

THE FPDA MOTION & CONTROL NETWORK

Fluid Power Survey Results February 2014



Highlights



Background:

- The January survey had 43 respondents comprised of 34 distributors and 9 manufacturing firms.

Highlights:

- **FPDA Index** – The January FPDA Index grew with a solid reading of 63.5, up nicely from December's reading of 56.1. The broader ISM index declined to 51.3 in January, falling below December's reading of 57.0.
- January sales were up 3% y/y vs 5% in December and two-thirds of sources reported weather negatively impacted demand.
- The 2014 outlook remains unchanged at 5-6% growth following flat sales in 2013 and is supported by better order activity in January and growing backlogs.
- Inventories grew sequentially and y/y in January as sources appear more willing to build inventories to support the current demand environment.

Summary Thoughts



Sales growth moderated in January to up 3% y/y from up 5% in December with moderation reported in 13 of 17 end markets in the month. We believe the sequential moderation is likely a one month anomaly as two-thirds of our sources indicated demand was negatively impacted by bad weather, and the 2014 outlook remained unchanged at 5-6% growth.

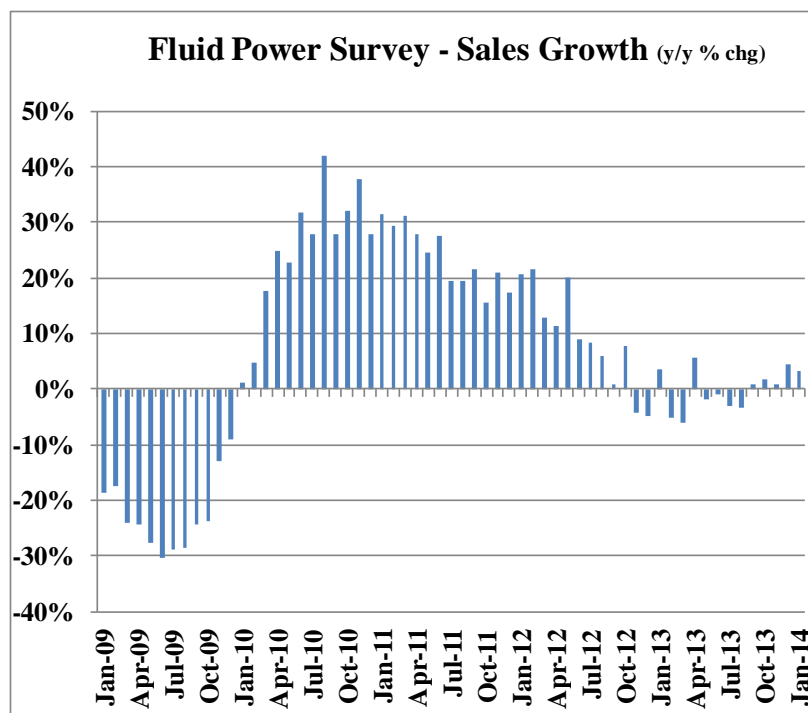
January FPDA Index

- The January FPDA Index produced a reading of 63.5 up meaningfully from December's reading of 56.1. The broader ISM index weakened with a reading of 51.3 in January, below December's reading of 57.0.
- 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 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 | Jun-13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Direction | Rate of Change | Trend (months) |
| Sales | 50.9 | 69.0 | 39.2 | 61.7 | 33.4 | 35.2 | 83.2 | 38.9 | 68.1 | 66.6 | 43.1 | 35.5 | 55.0 | 60.9 | 38.2 | 77.3 | 33.0 | 59.6 | 70.8 | Growing | Faster | 2 |
| Prices | 61.7 | 65.5 | 63.5 | 69.9 | 59.7 | 57.7 | 66.5 | 58.6 | 52.6 | 54.9 | 52.4 | 54.6 | 66.1 | 57.2 | 58.2 | 61.6 | 65.9 | 63.9 | 79.8 | Growing | Faster | 44 |
| Orders | 40.7 | 56.0 | 24.2 | 68.0 | 41.5 | 45.1 | 74.8 | 32.0 | 47.9 | 71.4 | 37.9 | 34.2 | 57.9 | 56.1 | 44.1 | 71.3 | 37.0 | 55.0 | 77.7 | Growing | Faster | 2 |
| Backlog | 41.8 | 43.0 | 33.3 | 34.4 | 37.8 | 35.1 | 66.7 | 61.3 | 37.9 | 48.4 | 47.1 | 38.5 | 44.9 | 41.1 | 41.3 | 52.2 | 47.2 | 53.0 | 67.6 | Growing | Faster | 2 |
| Outlook | 48.0 | 43.9 | 43.1 | 42.2 | 47.4 | 51.4 | 52.9 | 51.6 | 43.3 | 46.7 | 62.1 | 38.5 | 43.8 | 47.7 | 42.7 | 52.2 | 50.0 | 62.9 | 63.5 | Growing | Faster | 4 |
| Inventory | 57.0 | 62.8 | 60.5 | 51.6 | 52.6 | 36.1 | 54.4 | 50.0 | 53.1 | 45.0 | 40.9 | 46.2 | 45.1 | 47.7 | 51.2 | 55.3 | 39.2 | 48.6 | 55.1 | Growing | From Slowing | 1 |
| Supplier Deliveries | 50.6 | 53.4 | 48.0 | 54.9 | 54.3 | 61.7 | 54.0 | 58.3 | 47.5 | 51.7 | 46.8 | 54.0 | 53.5 | 55.5 | 57.7 | 58.7 | 58.7 | 62.2 | 51.9 | Growing | Slower | 8 |
| Employment | 61.4 | 58.3 | 56.2 | 60.0 | 56.1 | 52.7 | 53.0 | 55.3 | 53.3 | 49.2 | 51.1 | 42.5 | 49.9 | 53.2 | 53.5 | 55.1 | 54.8 | 55.3 | 61.7 | Growing | Faster | 6 |
| Accounts Receivable | 42.9 | 47.7 | 43.4 | 43.8 | 42.1 | 45.8 | 45.6 | 40.3 | 46.7 | 46.6 | 50.0 | 41.0 | 45.0 | 43.0 | 46.5 | 45.5 | 47.2 | 45.6 | 39.7 | Slowing | Faster | 8 |
| Overall FPDA Index | 52.1 | 59.9 | 45.6 | 59.3 | 47.6 | 46.2 | 63.9 | 46.9 | 54.0 | 56.8 | 44.0 | 42.5 | 52.3 | 54.7 | 49.0 | 63.6 | 44.5 | 56.1 | 63.5 | Growing | Faster | 2 |
| Memo: ISM PMI Index | 52.6 | 49.6 | 51.5 | 51.7 | 49.5 | 50.2 | 53.1 | 54.2 | 54.2 | 50.7 | 49.0 | 50.9 | 55.4 | 55.7 | 56.2 | 56.4 | 57.3 | 57.0 | 51.3 | Growing | Slower | 8 |

January Sales Up 3% Following 5% Growth in December, Below Expectations Due to Weather

Our monthly survey of fluid power industry sources indicates demand continued to trend below expectations in January with a net 11% of sources missing expectations in the month similar to the net 8% who missed last month. Weather appears to be the key headwind in the month, with more than two thirds of participants reporting weather had some impact on their business. We are hearing weather delayed shipments in addition to fewer contractors working during the month. Sales were up 3% y/y in January vs the 5% y/y growth reported in December.



Monthly Sales Growth – January 2014

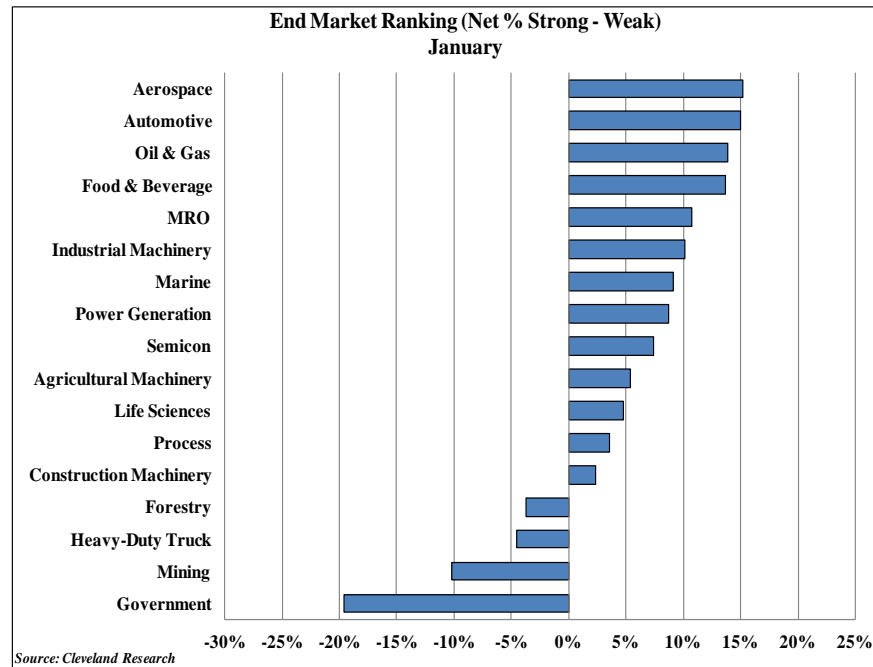
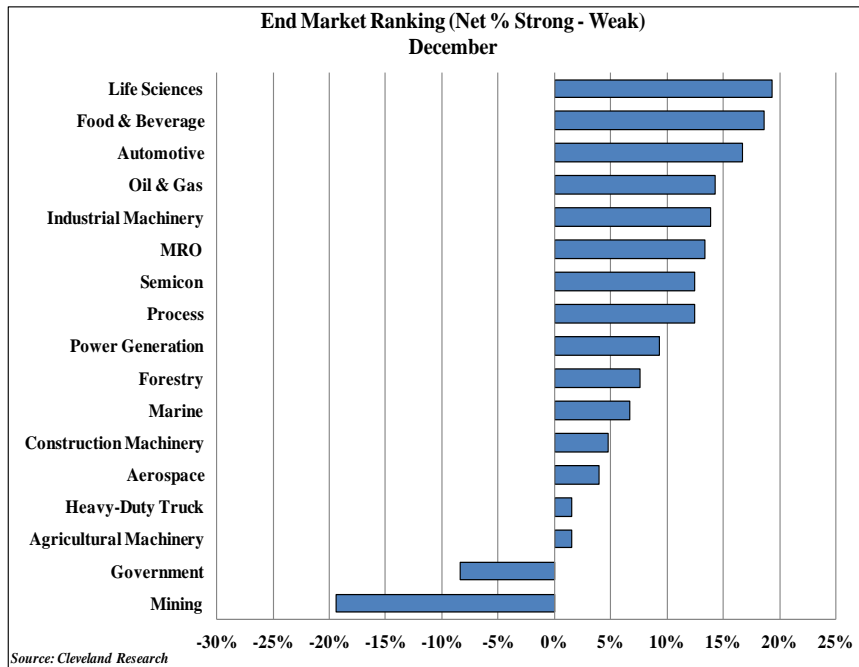
| Fluid Power Industry - Monthly Sales Growth | | | | | | | | | | | | | | | | | | | | |
|---|------|------|------|------|------|------|--------------|------|------|------|------|------|---------------|-----------|------|------|------|------|------|------|
| Total | | | | | | | Distributors | | | | | | Manufacturers | | | | | | | |
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| January | -19% | 1% | 32% | 21% | 4% | 3% | January | -16% | -6% | 28% | 26% | 1% | 3% | January | -21% | 9% | 35% | 17% | 7% | 3% |
| February | -18% | 5% | 29% | 22% | -5% | | February | -17% | -2% | 28% | 24% | -6% | | February | -18% | 11% | 31% | 19% | -5% | |
| March | -24% | 18% | 31% | 13% | -6% | | March | -22% | 12% | 33% | 16% | -5% | | March | -26% | 24% | 30% | 10% | -7% | |
| April | -24% | 25% | 28% | 12% | 6% | | April | -22% | 17% | 27% | 10% | 6% | | April | -27% | 32% | 29% | 13% | 5% | |
| May | -28% | 23% | 25% | 20% | -2% | | May | -27% | 18% | 31% | 21% | -3% | | May | -28% | 28% | 18% | 19% | -1% | |
| June | -30% | 32% | 28% | 9% | -1% | | June | -29% | 25% | 27% | 10% | -1% | | June | -32% | 39% | 28% | 8% | 0% | |
| July | -29% | 28% | 20% | 9% | -3% | | July | -29% | 23% | 23% | 13% | -2% | | July | -29% | 33% | 17% | 5% | -4% | |
| August | -29% | 42% | 20% | 6% | -3% | | August | -28% | 38% | 25% | 6% | -5% | | August | -29% | 46% | 14% | 6% | -2% | |
| September | -24% | 28% | 22% | 1% | 1% | | September | -24% | 22% | 29% | 5% | 1% | | September | -24% | 34% | 14% | -3% | 1% | |
| October | -24% | 32% | 17% | 8% | 2% | | October | -25% | 22% | 20% | 13% | 1% | | October | -22% | 42% | 14% | 3% | 2% | |
| November | -13% | 38% | 21% | -4% | 1% | | November | -14% | 31% | 28% | 2% | 2% | | November | -12% | 44% | 15% | -10% | -1% | |
| December | -9% | 28% | 17% | -5% | 5% | | December | -14% | 21% | 24% | 4% | 4% | | December | -4% | 28% | 5% | -8% | 5% | |

| Percent Positive / Negative Growth | | | | | | | | | | | | | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | <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> | <u>Jul-13</u> | <u>Aug-13</u> | <u>Sep-13</u> | <u>Oct-13</u> | <u>Nov-13</u> | <u>Dec-13</u> | <u>Jan-14</u> |
| Positive Sales Growth | 59% | 43% | 41% | 53% | 26% | 36% | 71% | 35% | 42% | 42% | 43% | 34% | 47% | 47% | 54% | 69% |
| Flat Sales | 9% | 8% | 16% | 18% | 18% | 18% | 11% | 15% | 11% | 12% | 11% | 10% | 19% | 12% | 16% | 11% |
| Negative Sales Growth | 31% | 49% | 43% | 29% | 56% | 45% | 18% | 50% | 47% | 46% | 46% | 56% | 34% | 41% | 30% | 20% |
| Net % (Positive - Negative) | 28% | -5% | -3% | 24% | -29% | -9% | 52% | -15% | -5% | -4% | -2% | -22% | 13% | 6% | 24% | 49% |

