ICOSPA

International Council of Sheet Metal Presswork Associations

NEWSLETTER

Dear ICOSPA Member,

Steve Morley
ICOSPA President

I'm writing to you again as President of ICOSPA, International Council of Sheet Metal Presswork Associations, as stated in our first newsletter we are a global organisation representing 6 countries. This edition will update you all on the global issues we all face not only Presswork issues but associated issues in our industry.

These issues are detailed in the country updates, you will see again there any many common issues across all the member countries, whilst we can't solve them for each other it gives some comfort that each country isn't alone with its issues, this was certainly the case during the covid pandemic.

It also includes features from different countries but once again we also want to encourage members from each county to provide feedback and get more involved.

Can I take this opportunity to wish everyone a Happy Holiday period and please stay safe.

Steve Morley
ICOSPA Presidents

ICOSPA EVENTS

15th February - Presidents Council Dinner
17th February - Presidents Council Meeting
In conjuction with the PMA Annual Meeting event below

<u>19 – 21 October 2022 – ICOSPA Congress</u>
19th October – Presidents Council Meeting followed by evening cocktail reception
20th October – 1 day Metalforming Congress followed by a business dinner with industry speaker
21st October – Factory Visits

INTERNATIONAL EVENTS

PMA's Annual Meeting - Forming Our Future Conference, February 13-16, 2022,
Japan Metal stamping Technology Exhibition
Oasaka- 20-23 April 2022
Nagoya - 6-9 July 2022
Euroblech 25-28 October 2022 in Hanover

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Country Updates UK

Confederation of British Metalforming (CBM)

How is your country doing with its vaccine programme?

Ist Jab- total in millions and % of population – 51.5 million; 76.7% of the U.K. population over 12 years old. 2nd Jab- total in millions and % of population – 47.1 million; 70.1 % of the U.K. population over 12 years old. 3rd Jab- booster 29.8 million; 52% of the UK population over 12 years old.

Current infection rates (average per day)

We are currently see over 90,000 new cases a day with average deaths around 150 per day, our measure is based on death within 28 days of a positive covid test.

What is the Covid status on the following?

Travel in and out the country and quarantine rules – A lot of our previous systems have been scrapped. Britons who are double vaccinated are able take quarantine free travel although with omicron some countries, mainly Europe have banned UK travellers. Fully vaccinated people are allowed to come to England but they must take PCR test prior to travel and within 2 days of arriving , if negative you don't have to isolate.

Are you still facing lockdowns?

No lockdowns since July however we are expecting some restrictions after Christmas. If you have covid or the symptoms or if you have been close contact to someone who has covid and then you need to isolate. Stay home if you're not well, even if they are not Covid symptoms.

What is the current Covid impact on members?

Most of our members have kept some controls in place in the workplace ,such as checking temperatures, wearing of masks and some social distancing. The variant though is starting to impact on many members with high rates of infection then isolation for 10 days, they are also losing people if their families have infections but they are now reducing the isolation days if you are testing negative. The Christmas holiday will come at a good time for business , we just hope we are at the peak now and in a few weeks time.

Where are your members currently compared to pre-covid sales?

The majority of members never reached pre-covid sales this was down to other factors are now coming into play. Specifically Semi- conductors for the automotive industry but also supply chain issues causing other shortages.

Where are your members currently with labour shortages?

The immediate shortage is due to people being told to go into isolation. However there are still shortages at all levels some of that is due to Brexit , some down to people changing career paths after covid. The instability in the supply chain is also causing chaos. Once again the full impact won't be known until we get some stability into the supply chain. Given the shortage in Semi-conductors could go on into 2023 it could be a long wait.

Where are your members currently with following steel issues?

Our biggest concern is with Steel Safeguarding, we have a number of members now paying tariffs, some up to £200k per quarter. Which could well send some members out of business. We have been lobbying the government hard to remove some of the safeguarding and to support our case agreed a deal with UK steel. This joint proposal was but to the government a couple of months ago and we're still awaiting a reply. We are hoping it will be in place for the beginning of the New Year, we will continue to battle on this front until we get the desired result. Aside from this we are seeing big problems on price, which we all reported on last time, these haven't yet gone away.

