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Rising Raw Material and Energy Costs are Raising Concerns among North American Industrial Manufacturers in 2nd half of 2008

Manufacturers' Buying Group Releases Results of 2008 H2 Group Outlook Survey

CHICAGO, July 22, 2008 - Prime Advantage, the leading buying consortium for mid-sized industrial manufacturers, announced the findings of its second Group Outlook Survey, revealing the top economic concerns for the second half (H2) of 2008. Raw material and energy costs continue to top the list of cost pressure concerns, but this time they have become an overwhelming worry among North American manufacturers.

The results of the first survey, released in January, revealed that the group's manufacturing members were apprehensive of rising material (43 percent) and energy (17.5 percent) costs. This latest study reveals that 93 percent agree that material costs will be an economic concern for the rest of 2008, with a 67 percent agreement on energy costs following closely behind.

Survey data was collected from 72 senior-level representatives of industrial manufacturing companies, including business owners, vice presidents of procurement and purchasing directors.

"The Prime Advantage Group Outlook Survey has served as a reliable indicator by identifying key economic factors of influence for mid-sized manufacturers throughout North America," said Louise O'Sullivan, president and founder of Prime Advantage. "The survey has shown that Prime Advantage members' perceived concerns in January were on the mark."

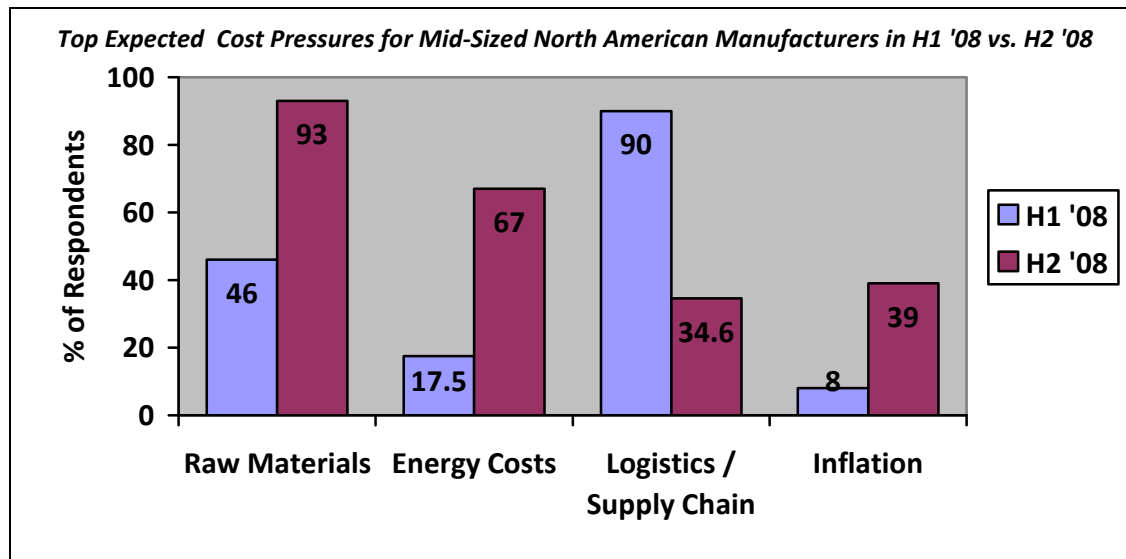
The H2 Group Outlook Survey follows as an update to the first survey conducted in January '08 when members were asked to predict their expected cost pressures for 2008.

Top Expected Cost Pressures for H2 2008

In addition to seeing an overwhelming 93 percent of respondents agree that raw materials (including stainless steel, nickel, copper and other metals and plastics) were a major concern for H2 2008, two-thirds of all manufacturers (up 49.5 percentage points from the first survey) agree that energy costs will be a major concern for the rest of the year.

"Other indicators, such as the Institute for Supply Management's June 2008 Manufacturing ISM [Report On Business](#)® reflect that rising commodity prices, combined with a fluctuating Purchasing Managers Index, are putting great pressure on U.S. manufacturers," said O'Sullivan. "The bottom line is that pricing pressures for raw materials and commodities will likely continue to be an obstacle to success for many North American manufacturers."

Unlike the first Group Outlook Survey, inflation is now the third highest concern, with 39 percent in agreement (up 31 percentage points from January). Logistics and supply chain costs followed closely at 38 percent – 21.6 percentage points higher than the first Group Outlook Survey. Healthcare (18 percent), foreign competition (12 percent), overhead (11 percent), and labor (8 percent) were among the other cost pressure concerns identified by survey respondents.



Other Expected Cost Pressures in H1 '08 vs. H2 '08

Healthcare (18 percent), foreign competition (12 percent), overhead (11 percent), and labor (8 percent) were among the other concerns that received greater attention in the latest survey. In the H1 survey, healthcare was cited by just 1.7 percent of respondents, overhead was cited by just 2.8 percent of respondents, foreign competition was cited by just 3.4 percent of respondents, and labor was cited by four percent of respondents.

In addition, 51 percent of respondents have shifted the top sourcing priority to *"Identifying Reliable and Cost Efficient Sources for Raw Materials"* rather than *"Improving Efficiency Measurements"*.

Contrary to the first Group Outlook Survey, a higher percentage of respondents now expect capital spending to decrease or stay the same as the first half of 2008. Thirty-nine percent of Prime Advantage members expect capital spending to decrease in the next six months and 42 percent expect capital spending to remain unchanged. Previously, Prime Advantage members predicted no change from 2007 (52 percent) or an increase (36 percent) from 2007 in capital spending.

Optimism Remains

The Prime Advantage Group Outlook Survey also showed confidence for employment opportunities in the second half of 2008. While only 17 percent expect job cuts within the next six months, another 17 percent expect job growth and 66 percent expect to make no changes and keep their current employee base at the same level.

"These results show that U.S. manufacturers are cautiously optimistic about the rest of the year, in spite of current economic concerns," O'Sullivan said. "Through the collective buying power available from Prime Advantage, our members are still hopeful."

Since its inception, Prime Advantage has returned more than \$60 million in rebates and discounts to its members. These real savings are helping U.S. manufacturers gain a powerful competitive advantage in the face of out of control commodity costs.

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About Prime Advantage

Founded in 1997, Prime Advantage is a buying consortium for industrial manufacturers with more than 500 members and more than 110 endorsed suppliers. For more information on Prime Advantage, visit the website at www.primeadvantage.com.