

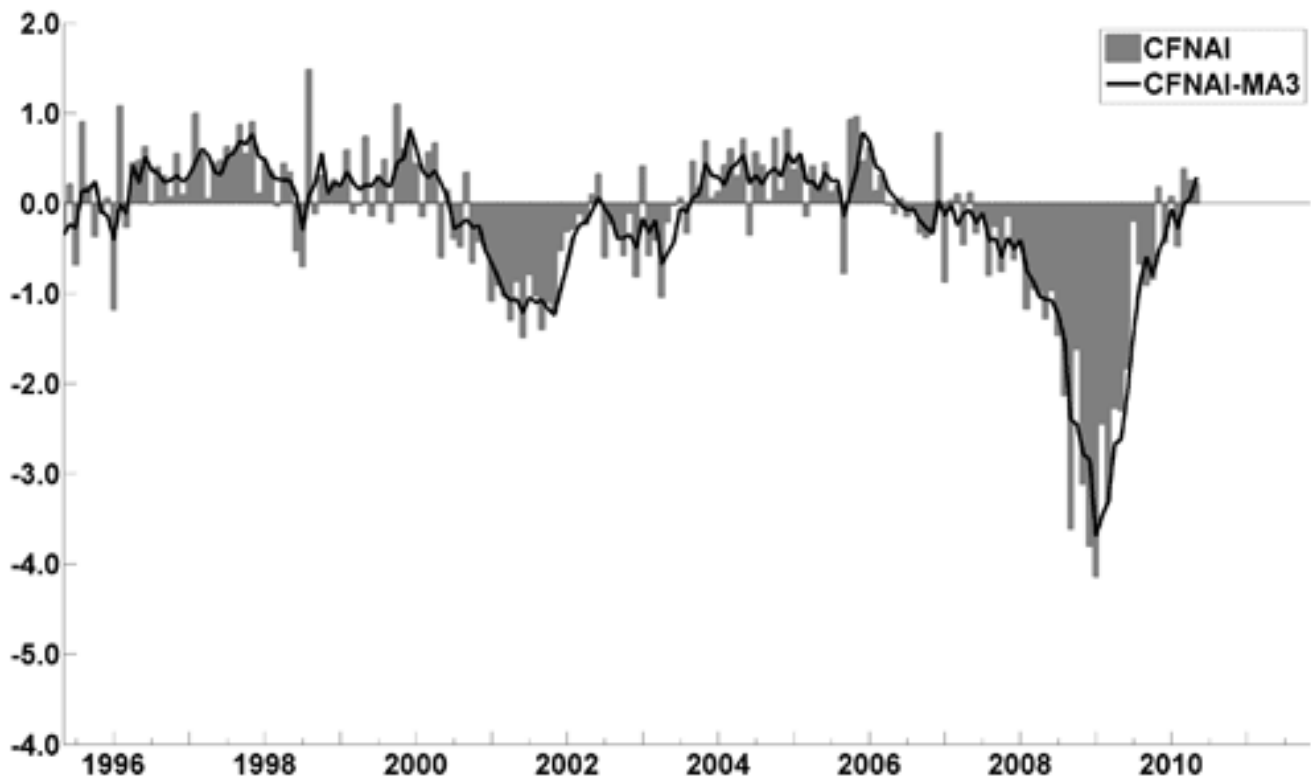
B & J Steel Price Outlook

Most of our suppliers have either hit us with 10% price rises, have notified us that they will happen, or both. In some products we expect prices to rise in excess of 20% this calendar year.

We've been able to hold some of our prices but at this stage we can't put any length of time on how long those prices will last.

The graph below is the latest Chicago Fed National Activity Index (accessed 20 July 2010), generally regarded as the best index of USA economic activity, generated by the Federal Reserve Bank of Chicago (see chicagofed.org for more information).

It is the clearest indication yet that the US economy is coming out of recession, combined with the strength of the Asian economies it promises some great opportunities for 2010 and 2011, but also possible upward pressure on prices.



The Asian economic outlook is clouded by the problems of Europe and North America. For most of Asia the 1997 financial crisis was a huge wake up call and the lessons were learnt. The resilience of these economies over the last couple of years is testament to that. While China appears to have an asset price bubble, some Asian based commentators (such as Jimmy Koh) say this misjudges just how rich the Chinese are.

With 8% growth rates in China and 5% common across the region who wouldn't bet steel prices are going to rise, that demand for energy and other resources will also be in increasing demand?