Apart from Steel what other supply chain issues are your members facing?

The biggest one being semi-conductors, which is crippling car volumes, especially as the OEMs don't know what volume of supply and when it will arrive, which is causing chaos for the suppliers. Aside from that Energy costs have gone up by 200 to 300% in some cases, with no respite in place. The structure here in the UK has seen those costs go up higher here that across Europe. Freight costs are still a major issue, which aren't showing any signs in coming down and we are still seeing delays. We also see tightening of restrictions with the EU following us leaving common market, some rules were held back for a year and now come in place on January 1st and will cause further disruption and additional costs.

What does your future order book look like?

I think the majority of our members don't have any idea if they are linked to semi-conductors in automotive market, those who have diversified are doing well, some very well. The impact of the Omicron variant is also a worry as we don't know what impact it will have on OEMs or their supply chain.

With all the uncertainty in the market place , no furlough scheme of tangible support , our members are carrying a lot of debt forward from the pandemic and the pressure is already beginning to show, our lobbying has now also turned for more support to help our members through this difficult period.

Country Updates
Japan

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Japan Metal Stamping Association (JSA)

The 2022 exhibition in Japan

We will hold the Intermold Die&Mold Asia Japan Metal Stamping Technology Exhibition in 2022.

[(INTERMOLD2022 / Die & Mold Asia 2022 / Japan Metal Stamping Technology Exhibition 2022) (English site)]

It has been held for many years as an exhibition specializing in technologies related to press stamping.
This time, it will be taking place in Osaka and Nagoya for 4 days each .
The companies expected to participate in the exhibition is over 400.
The expected number of visitors is 40,000 to 50,000.

Oasaka
Date: 20-23,April,2022
Place: Intex Osaka(INTEX Osaka)

Nagoya
Date:6-9, July, 2022
Place: Portmesse Nagoya

If anyone is interested in coming to the exhibition, we can help arrange for you to visit
Feel free to contact us about this exhibition.

Contact : Japan Metal Stamping Association
3-5-8-301A, Shibakoen, Minato-ku, Tokyo, Japan
(tel)+81-3-3433-3730
(Email) m_tanaka@nikkin.or.jp
Masako Tanaka (Secretariat)

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Country Updates Germany

Alarming letter to OEMS and major clients

IBU has sent an urgent letter to OEMs and other major clients stressing the current crucial situation for suppliers putting strains on the supply chain:

IBU

Supply chain protection

Dear Sir or Madam

In light of current events, we would like to draw attention to the situation faced by small and medium-sized companies in the supply industry who are fearing significant disruption to supply chains caused by three main factors:

1. Due to the current situation on the steel market, suppliers are being forced to order primary materials with no guarantee that the formed parts will find a buyer. You can help them here by entering binding release quantities into your systems and ensuring greater planning certainty.
2. The shortage of semiconductors has led to drastic falls in production. Only transparent action and open communication can minimise the knock-on effects for businesses in the supply chain. Please observe the binding nature of call-off orders. You can also prevent dispatching mistakes in material purchasing through multiple orders.
3. Just like the automotive industry, our sector is going to great lengths to increase material and energy efficiency, and is committed to achieving the agreed climate goals. You can support these efforts by properly accepting the exorbitant rises in energy prices and the corresponding rise in production costs.
4. The flow of goods around the world is suffering from a lack of freight capacity and qualified personnel, leading to delivery problems and price rises. Trade barriers and market restrictions are exacerbating these issues. Create greater planning certainty in procurement and reduce the risks for your partners.

Our member companies seek constructive dialogue with customer groups, and are willing to enter any discussion to improve this difficult situation. Only by working together can we secure our future prosperity.

Best regards,

B. Jacobs

Bernhard Jacobs
-Managing Director-
Industrieverband Blechumformung e. V.

