Metals Outlook Newsletter

The Newsletter for Metal Purchasing Professionals in the Aerospace, Chemical, Construction, Defense, Energy, Engineering, Gas & Oil Exploration, Machining, Manufacturing, Metalworking, Mining, Nuclear, OEM, Petroleum & Transportation Industries.

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Q2 2012 FORGING INDUSTRY LEAD TIMES

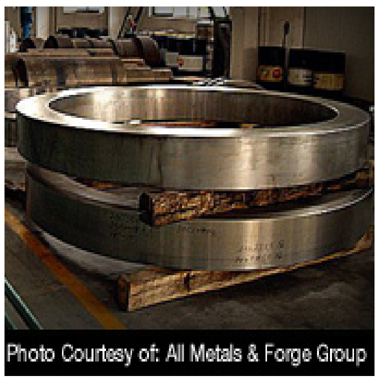


Photo Courtesy of: All Metals & Forge Group

The latest Forging Industry Lead Time Survey conducted by Metals Outlook of forging producers for the most recent 45 days indicates that lead times at the largest shops are over 19 weeks, while smaller middle market forge shops average 11 weeks or less. In one of the slowest recoveries in 7 decades, lead times for delivery of forgings is increasing as production begins to crawl back up hill from its economic slide that began in September of 2008. Expectations are that forging orders will pick up at about a 5.4% annual rate for 2012, pushing lead times further out. By mid-year, lead times could exceed 26 weeks if the growth forecast holds.

12 FORECASTS FOR 2012

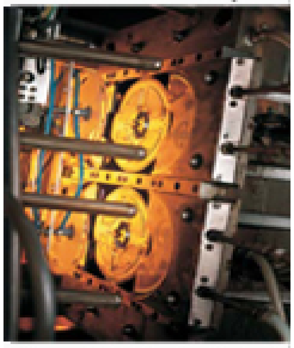
Photo Courtesy of: All Metals & Forge Group

Here are the highlights we expect to see in 2012:

1) Europe, America's largest trading partner, will likely be in a double-dip recession all year. Exports to Europe will be soft throughout 2012.

2) Automotive sales will pick up in 2012, with a solid improvement over 2011 if the recovery holds. This has been the longest period of consumers holding on to existing automobiles.

3) Oil and gas prices will remain volatile. The sanctions stand-off with Iran will rattle Wall Street, and prices at the pump will play in the high three's and low four's per gallon all year.



4) While China has seen an economic downturn, its GDP growth is still forecast for 7-8% on $5.74T or about $430 billion in growth with a work force of 819.3 million. Growth is Asia overall will outpace other markets.

5) The U.S. GDP forecast is 2.3% on $14.62T, or $336 billion in growth with a labor force of 160 million (includes employed and employable).

6) Metal prices will rise slightly in 2012 as demand increases and costs of production that have been held back are passed downstream.

7) U.S. unemployment is unlikely to fall below 8% on unemployment rolls but remain over 12% when including those who have given up looking for a job. Some particularly depressed metro areas will have unemployment rates into the teens if individuals no longer receiving benefits are included.

8) The U.S. Government will continue with deficit spending; albeit, at a slower rate, but the national debt will continue to rise along with costs of debt service, and austerity measures will be insufficient. A balanced budget is out of the question and a budget surplus to reduce the national debt remains a pipe dream. This could choke 2012 growth forecasts and put 2013 in jeopardy.

9) Consumer spending growth picks up to about 2.8% over 2011 and fears of a U.S. double-dip recession fade as the year improves slowly with some volatility and nervousness month-to-month.

10) New housing starts move slightly positive at 1.7%, along with sales of existing homes at 1.9% above 2011, but housing won't boom this year.

11) Inflation reporting will remain inaccurate as commodity prices continue to rise, particularly in food and fuel. Production costs held back in 2011 will be passed on to the consumer. Food and gas price increases will be a drag on the economy through the year and may clip consumer spending.

12) Interest rates will remain low, possibly into 2014, as one of the few tools left to encourage economic growth.

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