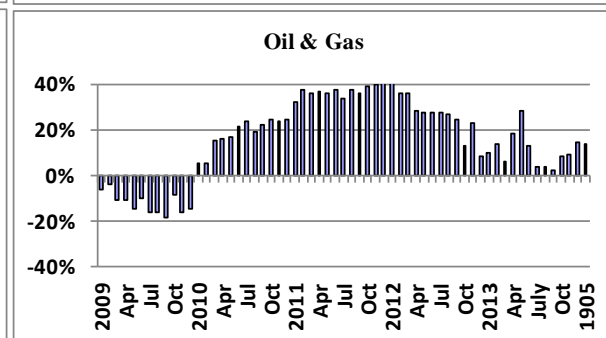
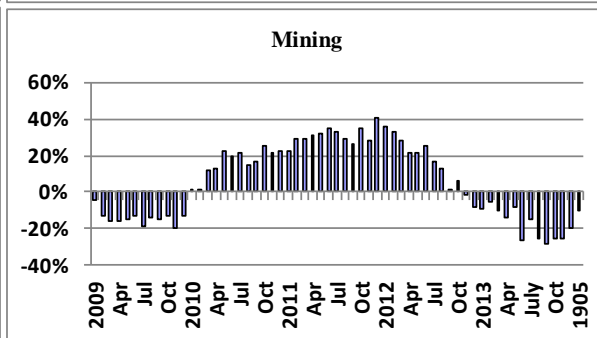
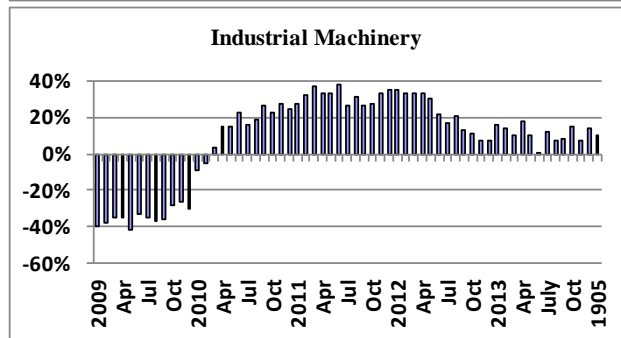
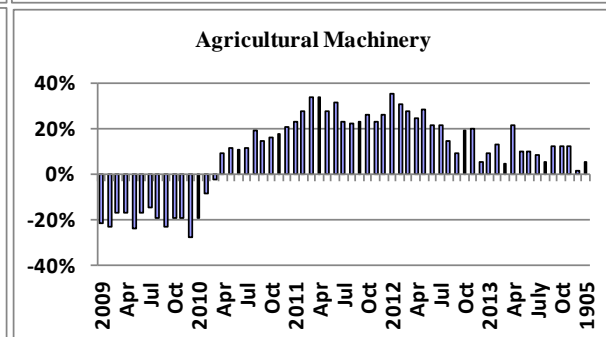
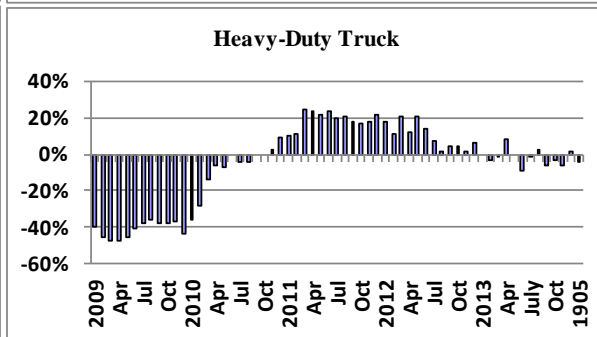
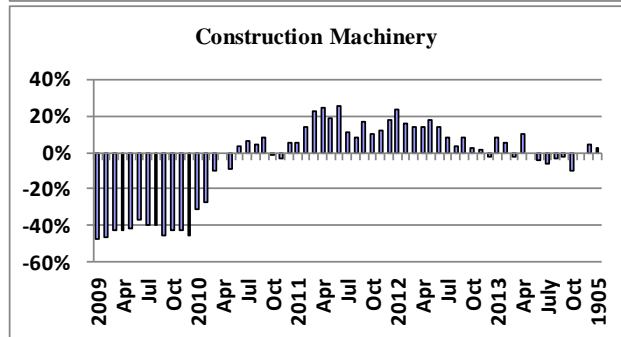
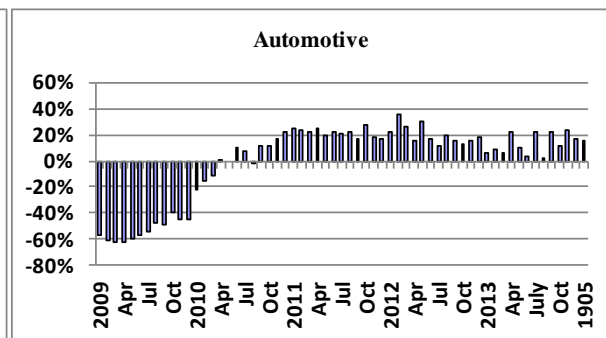
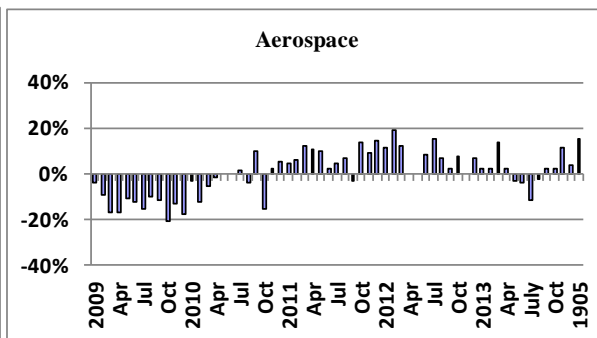
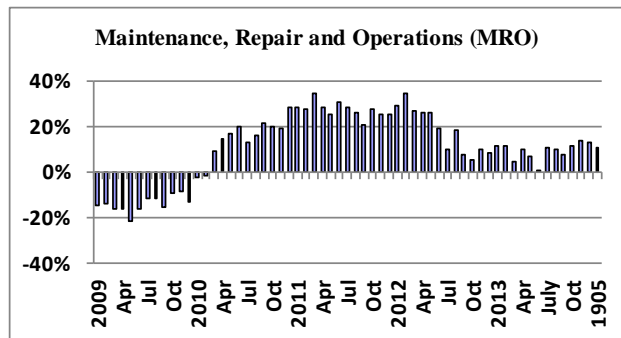
| Results vs. Expectations | | | | | | | | | | | | | | | | |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | <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> | <u>Jul-13</u> | <u>Aug-13</u> | <u>Sep-13</u> | <u>Oct-13</u> | <u>Nov-13</u> | <u>Dec-13</u> | <u>Jan-14</u> |
| Better than expected | 28% | 8% | 16% | 32% | 11% | 15% | 16% | 11% | 13% | 12% | 9% | 12% | 28% | 11% | 25% | 18% |
| In line with expectations | 31% | 41% | 38% | 35% | 31% | 29% | 57% | 45% | 36% | 39% | 46% | 21% | 38% | 54% | 43% | 53% |
| Worse than expected | 41% | 51% | 46% | 32% | 57% | 56% | 27% | 45% | 51% | 49% | 46% | 67% | 34% | 35% | 33% | 29% |
| Net % (Better - Worse) | -13% | -43% | -30% | 0% | -46% | -41% | -13% | -34% | -38% | -37% | -37% | -56% | -6% | -24% | -8% | -11% |

End Markets Moderate in January

13 out of 17 markets ranked in positive territory in the month of January, down from 15 in December. Aerospace and automotive took the top spots in January as mining and government remained the weakest markets but swapped places. On a sequential basis, thirteen end markets weakened with life sciences, forestry and government posting the steepest declines. Aerospace, mining, and ag machinery end markets were the only end markets to improve sequentially.

