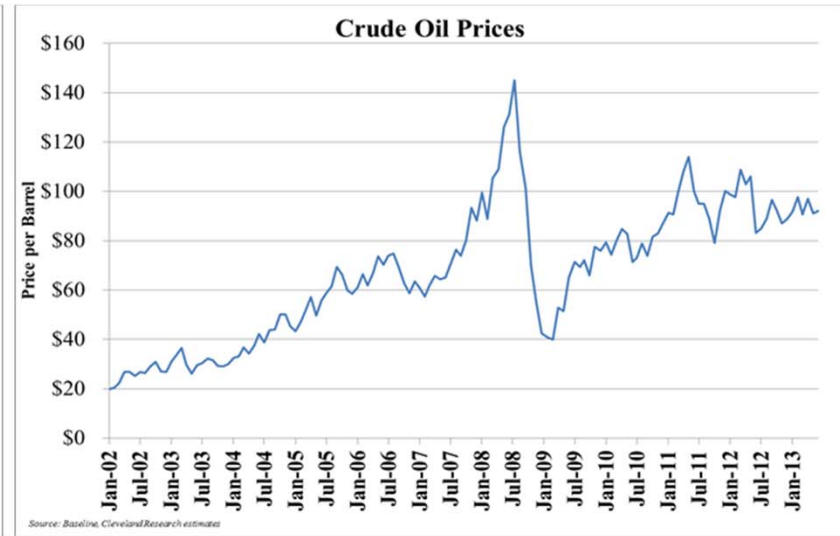
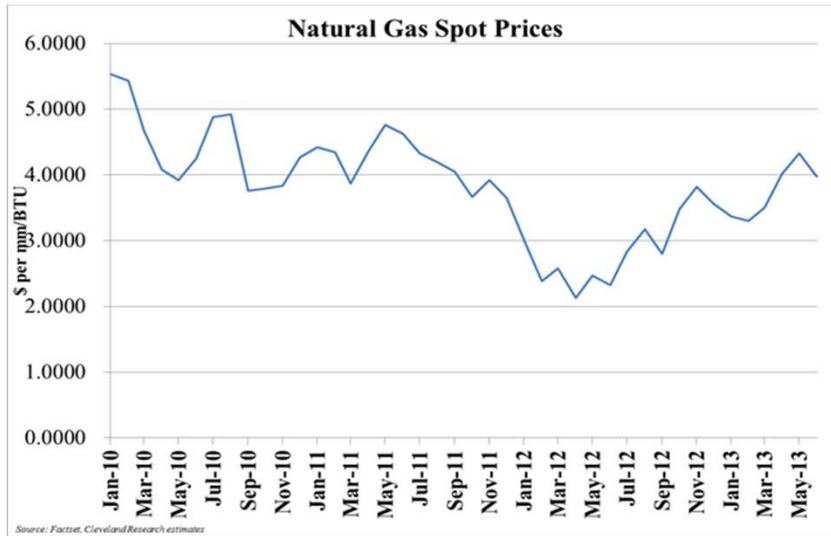


Domestic Reinforcing Bar (Rebar) Prices
Monthly 2000 to Present



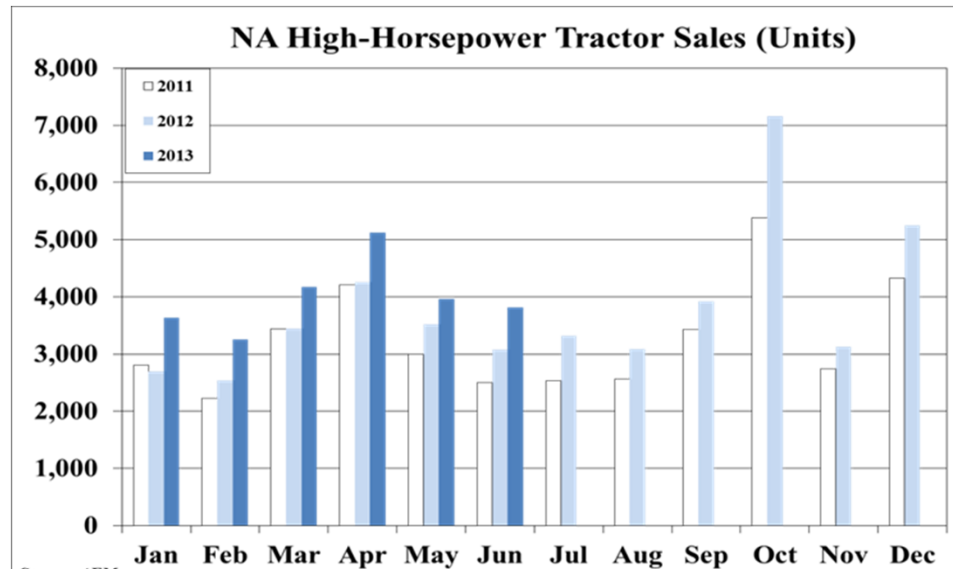
Source: Steel Business Briefing; Energy Information, Baseline

