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Global Economic Changes, New Business Models Improve North American Die Casting Outlook

Wheeling, IL, March 15, 2008 -- The North American die casting industry was sluggish in 2007, but may be poised to rebound in the years ahead due to economic changes in China and die casters' new business models, according to the State of the Industry report issued by the North American Die Casting Association (NADCA).

Included in the report are a variety of charts, economic comparisons and tables listing key statistics affecting the die casting industry.

Although the United States has a trade deficit, the country remains the largest gross exporter in the world. Furthermore, some of the cost advantages enjoyed by China are beginning to erode, which will improve the competitive position of North American die casters.

“As Chinese labor rates increase, the cost of purchasing die castings offshore will increase,” explained Daniel L. Twarog, NADCA’s president. “If the low projections prevail, with factory wages doubling to 25% of the American norm from their current 14%, and engineers receiving salaries one-half to two-thirds of American norms, the Chinese cost advantage would be cut roughly in half. If the higher projections were to prevail, the Chinese cost advantage would largely evaporate over the next five years.”

Shorter term, the continued contraction of the housing market and the slowing of domestic automotive production affected production in 2007. However, the overall outlook for die castings in the automotive market remains positive. Aluminum cast components will grow globally at approximately 4% per year as automakers replace steel and cast iron components with lighter weight castings. In addition to aluminum die casting applications, the automotive industry remains active in converting to magnesium, although the cost and supply of magnesium present hurdles.

The report also highlights some of the new business models and practices that die casting operations in North America are implementing. These include:

- Upgrading marketing and communications strategies
- Supporting new die casting programs at OEMs
- Developing relationships with offshore manufacturing organizations to support a global business model
- Offering offshore die cast tooling as an option on most bids
- Interfacing with customers' Manufacturing Resource Planning (MRP) software systems

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“The United States is still a huge world market with growth opportunities in highly technical castings and offshore alliances. The outlook is especially promising for die casters who can adopt new business models,” concluded Twarog.

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