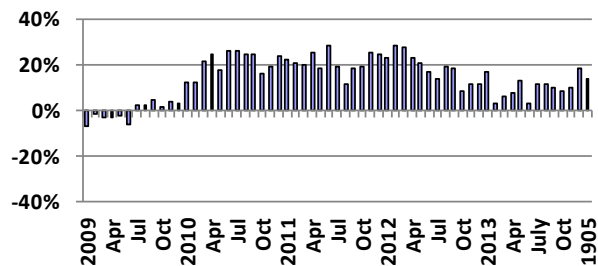


End Market Trends

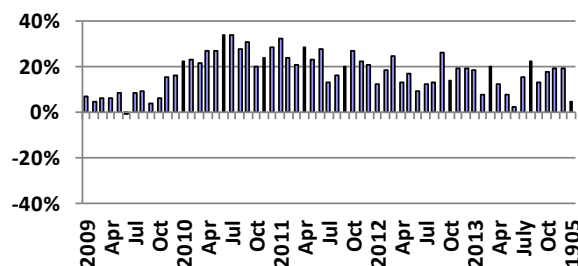


End Market Trends

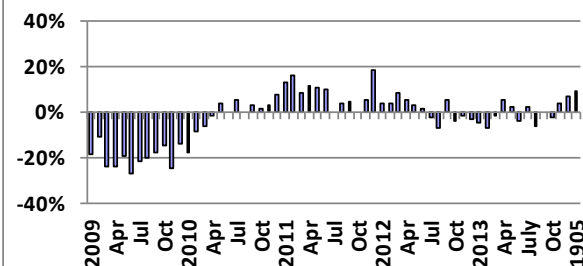
Food & Beverage



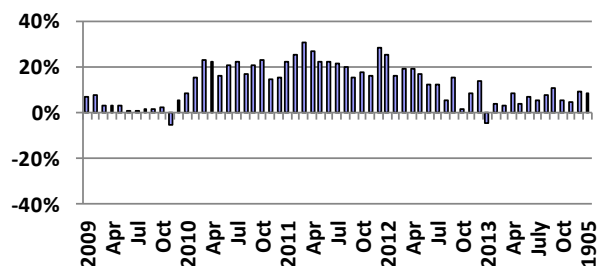
Life Sciences



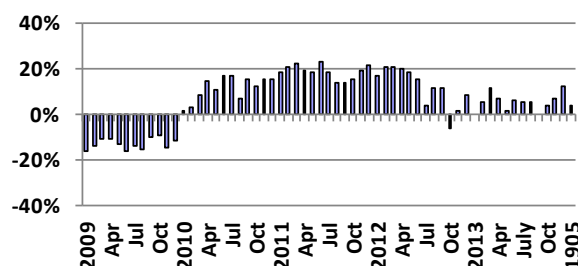
Marine



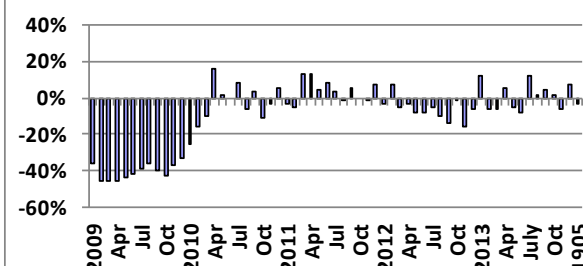
Power Generation



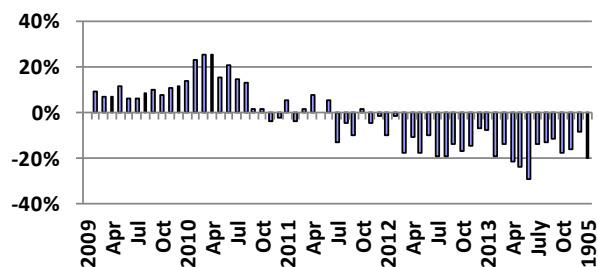
Process



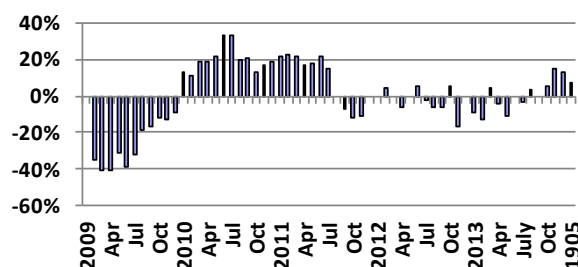
Forestry



Government

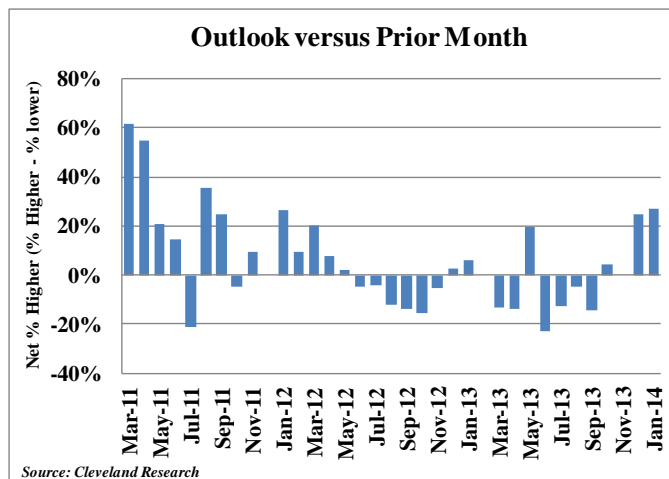


Semicon



2014 Outlook Unchanged, Expecting 5-6% Growth

The 2014 outlook remained unchanged this month as sources continue to expect 5-6% growth following the 100-200bp improvement in the outlook in our prior survey. While the outlook remained stable in the month, underlying sentiment is more positive today than 30 days ago with more than 25% of sources noting some positive bias to their current outlook. From an end market perspective, auto markets are forecast to remain strong, aerospace is improving, and sources see some improvement with industrial machinery, mining and power gen end markets off very low levels.

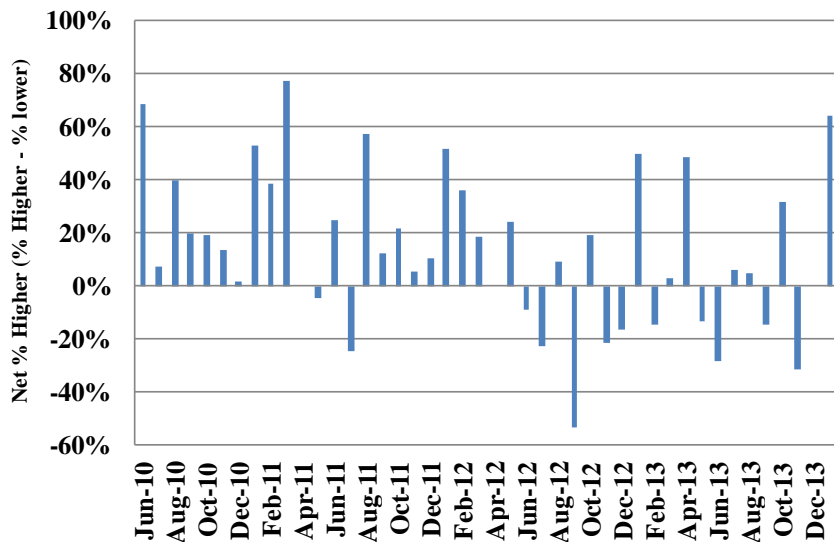


| Fluid Power Outlook | | | | | | | |
|---------------------|----------------|----------------|--------------|--------|--------|--------|--------|
| | 2012 | 2013 | 2014 Outlook | | | | |
| Sales Growth (y/y) | Actual Results | Actual Results | Sept-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 |
| Overall | 8% | 0% | 3% | 4-5% | 4-5% | 5-6% | 5-6% |
| Distributors | 8% | 0% | 4% | 5% | 4-5% | 6% | 7% |
| Manufacturers | 8% | 0% | 3% | 4% | 3% | 5% | 4% |

Orders and Backlog Continue to Grow, Supporting 2014 Outlook

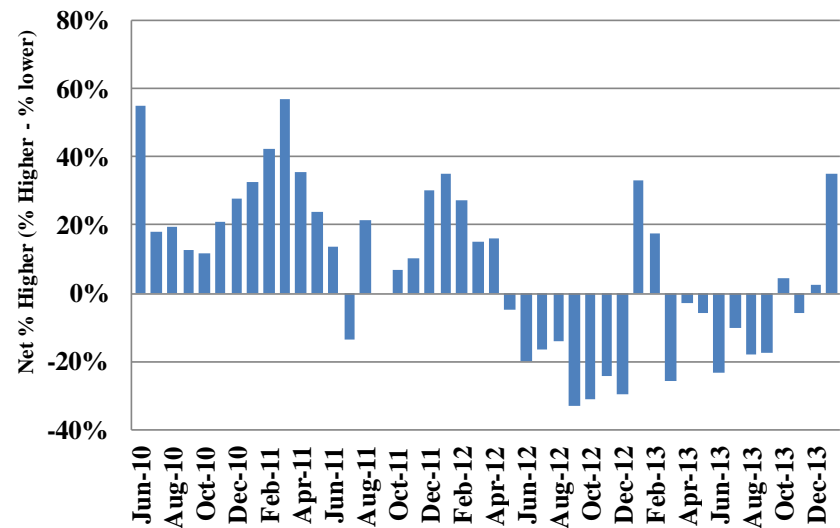
January orders were up 6% y/y vs 3% last month and sources report increased quoting activity and strong order entry in the month while backlogs increased 1% y/y, slightly below the 2% growth in December. Backlogs have grown for 2 consecutive months for the first time since September 2012 and net 35% of participants reported higher backlogs in the month, the best reading since January 2012.

Orders versus Prior Month



Source: Cleveland Research

Backlog versus Prior Month



Source: Cleveland Research

Order and Backlog Growth Trends

Fluid Power Industry - Monthly Order Growth

| Total | | | | | | | Distributors | | | | | | | Manufacturers | | | | | | |
|-----------|------|------|------|------|------|------|--------------|------|------|------|------|------|------|---------------|------|------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| January | | 9% | 25% | 14% | 1% | 6% | January | | 1% | 25% | 13% | 3% | 6% | January | | 18% | 25% | 15% | -1% | 5% |
| February | | 16% | 31% | 18% | -5% | | February | | 12% | 31% | 19% | -7% | | February | | 21% | 31% | 17% | -3% | |
| March | | 30% | 29% | 6% | -11% | | March | | 29% | 30% | 10% | -6% | | March | | 31% | 29% | 3% | -15% | |
| April | -25% | 31% | 23% | 10% | 3% | | April | -25% | 30% | 29% | 8% | 5% | | April | -25% | 32% | 18% | 12% | 2% | |
| May | -29% | 29% | 19% | 10% | -1% | | May | -27% | 28% | 27% | 5% | -2% | | May | -31% | 30% | 12% | 15% | 0% | |
| June | -33% | 34% | 28% | 5% | 0% | | June | -30% | 28% | 33% | 1% | -2% | | June | -37% | 41% | 24% | 10% | 2% | |
| July | -26% | 27% | 23% | 5% | -1% | | July | -28% | 20% | 25% | 8% | 1% | | July | -24% | 34% | 20% | 2% | -2% | |
| August | -26% | 40% | 18% | 5% | -1% | | August | -26% | 34% | 29% | 6% | -1% | | August | -26% | 46% | 7% | 5% | -1% | |
| September | -17% | 29% | 24% | -2% | 1% | | September | -20% | 29% | 30% | 1% | 3% | | September | -14% | 29% | 19% | -5% | 0% | |
| October | -21% | 26% | 25% | 3% | 4% | | October | -21% | 25% | 25% | -4% | 4% | | October | -20% | 26% | 23% | 10% | 4% | |
| November | -3% | 23% | 20% | -2% | 1% | | November | -2% | 28% | 21% | -1% | -1% | | November | -4% | 17% | 19% | -3% | 4% | |
| December | -4% | 18% | 18% | -6% | 3% | | December | -10% | 27% | 21% | 5% | 5% | | December | 3% | 17% | 1% | -11% | 1% | |

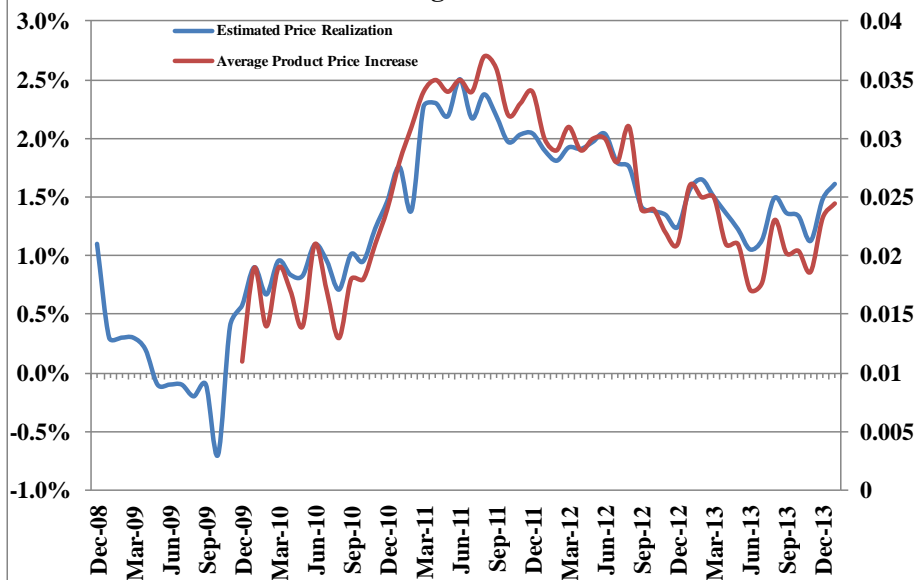
Fluid Power Industry - Monthly Backlog Growth

| Total | | | | | | | Distributors | | | | | | | Manufacturers | | | | | | |
|-----------|------|------|------|------|------|----|--------------|------|------|------|------|------|----|---------------|------|------|------|------|------|----|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| January | | | 25% | 22% | 1% | 1% | January | | | 22% | 30% | 0% | 1% | January | | | 28% | 13% | 1% | 1% |
| February | | | 32% | 18% | -2% | | February | | | 35% | 22% | -2% | | February | | | 30% | 13% | -1% | |
| March | | | 40% | 15% | -5% | | March | | | 39% | 24% | -2% | | March | | | 41% | 7% | -8% | |
| April | | | 31% | 16% | -6% | | April | | | 36% | 25% | -6% | | April | | | 27% | 7% | -6% | |
| May | | | 25% | 10% | -2% | | May | | | 37% | 11% | -3% | | May | | | 14% | 10% | 0% | |
| June | 24% | 29% | 29% | 8% | -7% | | June | 29% | 32% | 32% | 11% | -6% | | June | 20% | 25% | 25% | 6% | -7% | |
| July | 29% | 25% | 25% | 7% | -4% | | July | 24% | 29% | 29% | 12% | -5% | | July | 34% | 22% | 22% | 3% | -3% | |
| August | 37% | 17% | 17% | 6% | -3% | | August | 29% | 36% | 36% | 7% | -5% | | August | 45% | -1% | 45% | 6% | -1% | |
| September | 37% | 24% | 24% | 4% | -3% | | September | 37% | 33% | 33% | 9% | -6% | | September | 37% | 16% | 37% | 16% | -1% | 1% |
| October | 34% | 22% | 22% | -1% | 1% | | October | 24% | 26% | 26% | -4% | 1% | | October | 45% | 19% | 45% | 19% | 3% | 0% |
| November | 32% | 26% | 26% | -3% | 0% | | November | 23% | 29% | 29% | -3% | -2% | | November | 41% | 23% | 41% | 23% | -4% | 1% |
| December | 25% | 19% | 19% | -3% | 2% | | December | 20% | 27% | 27% | 2% | 2% | | December | 30% | 1% | 30% | 1% | -6% | 1% |

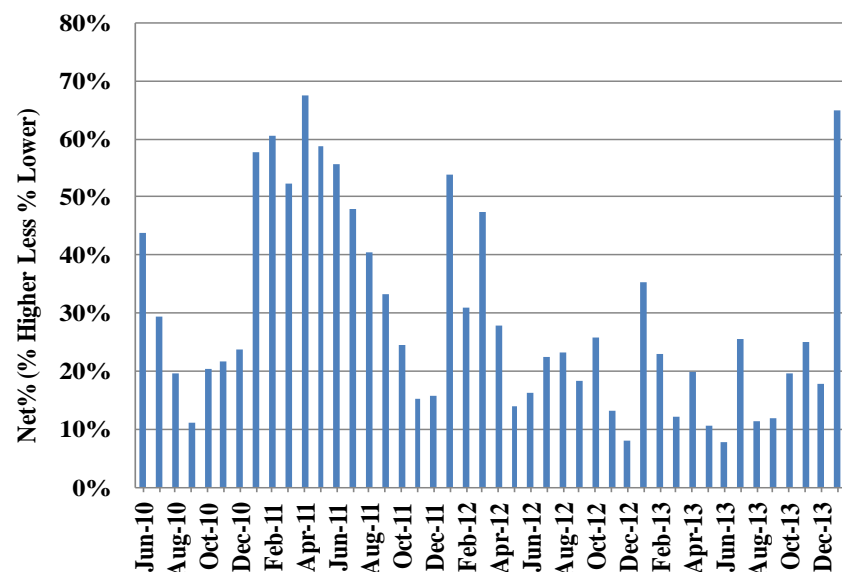
Price Contribution Improves Slightly in January

- Average product prices increased to 2.4% in January, up slightly from the 2.3% December. Price realization improved marginally as well and was ~1.6% compared to ~1.5% reported in December.