Industrieverband Blechumformung e. V. (IBU) www.industrieverband-blechumformung.de
Goldene Pforte 1 - 58093 Hagen - fon: +49 2331 - 95 88 0
E-Mail: info@industrieverband-blechumformung.de

This letter was followed up by an appeal to all new members of the Bundestag stressing the difficult situation medium sized suppliers and companies in general are facing putting companies as well as Germany as industrial location at risk.

IBU member survey regarding order situation

At the beginning of November IBU conducted a short survey among their members to get better insights into the current order situation.

About 90 percent of IBU member companies that participated have been affected by current stops of production by OEMs. Almost 70 percent of these companies had to apply for short-time work due to missing orders. Lack of reliability and willingness to cooperate are reported as major problems when working with OEMs as clients.

Are you currently affected by highly fluctuating orders by your clients?

Yes	63
No	8

Which tools could you use to react to these fluctuating orders?

Adjust production plans	57
Short-time Work	43
No reaction possible	10
Other	9

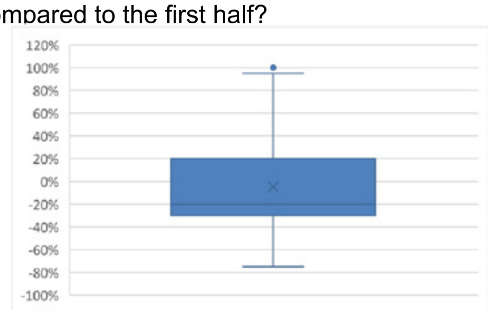
How do your rate the current reliability of client information?

	1	2	3	3.5	4	5	6	
Very reliable	0	0	3 (4,8%)	4 (6,3%)	12 (19,0%)	29 (46,0%)	15 (23,8%)	Unreliable

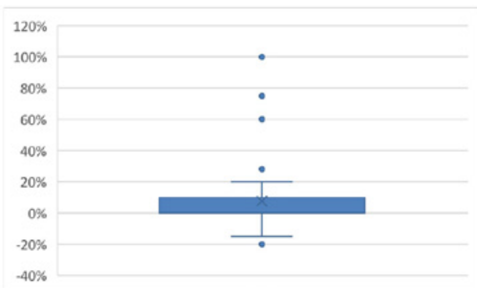
Are your clients willing to cover costs generated as results of postponed orders?

Yes	0
In most cases	6
In fewest cases	13
No	44

Can you estimate the volume development for the second half of 2021 compared to the first half?



How would you rate the market development for the first quarter of 2022 compared to the fourth quarter of 2021?



Country Updates USA

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Concerns over the longevity of inflation, persistent supply-chain shortages, and difficulties in finding workers are impacting the strength of the U.S. economic recovery.

General Economic Indicators

Consumer Prices

Consumer prices soared 0.9% in October, after rising by 0.4% in September. The Consumer Price Index has risen 6.2% over the past 12 months, the fastest year-over-year pace since December 1990. Prices were largely higher across the board in October, with energy prices rising 4.8%, the cost of used cars and trucks increasing 2.5%, and prices for new vehicles rising 1.4%.

U.S. Manufacturing Growth

The Institute for Supply Management's U.S. manufacturing purchasing managers' index (PMI), which measures the activity level of purchasing managers in the manufacturing sector, fell to 58.4 in October, down from 60.7 in September and below the October expectation of 59.2. While any figure above 50 signals an expansion in manufacturing, the pace of new order growth was the slowest in 10 months.

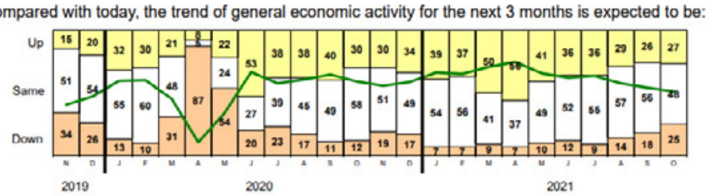
Workforce

The U.S. unemployment rate edged down to 4.6% in October, decreasing from 4.8% in September. There are currently approximately 7.7 million unemployed Americans and more than 10.4 million job openings, including 897,000 open jobs in manufacturing. A record 4.4 million U.S. workers quit their jobs in September, including an all-time high of 337,000 workers who left their jobs in the manufacturing sector.

