

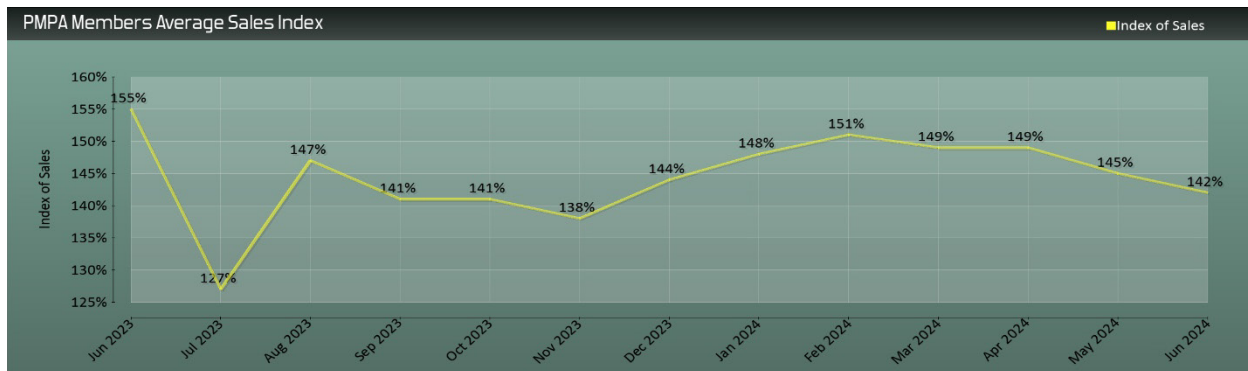
July 30, 2024

REPORT ON BUSINESS TRENDS

June 2024

“Consistency Is Our Experience”

June 2024 Sales Index softens slightly by 3 points or 2.1 percent ...



June 2024 Sales Index softens slightly, down 2.1 percent from May 2024. The 2024 Sales Index Range remains within 9 points or 6.0% of the high for the year.

The PMPA Business Trends Sales Index softened by 3 points or 2.1 percent to 142 in June 2024, compared to May’s 145. This move expanded the range of the index for year 2024 from 6 points (3.9% of the high) to 9 points (5.9 % of the high.) Considering that the range for the last half of 2023 was 28 points or 18%- 2024’s tighter range just might be telling us that these are “the good ol’ days.” June 2024’s index of 142 is down just 1 point from the five-year average for June of 143. It is the lowest June value since Covid-19 in 2020. We will take the reduced volatility, despite it running contrary to other indicators. Interesting historical note: Our Sales index was 175 in June of 2022 - a new high record for the month and the second highest reading for our index at that time.

The consistent and level performance of our index is a sharp contrast to Industrial Production (up 0.6 percent in June) and Durable Goods, which dropped 6.6 percent in June, led by Transportation (our largest market served) with a 20.5 percent decline.

According to the Federal Reserve “Industrial production rose 0.6 percent in June after advancing 0.9 percent in May. For the second quarter as a whole, industrial production increased at an annual rate of 4.3 percent. Manufacturing output moved up 0.4 percent in June and rose 3.4 percent (annual rate) in the second quarter.”

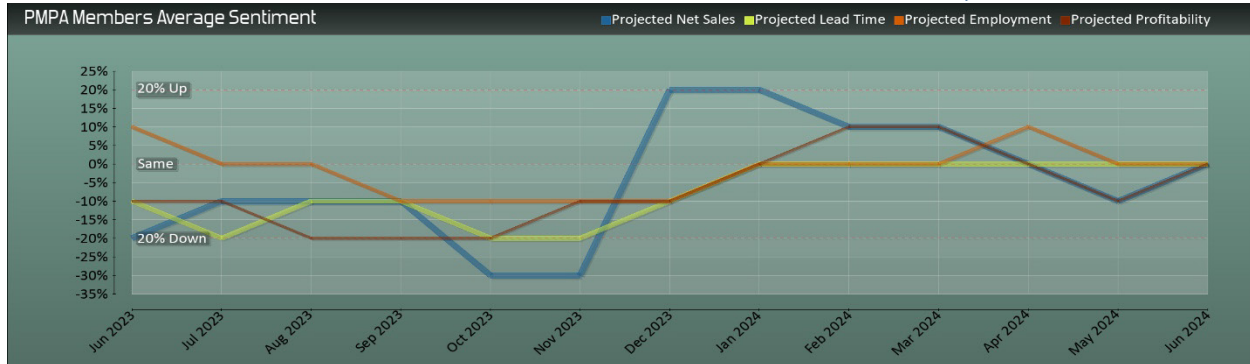
According to the U.S. Census Bureau: “New orders for manufactured durable goods in June, down after four consecutive monthly increases, decreased \$18.6 billion or 6.6 percent to \$264.5 billion, according to the U.S. Census Bureau. Transportation equipment, down two of the last three months, drove the decrease, \$19.6 billion or 20.5 percent to \$75.8 billion.”

Our shops’ consistent level of sales despite contrasting economic indicators shows that our savvy managements are intelligently managing risk.