Pricing Trends



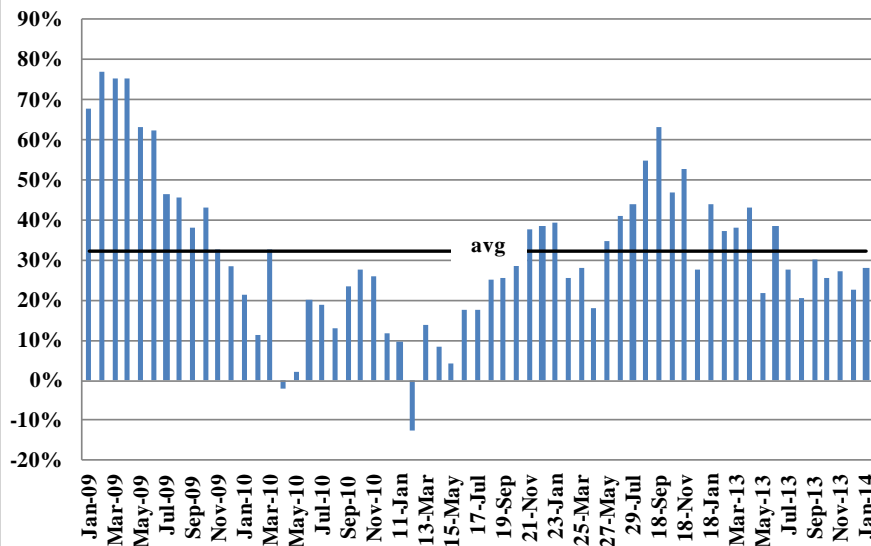
Pricing - Versus Prior Month



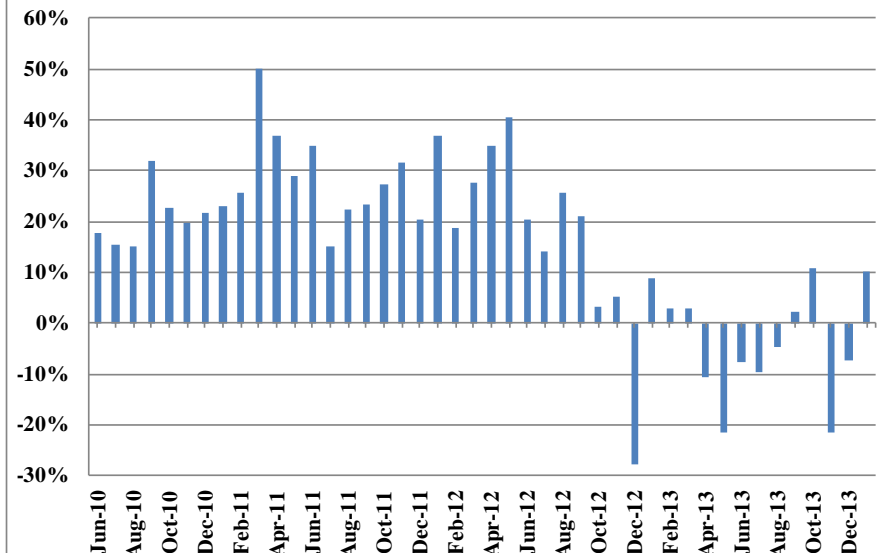
Inventories Increase in January

Inventories increased in January with a net 10% of participants reporting higher inventory levels sequentially compared to a net 8% who reported lower levels in December. Distributors appear more willing to add to inventory given the recent improvement in order trends and the higher 2014 outlook. The net number of sources categorizing inventories as “too high” increased to 28% in January compared to 22% in December but remained below the long run average of 32%.

Inventory Levels - Net % "Too High"



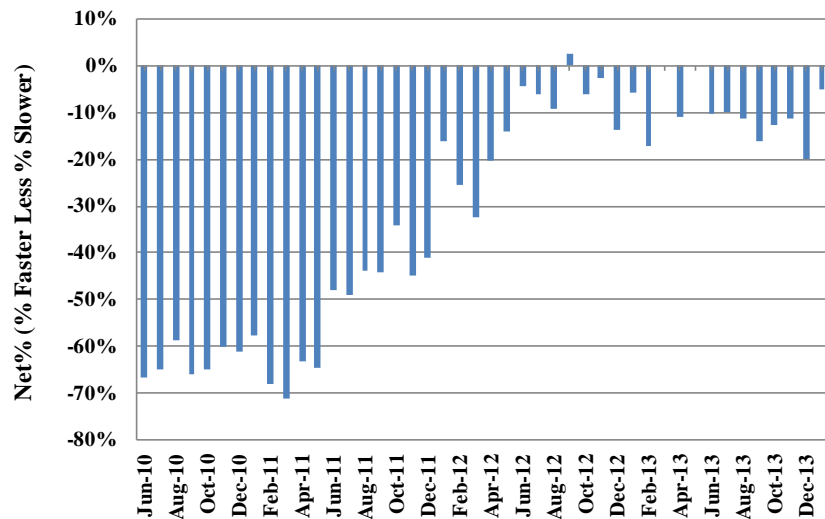
Inventory Levels - Versus Prior Month



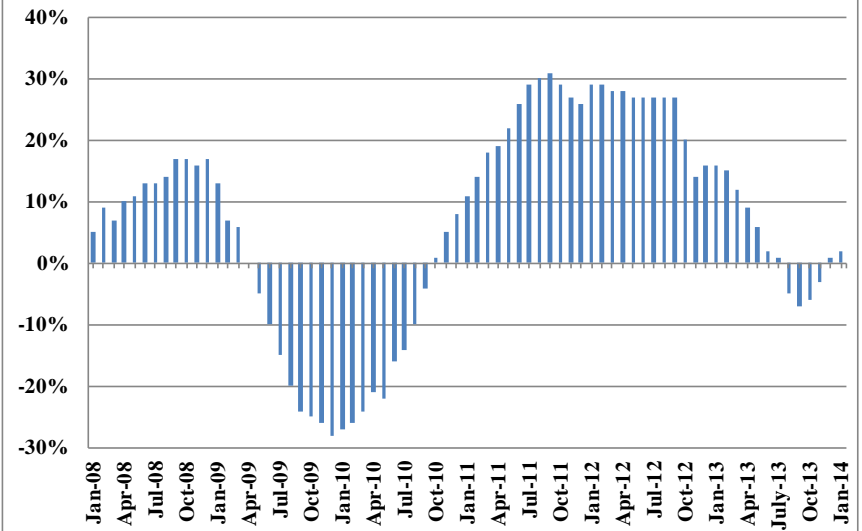
Source: Cleveland Research

Inventory Levels

Supplier Deliveries - Versus Prior Month



Inventory Levels - Versus Last Year



January ISM Falls Sharply Still Above 50



Manufacturing End Market Momentum

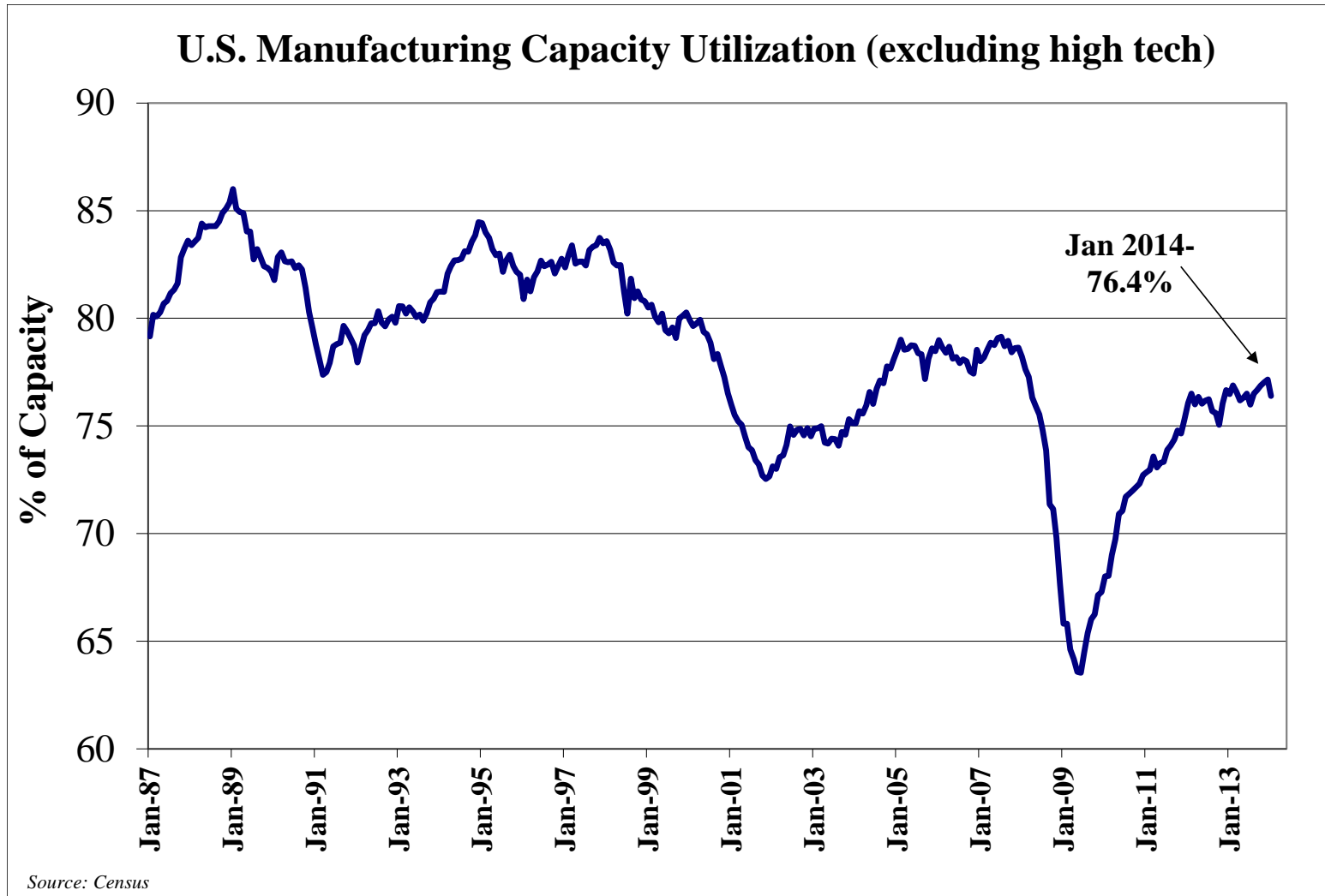
| ISM Manufacturing End Market Momentum | | | | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Major End Market | Dec-12 | Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 | Jun-13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 |
| 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 | Dec-12 | Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 | Jun-13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 |
| % Better | 39% | 72% | 83% | 78% | 56% | 56% | 67% | 72% | 83% | 61% | 78% | 83% | 72% | 61% |
| Unchanged | 11% | 6% | 0% | 6% | 28% | 11% | 11% | 6% | 11% | 6% | 0% | 0% | 6% | 0% |
| % Worse | 50% | 22% | 17% | 17% | 17% | 33% | 22% | 22% | 6% | 33% | 22% | 17% | 22% | 39% |
| Net % of Industries Improving | -11% | 50% | 67% | 61% | 39% | 22% | 44% | 50% | 78% | 28% | 56% | 67% | 50% | 22% |
| PMI | 50.7 | 53.1 | 54.2 | 51.3 | 50.7 | 49.0 | 50.9 | 55.4 | 55.7 | 56.2 | 56.4 | 57.3 | 57.0 | 51.3 |