PMA Business Conditions Report

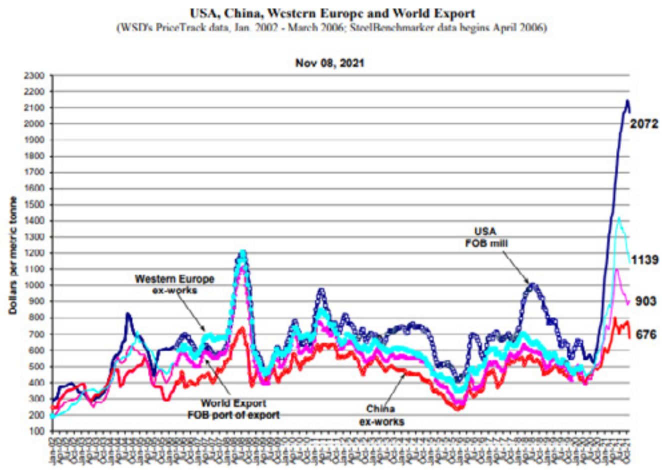
According to PMA's October 2021 business conditions report, metalforming companies continue to anticipate challenging business conditions. For the third straight month, PMA members predicted a drop in economic activity for the next three months. Members also reported a decline in current average daily shipping levels and forecast a drop in incoming orders in the next three months.

Compared with today, the trend of general economic activity for the next 3 months is expected to be:



Steel Prices

As of November 8, U.S. hot-rolled band prices decreased for the second straight time after increasing 28 consecutive times. However, hot-rolled prices remain high at $2,072 per metric tonne in the United States, higher than $1,139 in Western Europe and $676 in China.



Association Updates

Events

PMA held a successful Automotive Parts Suppliers Conference in October, our first in-person conference since the start of the pandemic. Nearly 100 members participated in-person in Detroit, Michigan, while additional members joined the conference via livestream.

Registration has been very strong for PMA's Annual Meeting - Forming Our Future Conference, February 13-16, 2022, in Key Largo, Florida. We expect that in-person conference registration will be sold out and we plan to offer a virtual option as well. We invited the ICOPSA Presidents Council to attend and we are looking to have a meeting and get together with our international friends.

Key Issues

PMA has been working with our lobbying team in Washington, D.C. to terminate the Section 232 steel and aluminum tariffs on our allies to help alleviate the metals supply problems that are facing our members. The U.S. and EU have reached an agreement to end the tariffs and replace them with a tariff-rate quota (TRQ) system on January 1, 2022. While ending the tariffs is good news, PMA is concerned about the threat of tariff reinstatement with the TRQ system, especially since a surge in steel and aluminum demand is expected with Congress recently passing an infrastructure bill. The U.S. also is in talks with Japan and the United Kingdom to end the tariffs.

Another area of concern to PMA members is the new emergency temporary standard issued by the Occupational Safety and Health Administration, calling for employers with 100 or more employees to get their workers vaccinated by January 4, 2022, or have unvaccinated employees produce a negative COVID-19 test on a weekly basis. Many member companies are concerned that their unvaccinated employees may find new jobs with other employers that don't have to abide by the mandate. Numerous legal challenges are in progress.

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Country Updates CHINA

Confederation of Chinese Metalforming Industry (CCMI)

Summary of the Fundamental Common Technologies of Pressing & Stamping In the Future -Nov. 2021, CCMI

What and how the pressing & stamping technology develops is related to the modern and future survival and progress of the pressing & stamping industry. Enterprises must pay attention to the research of fundamental common technology in the industry. It mainly includes:

1. The quality of aluminum pressing & stamping parts is improved, and the scrap rate is reduced. Defects include cracks, surface micro-cracks and surface scratches. This difficulty is related to sheet storage, environmental temperature control, die quality, working temperature and process planned. Many unremitting efforts are needed to find the rules to be regulated and prevented. Especially the relationship and rule between the cracking of the parts and the storage condition, transportation temperature of the sheet etc

2. Surface protection of pressing & stamping parts, anti-scratch, anti-wrinkle and prevent uneven surface reflection. From raw material preparation, blanking, transportation, pressing & stamping, handling, welding connection and assembly, explore the rules, formulate procedures and protection methods

3. The local quality of the pressing & stamping die is improved, and the material selection and surface treatment technology are suitable to or consistent with the overall quality and life.