Commodity Price Trends

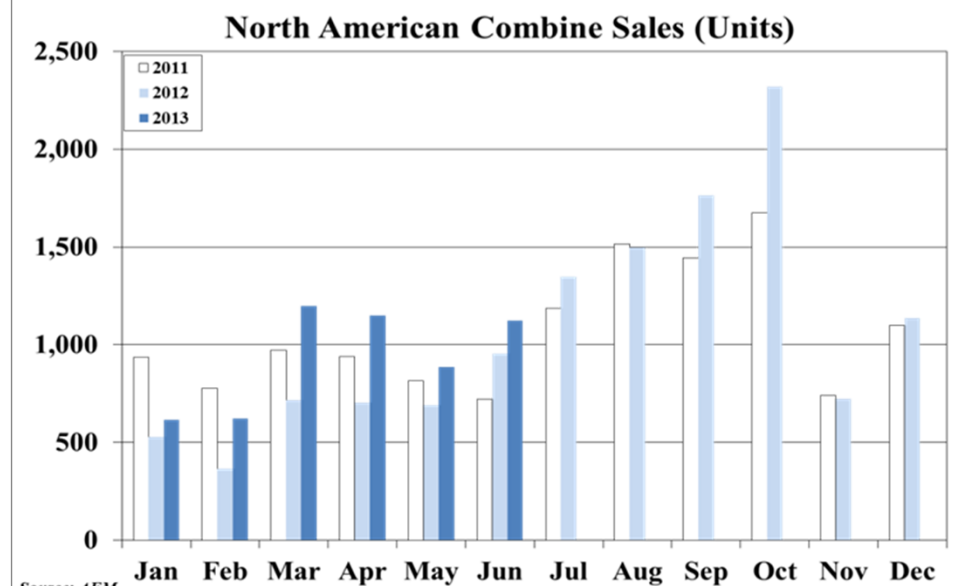


Source: Steel Business Briefing; Energy Information, Baseline, Metalprices

Ag Indicators



Source: AEM



Source: AEM

Source: AEM

Automotive Trends – Improving

N. American Light Vehicle Production Trends										
Quarterly Unit Production						Quarterly Unit Production % Change y/y				
	Chrysler	Ford	GM	Big 3 Total	Total NA Light Vehicle	Chrysler	Ford	GM	Big 3 Total	Total NA Light Vehicle
1Q10	377,333	557,080	667,599	1,602,012	2,886,870	56%	63%	89%	71%	72%
2Q10	429,664	619,503	731,277	1,734,000	3,080,788	288%	49%	102%	95%	73%
3Q10	413,490	554,112	733,082	1,700,684	2,995,300	47%	18%	49%	37%	29%
4Q10	361,830	577,859	702,554	1,642,243	2,966,740	9%	4%	24%	13%	8%
1Q11	487,789	640,182	786,061	1,914,032	3,363,464	29%	15%	18%	19%	17%
2Q11	513,283	683,450	821,779	2,018,512	3,100,093	19%	10%	12%	16%	1%
3Q11	523,422	608,429	749,178	1,881,029	3,393,594	27%	10%	2%	11%	13%
4Q11	504,278	636,619	738,657	1,879,554	3,458,920	39%	10%	5%	14%	17%
1Q12	589,023	651,408	861,711	2,102,142	4,035,736	21%	2%	10%	10%	20%
2Q12	624,200	702,700	838,700	2,165,600	4,087,800	22%	3%	2%	7%	32%
3Q12	557,400	653,900	761,900	1,973,200	3,749,100	6%	7%	2%	5%	10%
4Q12	586,800	710,200	774,900	2,071,900	3,892,000	16%	12%	5%	10%	13%
1Q13	549,400	744,300	808,600	2,102,300	4,041,600	-7%	14%	-6%	0%	0%
2Q13	627,600	772,100	825,100	2,224,800	4,239,000	1%	10%	-2%	3%	4%
3Q13E	553,000	721,100	770,500	2,044,600	3,945,500	-1%	10%	1%	4%	5%

Heavy Truck Net Orders – Steady in May