Source: Institute for Supply Management

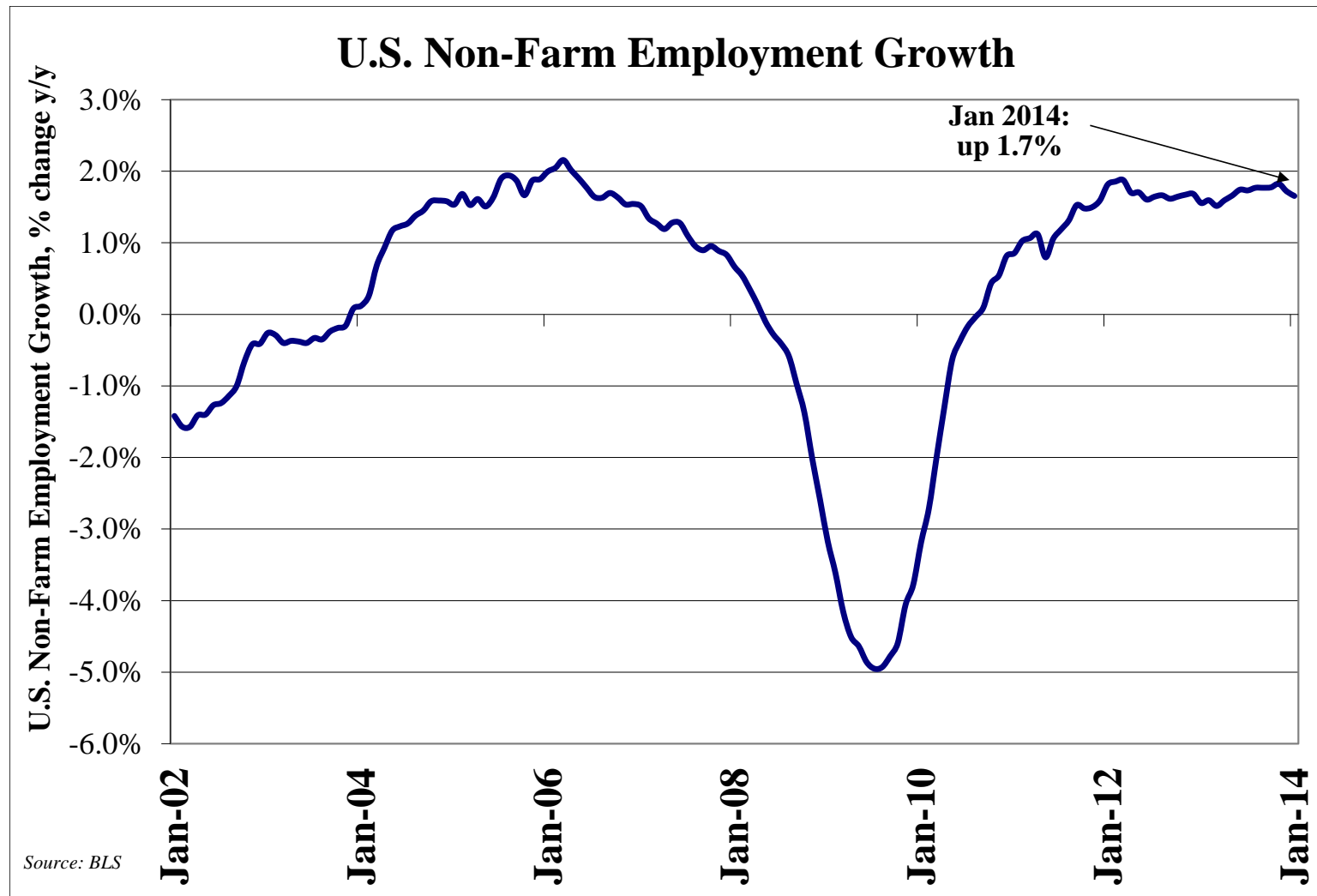
Manufacturing IP: Up 1.1% in January



Capacity Utilization: Up to 76.4% in January



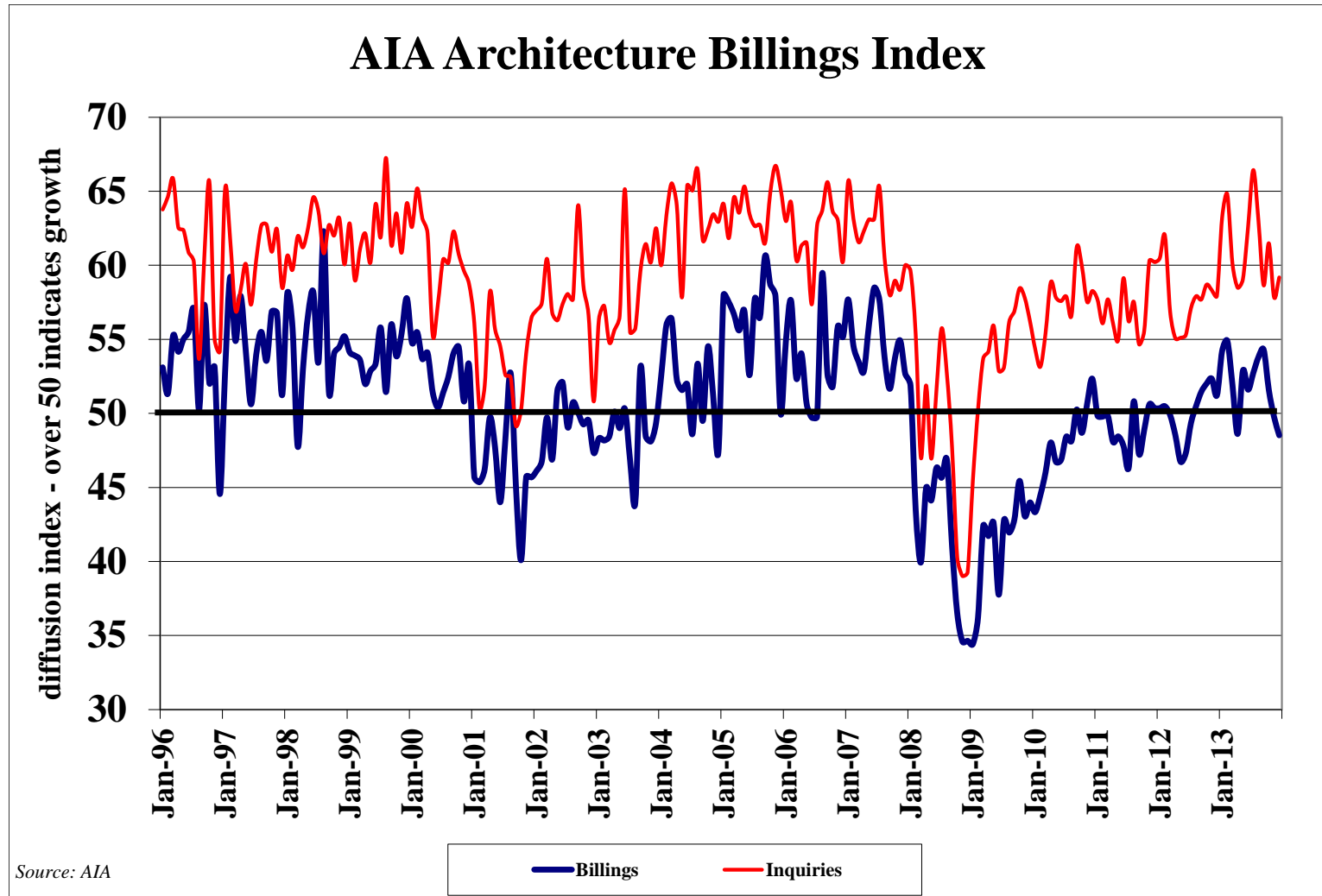
Non-Farm Employment: Up 1.7% y/y in December