4. Development and utilization of a cheap and reliable online test/inspection system to check surface quality, geometrical and dimensional tolerance of pressing & stamping parts is a direction of effort.

5. The die stress testing and product quality control technology, and the relationship and logic control between die, equipment and material accuracy need to be explored.

6. The study of the process adaptability technology of the servo press, as well as the logical relationship between the measurement of equipment operating energy changes (power changes) and product quality issues.

7. For high-strength steel applications, hot stamping is an important content that cannot be bypassed, but from a low-carbon emission request, high-strength steel cold stamping is also an important research field. The establishment of the hot stamping technology system is also an also a necessary research and development work.

8. The compound process of a pressing & stamping + forging, that is, plate forging, is an important metal forming direction, especially one of the directions of fine blanking, which is in line with the trend of integrated development of parts.

9. The connectors made with Low-pressure cast aluminum and high-strength steel stamping is complementary and competitive. Some stamping or sheet metal parts of the new energy vehicles (such as some chassis parts, battery cans/cases/boxes) may also be replaced by low-pressure castings. Should be taken seriously.

10. The forming limit of stamping materials limits the production efficiency of stamping and forming. There is a limit value to improve efficiency by improving productivity. Therefore, what factors are the future direction of stamping technological progress is worth exploring.

11. The detection and calculation of the forming limit of lightweight metal materials and the control of spring-back and process defects. New lightweight metal materials mainly refer to the low plastic materials such as titanium, magnesium, zirconium, ultra-high-strength steel, aluminum-based composite materials, and sandwich plates. The spring-back problems of these materials in deep drawing are prominent, the prediction methods and control technologies are the key. For the process defects refer to problems such as anisotropy, surface roughening, wrinkling, etc., the structure, especially the ear-making and thickness unevenness caused by the texture evolution should be studied in macro and micro.

12. Research on blanking and nesting technology and its system to be established.

13. Forming simulation and optimization technology, including:
— Simulation of forming process;
— Analysis of forming defects;
— Forming quality measurement and workpiece model generation;
— 3D data comparison and simulation optimization;
— Research on die and process improvement and optimization;
— Forming by press machine.

14. Diamond-like coating (DLC) used in the pressing & stamping and drawing die industry. Insulating amorphous carbon film with a hardness of more than 20% of diamond, which features are high hardness, high wear resistance, low friction coefficient and not prone to aluminum. It is used for trimming and flanging inserts of aluminum parts to reduce aluminum scraps and aluminum parts damage.

15. Research on pressing & stamping speed and productivity limit, and stamping frequency limit. Research on the structure and manufacturing technology of supporting equipment such as feeding mechanism and transmission mechanism.

16. Research and establishment of hot stamping theoretical system and manufacturing system.

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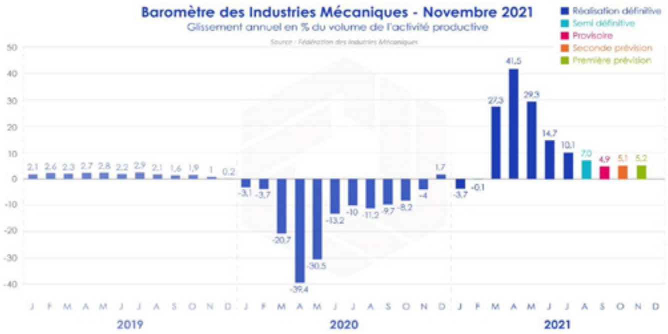
Country Updates FRANCE

FIM Métaux en Feuilles



The economy continues to improve. The overall economic environment remains favourable. World Gdp is expected to grow by about + 6% in volume this year. Economic growth in France is expected to be above this global average. The business climate indicator continues to grow, as services and industry remain at a high level. The increase in the activity of French mechanics is estimated at +7.3% in the third quarter 2021 on a year-on-year basis according to the FIM barometer. Growth is tending to normalize, with growth of about +5% expected in October and November 2021.