Manufacturing Employment: Up 0.8% in January



AIA Billings Index – New Inquiries Down Seq in Dec



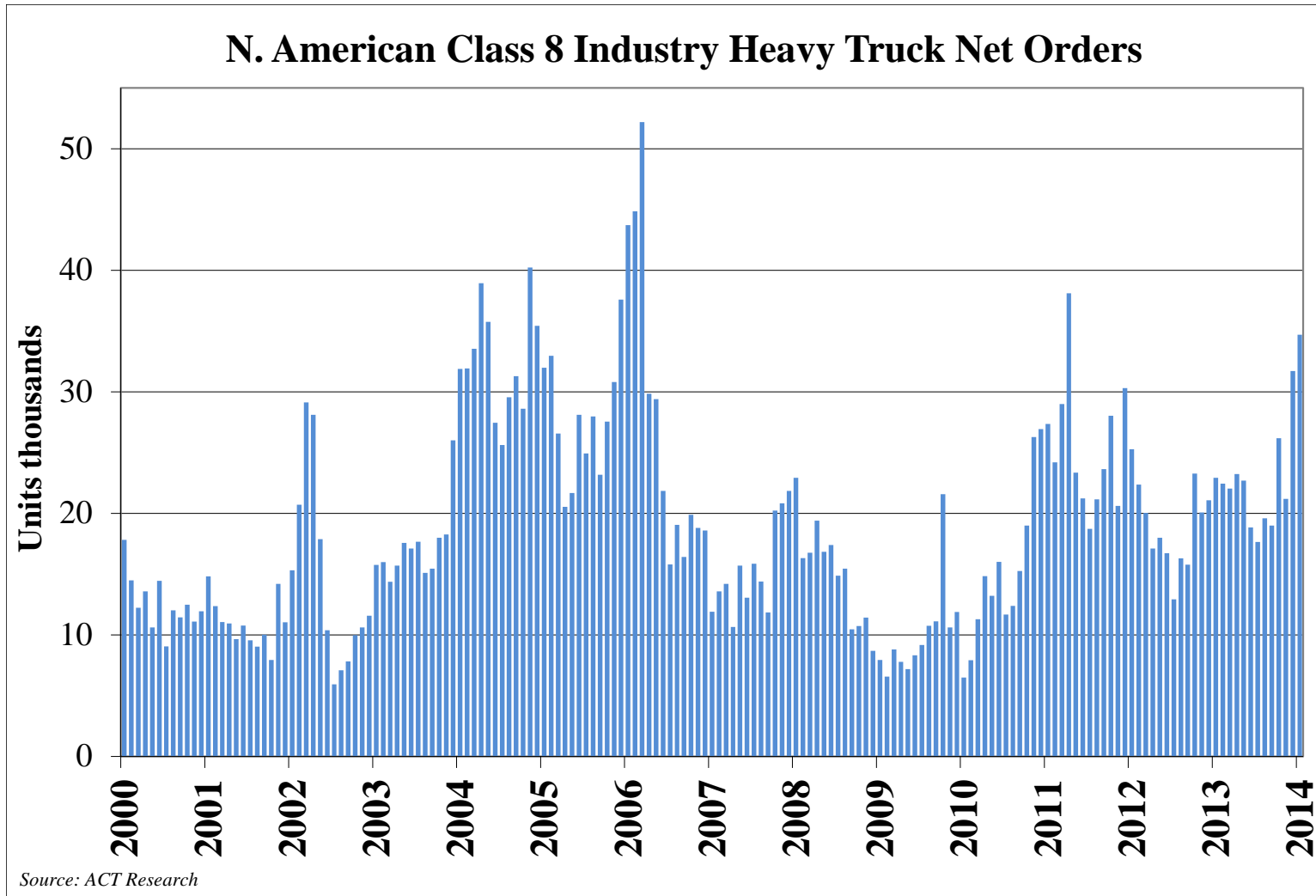
Non-Res Starts: Forecast

McGraw-Hill Construction Starts History and Forecast

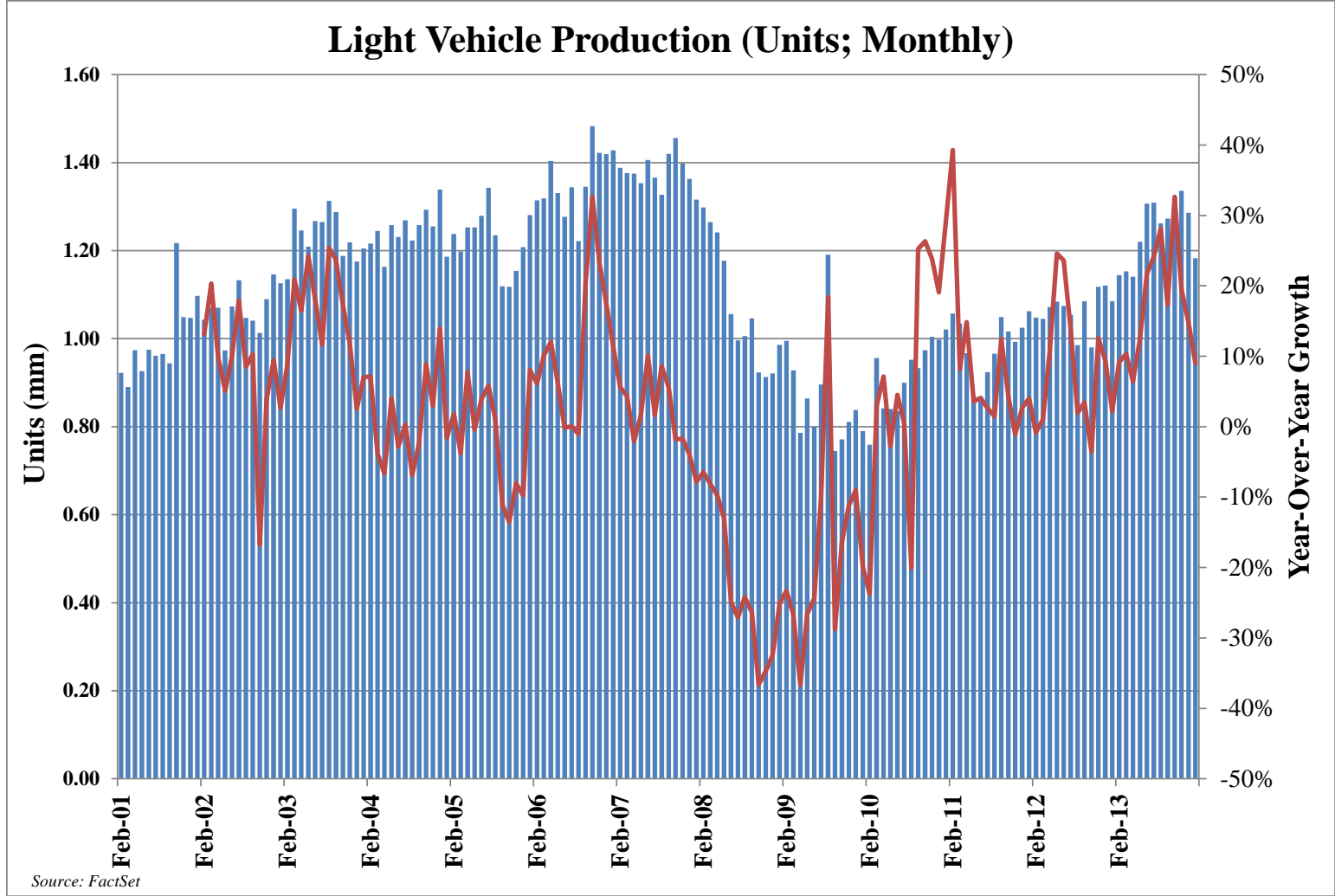
| U.S. Starts Forecast (Value \$mm) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013E | 2014E | 2015E | 2016E |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Amusement, Social and Recreational Bldgs | 0% | -14% | -4% | -12% | -18% | 17% | 8% | 19% | 27% |
| Dormitories | 16% | -5% | 1% | -15% | 6% | -18% | 1% | 9% | 7% |
| Government Service Buildings | 7% | 15% | -32% | -14% | -10% | -19% | -8% | 13% | 12% |
| Hospitals and Other Health Treatment | 23% | -33% | 16% | -7% | -4% | -4% | 2% | 14% | 20% |
| Hotels and Motels | -9% | -64% | -28% | 58% | 21% | 19% | 14% | 23% | 12% |
| Manufacturing Plants, Warehouses, Labs | 44% | 10% | -5% | 74% | -25% | 6% | 8% | 19% | 15% |
| Miscellaneous Nonresidential Buildings | 19% | 16% | 29% | -29% | -10% | -3% | 6% | 17% | 13% |
| Office and Bank Buildings | -15% | -28% | -18% | -3% | -1% | 18% | 16% | 24% | 22% |
| Parking Garages and Automotive Services | -21% | -47% | 9% | 26% | 22% | 18% | 16% | 14% | 9% |
| Religious Buildings | -5% | -7% | -29% | -10% | -10% | 2% | -3% | 11% | 12% |
| Schools, Libraries, and Labs (nonmfg) | 9% | -17% | -3% | -11% | -12% | -3% | 3% | 14% | 25% |
| Stores and Restaurants | -27% | -40% | -5% | 3% | 15% | 6% | 16% | 23% | 14% |
| Warehouses (excl. manufacturer owned) | -22% | -58% | -16% | 23% | 26% | 25% | 24% | 16% | 11% |
| Nonresidential Building Starts (\$mm) | 242,186 | 168,877 | 162,640 | 165,654 | 157,581 | 163,255 | 176,690 | 207,401 | 245,213 |
| % change y/y | 1% | -30% | -4% | 2% | -5% | 4% | 8% | 17% | 18% |
| Nonresidential Building Starts (sq ft) | 1,377 | 773 | 678 | 703 | 772 | 808 | 900 | 1,059 | 1,222 |
| % change y/y | -18% | -44% | -12% | 4% | 10% | 5% | 11% | 18% | 15% |
| Single Family Housing Starts | 1,203 | 951 | 978 | 905 | 1,146 | 1,446 | 1,804 | 2,307 | 2,655 |
| % change y/y | -42% | -21% | 3% | -7% | 27% | 26% | 25% | 28% | 15% |
| Nonbuilding Starts (bridges, highways, etc, \$mm) | 152,486 | 144,769 | 148,329 | 150,515 | 161,750 | 137,300 | 124,350 | 130,900 | 144,900 |
| % change y/y | 9% | -5% | 2% | 1% | 7% | -15% | -9% | 5% | 11% |

Source: MHC (4Q13 fcast)

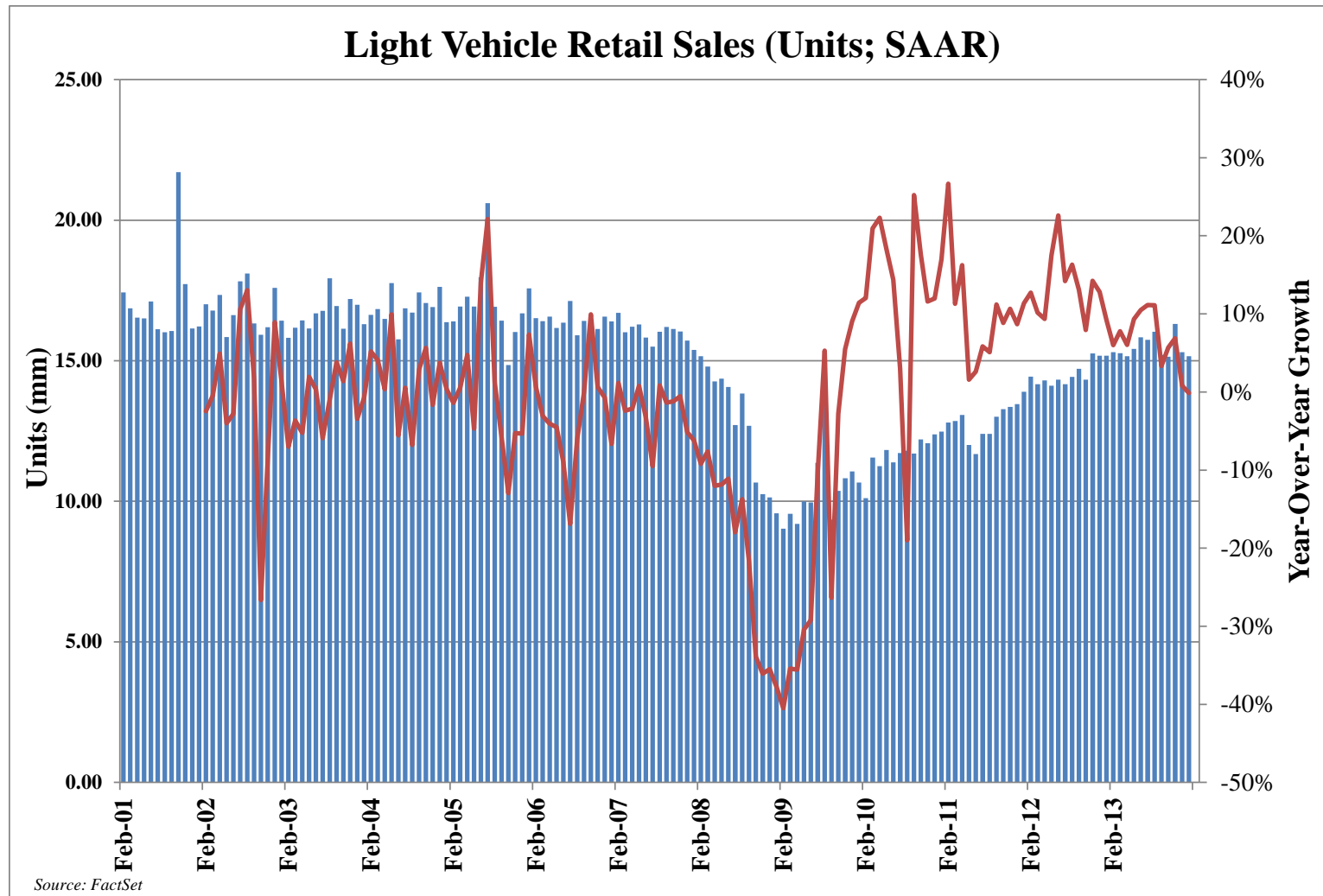
Heavy Truck Orders Jump to ~35k Units in January