Order books are considered to be well-stocked by companies. The load level remains generally good. The level of activity in the main customer sectors is high for most markets, with the exception of the automotive and aeronautics sectors where the volume of activity is considered relatively low.

The state of inventories fell very low in mechanical capital goods as it hovered around its long-term average for metal processing. Mechanical engineering firms are experiencing an average two-month delay due to supply difficulties.

The rate of utilization of production capacity is generally stable in industry and many companies are at the limit of their production capacity and could not increase their production with the current means.

In this relatively tense context, the increase in demand on the domestic market resulted in an increase in imports of mechanical products of +20.5% during the first eight months of 2021 according to French customs. The prospects for the internal market remain favourable.
The increase in mechanical exports is estimated at 15.9% in the first eight months of 2021 compared to the same period of the previous year according to the customs services.

Shipments to EU member countries increased by 21.2%. At the same time, sales to third-country markets increased by 10.1%. Mechanics' prospects remain favourable for exports in the coming months.

Subcontraction :

The economic situation remains favourable for the mechanical subcontracting sector. The increase in sales in the first eight months of 2021 was +15.8% year-on-year. Cutting-and-stamping recorded the strongest growth with a revenue jump of 28.1% during the first eight months of 2021.
This increase is also unfortunately due to the increase of raw materials and consequently integrated in sales prices !!

Automotive Industry :

After a historically low year in 2020, following the shutdown of production in the first half of the year with the health-related containment, the automotive market had recovered in late 2020 and early 2021.
The worsening shortage of semiconductors since the summer has resulted in a slump in registrations in September and October, in France as in all European countries, now predicting a year 2021 at least as bad as 2020. This shortage situation is expected to continue well beyond the end of the year, at least for the first half of 2022.
For the second year in a row, companies in the sector are experiencing a sharp drop in volume: their level of activity is at this stage for many of them at least 30% lower than normal. To the extent that this decline could not be anticipated and planned - orders estimates are much higher than the reality actually produced – this situation results in the build-up of stocks of parts not delivered to customers and which weigh on the cash of companies. These stocks will also weigh on their year-end balance sheet if the situation is not resolved by then

At the same time, companies in the sector are experiencing sharp price increases in raw materials, maritime transport and energy, without these increases being able to be quickly and fully passed on to their customers in most cases. Generally speaking, the disruption of the entire supply chain weighs on the overall performance of the sector, with a situation that is long-term.
All of this translates into a sharp increase in the working capital requirements of companies and a rapid deterioration in their cash flow, putting their short-term viability at risk for many.
Companies in the sector again make massive use of partial activity
Companies are likely to find themselves in a very difficult situation at the beginning of 2022, with a very deteriorated balance sheet following two years of crisis, and strong cash-flow difficulties in a context where banks are likely to have a very restrictive credit access policy given the balance sheet of companies in the sector.

In addition to the economic and social consequences that would be directly linked to business failure, there is a risk that we may not be able to cope with a potentially strong restart of activity when we emerge from this shortage, knowing that vehicle order portfolios are at a relatively high level. The rapid recovery in activity (which could occur in the second half of 2022) will result in a sharp increase in working capital requirements that many companies will not be able to meet.

The other concern is the retention of the skills required for the future of these companies. The massive and lasting recourse to partial activity since 2020, and the difficulty of projecting into the future, with the double cyclical and structural shock that directly affects the automotive industry, is not favorable to the attractiveness of the sector, while the need for integration and retention of key skills has never been more important for the successful energy and digital transition. Strong and visible measures would be needed in this context to restore opportunities.

Finally, the financial weakening of companies will handicap them in their capacity for investment and innovation while the structural transformation to be carried out requires on the contrary massive investments to be made to adapt.

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