Light Vehicle Production up 9% y/y in January



Light Vehicle Retail Sales ~15.1 mm SAAR in January

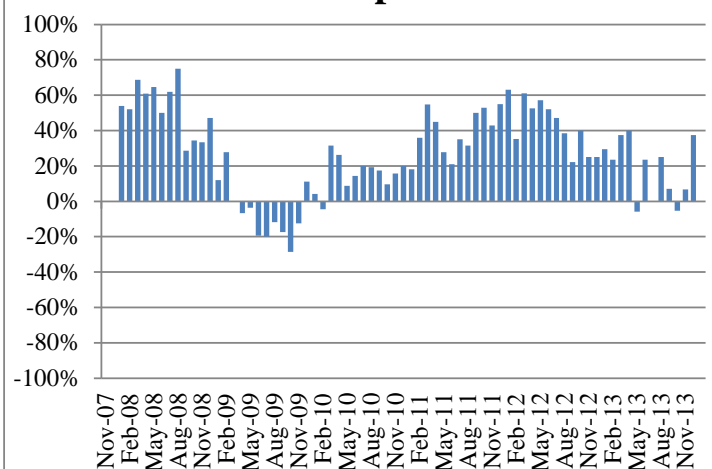


Appendix

Long term end market trends

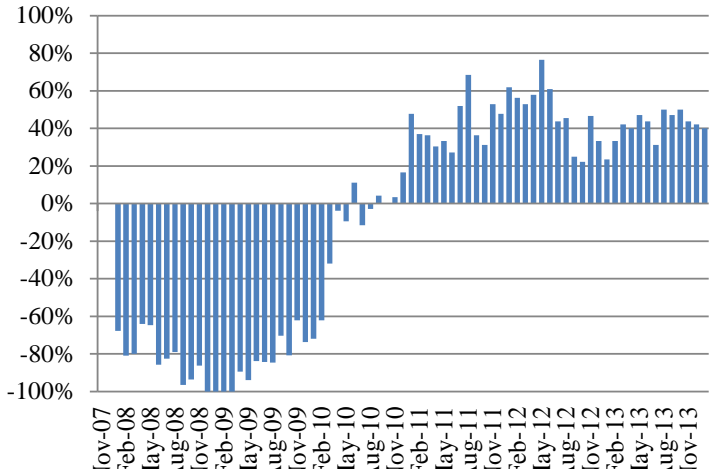
Industrial Survey End Market Trends

Aerospace



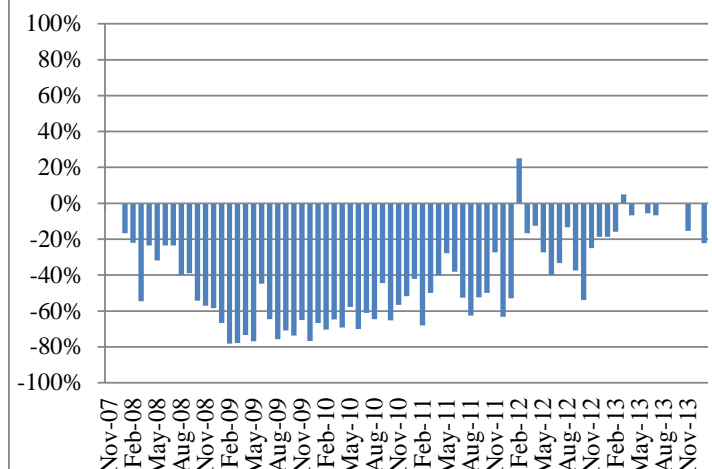
Source: CRC survey

Automotive



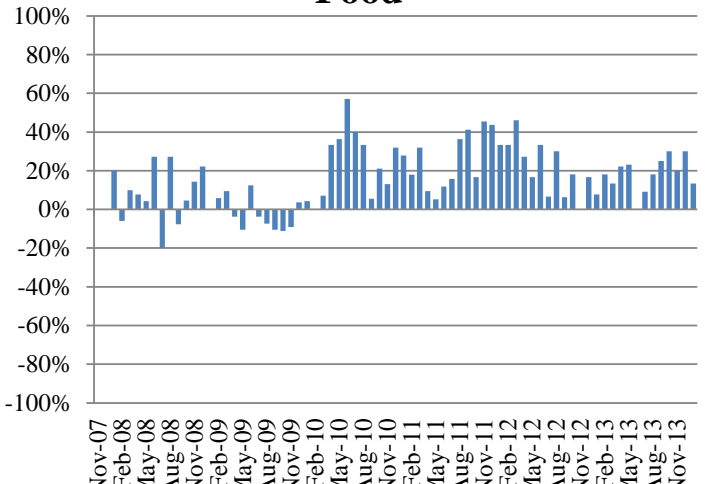
Source: CRC survey

Contractor



Source: CRC survey

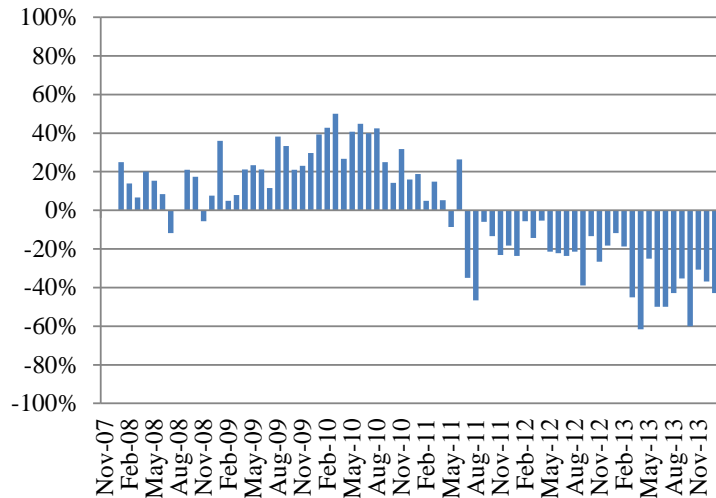
Food



Source: CRC survey

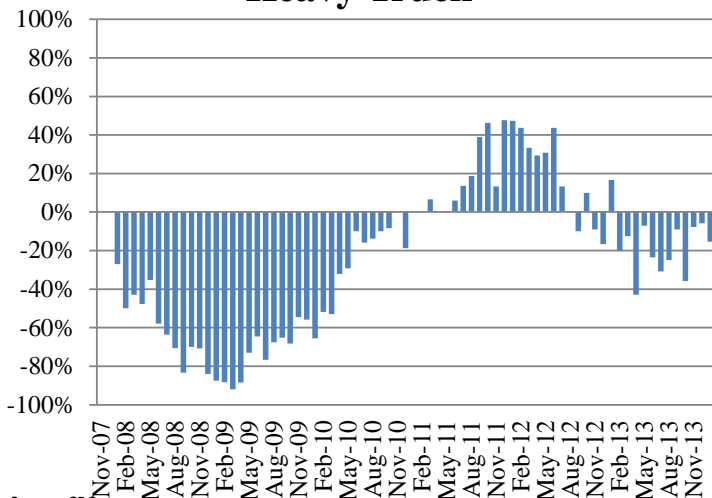
Industrial Survey End Market Trends

Government



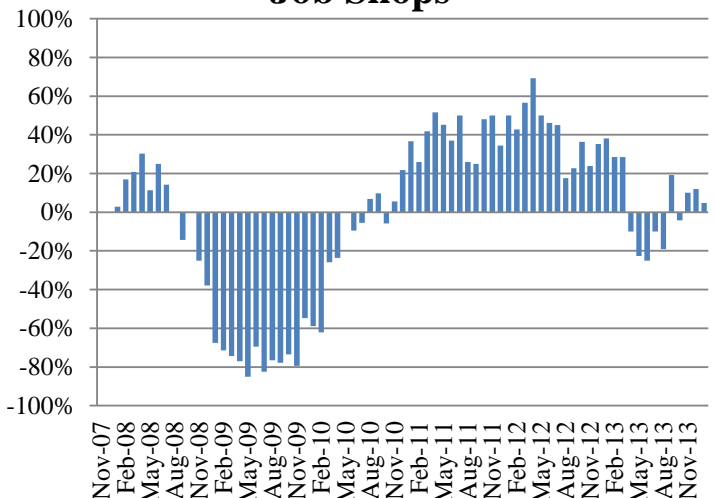
Source: CRC survey

Heavy Truck



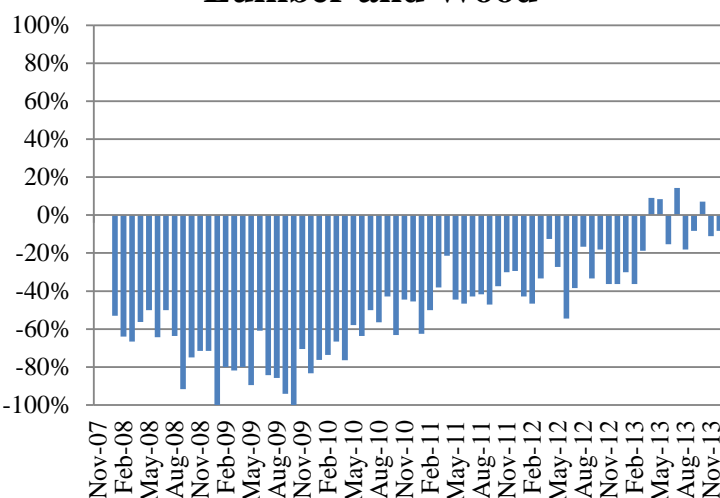
Source: CRC survey

Job Shops



Source: CRC survey

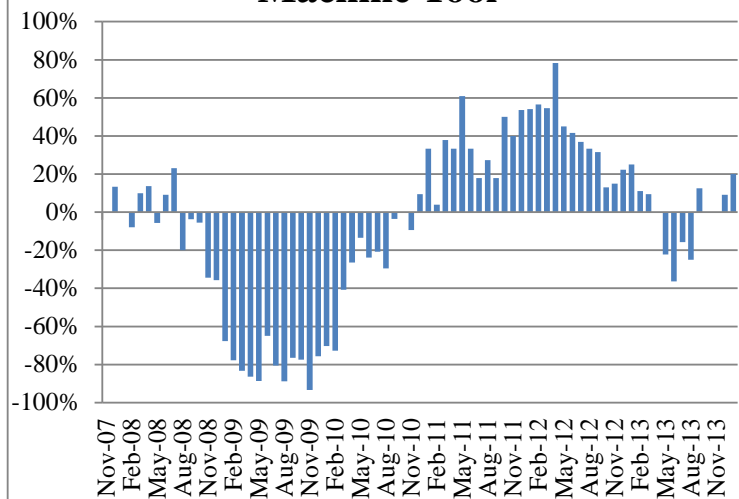
Lumber and Wood



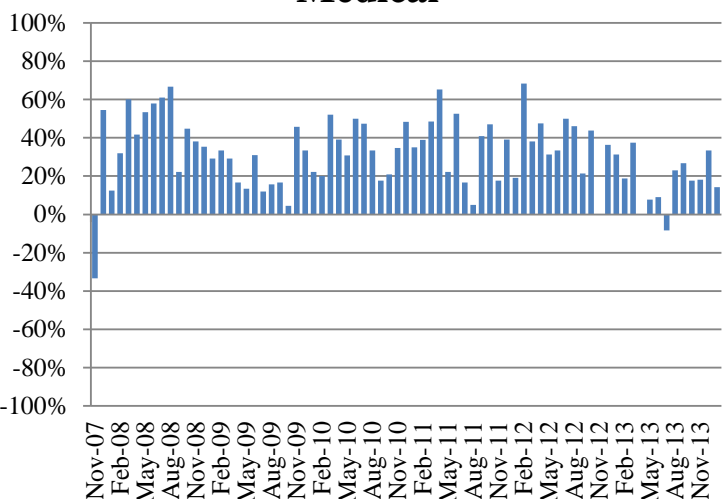
Source: CRC survey

Industrial Survey End Market Trends

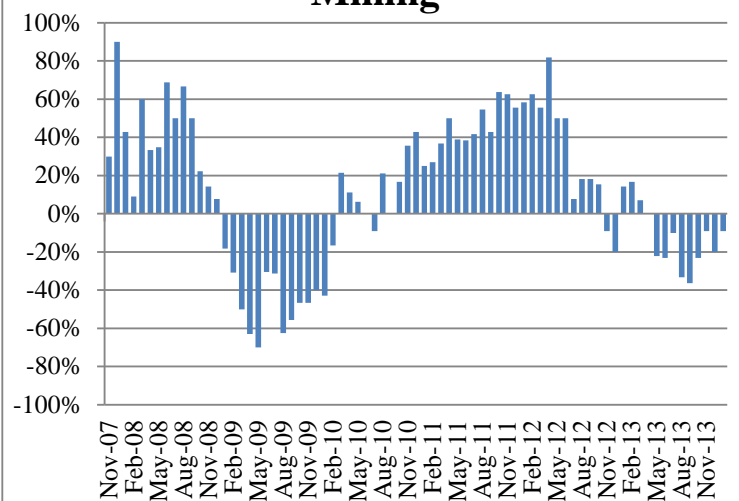
Machine Tool



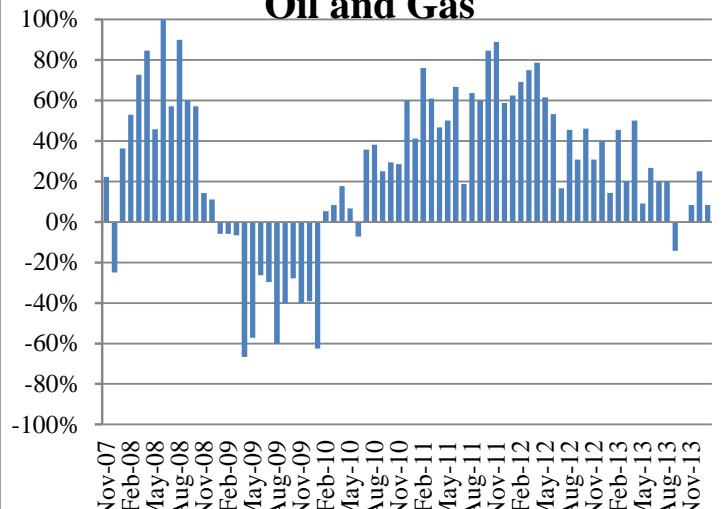
Medical



Mining

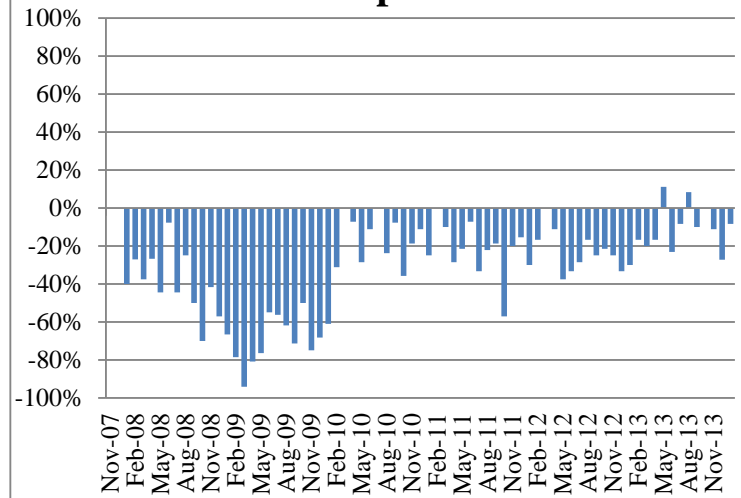


Oil and Gas



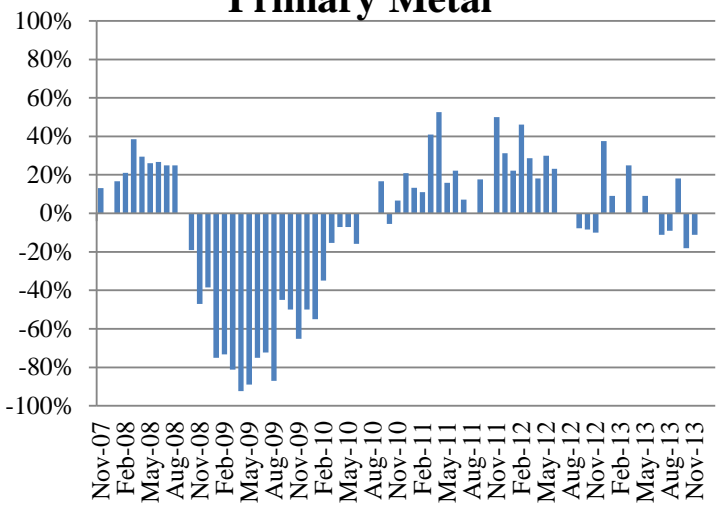
Industrial Survey End Market Trends

Paper



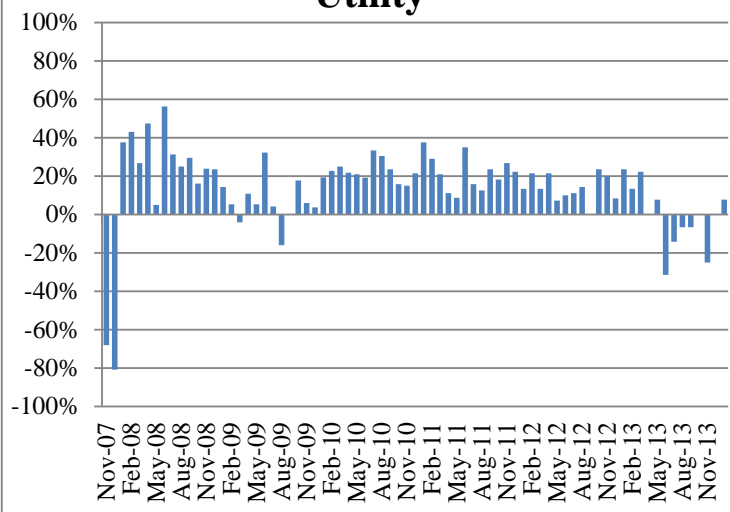
Source: CRC survey

Primary Metal



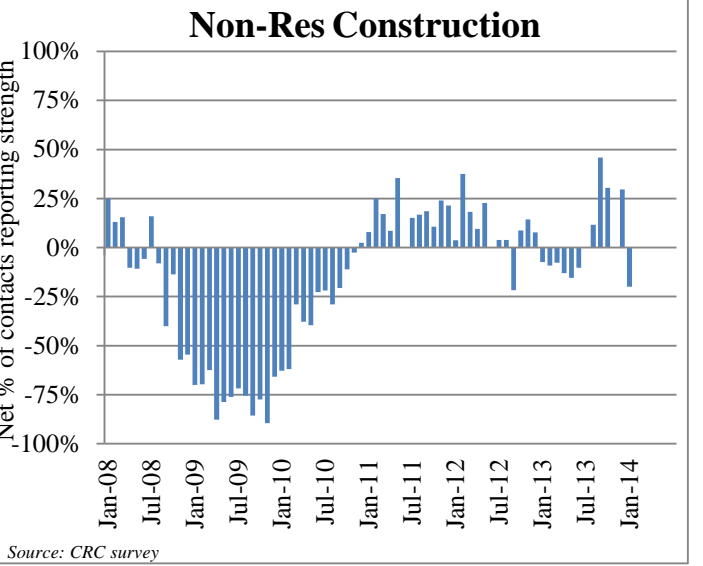
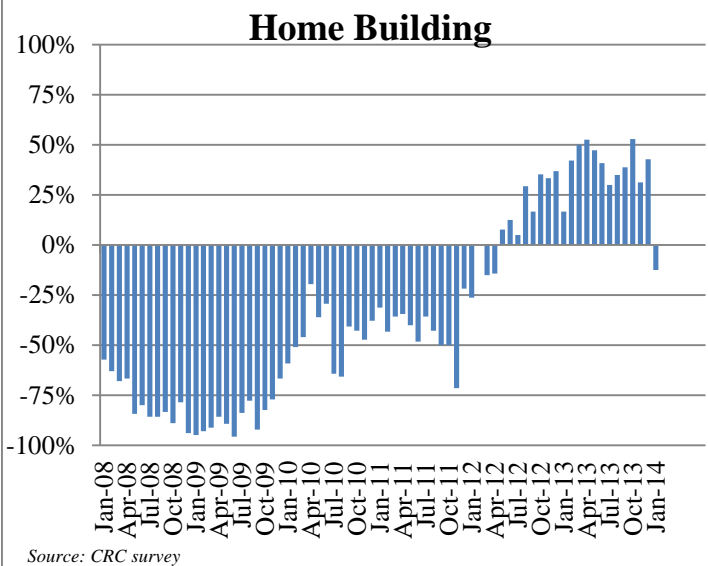
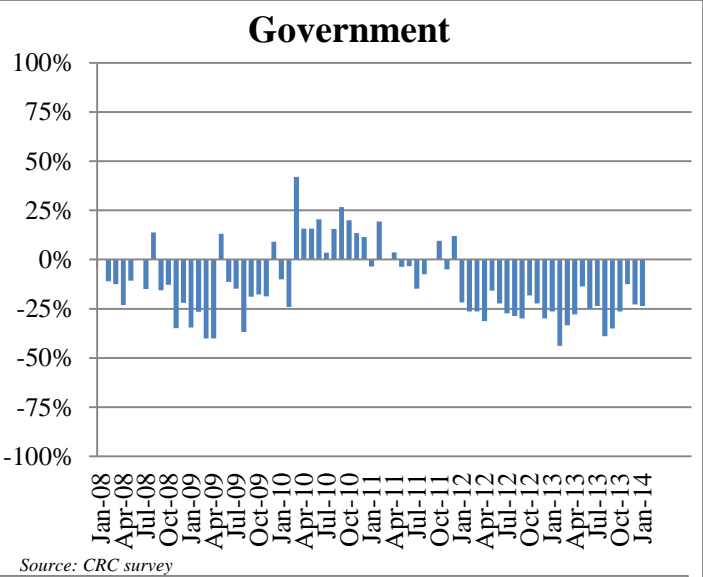
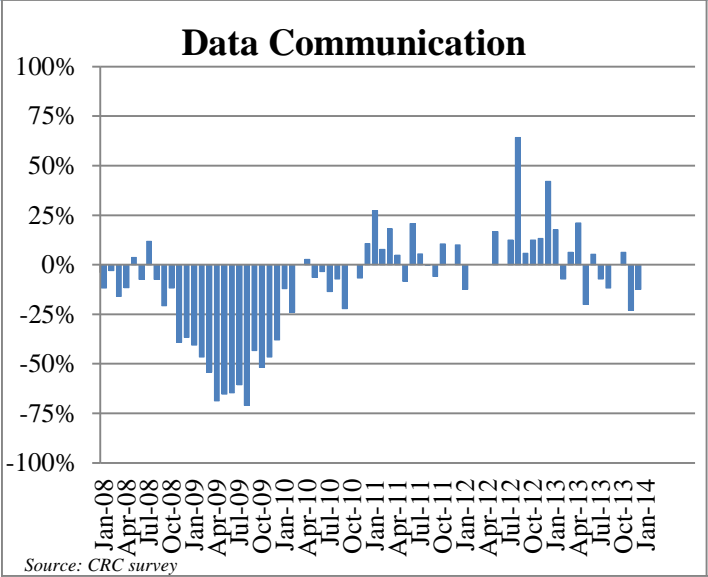
Source: CRC survey

Utility

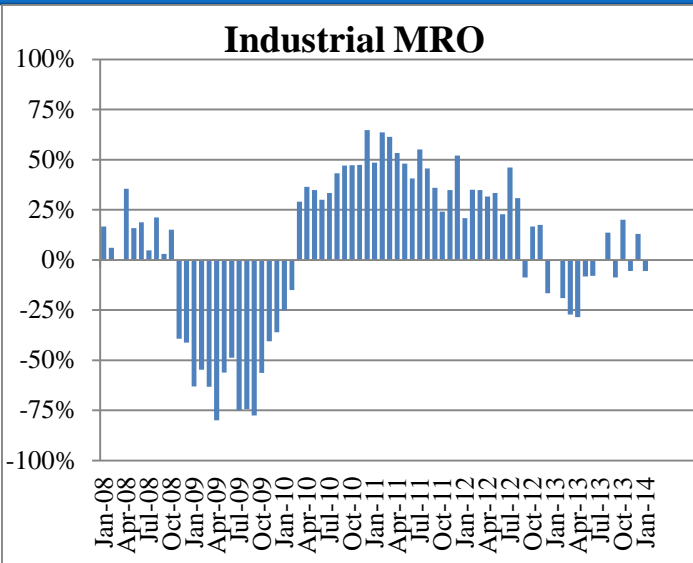


Source: CRC survey

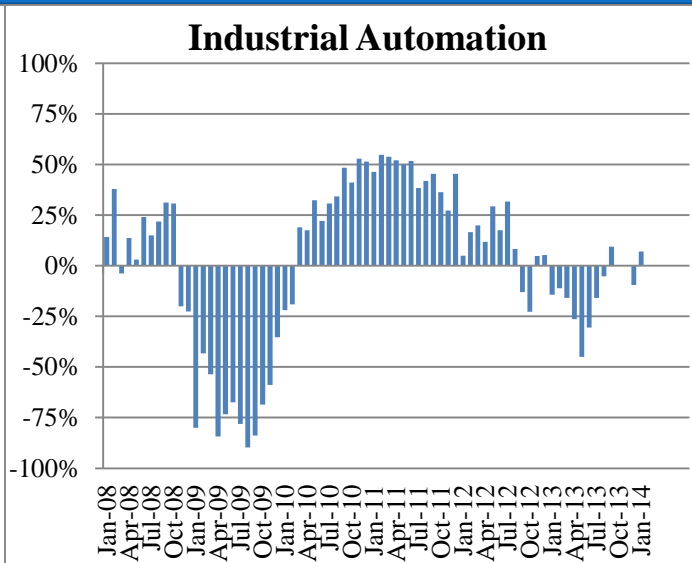
Electrical Survey End Market Trends



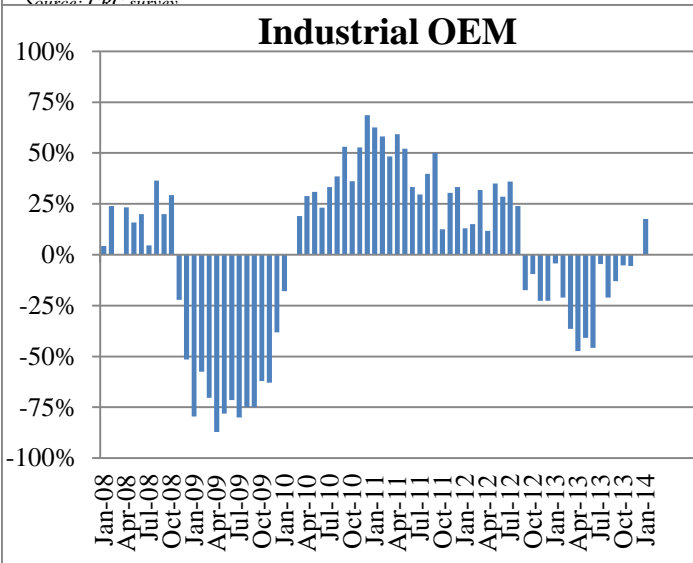
Electrical Survey End Market Trends



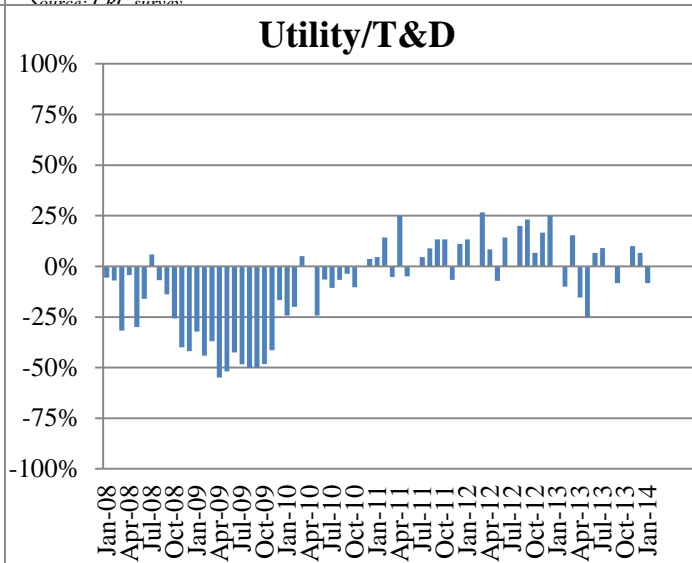
Source: CRC survey



Source: CRC survey



Source: CRC survey



Source: CRC survey