(over)

The “Average Length of First Shift (Hours)” reported by our respondents for June 2024 remained level at 41.5 hours- the same as May. Down 0.6 hour or 1.4 percent for the same period from 2023. Just four shops this month-6.0 percent of respondents- reported scheduling less than 40 hours. Thirty-six shops- 54 percent of respondents- scheduled straight 40 hours. Twenty-seven shops, 40 percent of respondents, scheduled overtime in June 2024. (Fifteen scheduled 41-44 hours; twelve scheduled over 45 hours.) Good times, not boom times. Order urgency seems to be under control for our customers.

Sentiment Indicators- Coincident and Consistent in June 2024



Next three month's outlook for projected Sales and Profitability were coincident and rising in June; indicators for projected Lead Times and Employment were coincident and level.

Sales Outlook (Reporting of Sales Outlook is counts of respondents, not percent of sales): **Sentiment for Sales over the next three months improved in June 2024.** Twenty shops (30%)- expect Sales growth for the next three months. Twenty-seven (40%) expect sales to remain level. Twenty shops (30%) expect Sales to decline. Perfectly balanced outlook. *The outlook for Sales for the next three months improved in June 2024.* (Blue line on Sentiment Chart)

Lead Times: Forward looking sentiment for Lead Times remained level in June 2024. Nine shops (down two from May's eleven) or 13 percent of this month's respondents expect Lead Times to increase for the next three months. Forty-eight shops, 72 percent of respondents- expect Lead Times to remain the same for the next three months. Ten respondents -15 percent- expect Lead Times to decline in the next three months. *The outlook for Lead Times remained level in June 2024 as 85 percent of respondents expect Lead Times to remain the same or go up over the next three months.* (Yellow line on Sentiment Chart)

Employment: Outlook for Employment prospects remained level in June 2024. In March, the outlook for Employment remained level with eight shops-12 percent of respondents expecting Employment opportunities to increase over the next three months, just outnumbering the seven shops or 10 percent of respondents expecting prospects to decline. Fifty-two shops- 78 percent of respondents- felt Employment prospects would remain level. *Prospects for Employment remained level in June 2024 with 90 percent of responding shops expecting Employment prospects to remain level or improve for the next three months.* (Orange Line on Sentiment Chart)

(over)

Profitability: Outlook for Profitability improved in June 2024. Profitability outlook has traveled in synch with that of Sales expectations in our reporting since February 2024. In June, sentiment for Profitability improved with thirteen shops- 19 percent of respondents- expecting Profitability to improve. Forty-one shops-or 62 percent of respondents- expected Profitability to remain the same. Eighty-one percent (81%) of respondents expect Profitability to remain level or increase. Thirteen shops, or 19 percent of respondents, expect declining Profitability in the next three months. The number of shops expecting an improvement in Profitability exactly matched the number-and proportion- of those expecting a decline. *Eighty-three percent of shops in June 2024 expect Profitability to remain the same or improve in the next three months.* (Dark Red Line on Sentiment Chart)

Opinions for the next three months compared to today:

- ⇒ **Net Sales:** *The outlook for Sales for the next three months improved in June 2024.*
- ⇒ **Lead Times:** *The outlook for Lead Times remained level in June 2024 as 85 percent of respondents expect Lead Times to remain the same or go up over the next three months.*
- ⇒ **Employment:** *Prospects for Employment remained level in June 2024 with 90 percent of responding shops expecting Employment prospects to remain level or improve for the next three months.*
- ⇒ **Profitability:** *Eighty-three percent of shops in June 2024 expect Profitability to remain the same or improve in the next three months.*

Current Environment: Our June 2024 data continues to show a consistent level of Sales activity for our precision machining shops, despite the June drop in Transportation Durable Goods as reported by the U.S. Census. The volatility and urgency of customer orders seems to be under control, and we continue to use minimal overtime to get the job done. Our forward-looking sentiment indicators remained level (Lead Time and Employment) or improved (Sales and Profitability) in June. We attribute the consistent performance of our Sales Index to the intelligent diversification of markets served by our reporting shops. Our monthly Sales Index of 142 is down slightly from the month prior, but the average for the year to date is currently 147, down just 2 points from our April forecast for the end of the year average of 149.

We note that the monthly-, three-month- and twelve- month-moving averages are tracking in an aligned manner, indicating very low volatility in our data. While there is a slight downslope (from the high of 151 in February) the fact that we are tracking in a range of 9 points or 6.0 percent of the high for the year is a positive signal about our business. Given the level and improving sentiment indicators for the next three months, we believe that optimism will help us to take advantage of that consistency in the months ahead. Ignore the news. Your customers- not politics- are the basis for your business success. *When was the last time you visited a customer?*

Miles Free, Director, Industry Affairs
PMPA
MKF: vd

1. INDEX OF SALES OF PRECISION MACHINED PRODUCTS

INDUSTRY AVERAGE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
Base 2010	87	89	106	100	99	109	101	111	109	107	105	93	101
2020	139	133	129	84	86	112	117	119	129	131	125	128	119
2021	129	130	152	136	129	148	134	149	157	149	144	138	141
2022	148	152	181	156	167	175	154	173	171	160	147	137	160
2023	155	138	169	140	150	155	127	147	141	141	138	144	145
2024	148	151	149	149	145	142							147
% YR AGO	95	109	88	106	97	92							
Y-T-D	95	102	97	100	99	98							

Note: See "Sales" chart on last page, reflecting activity over a 5 year period.

2. AVERAGE LENGTH OF FIRST SHIFT PER WEEK

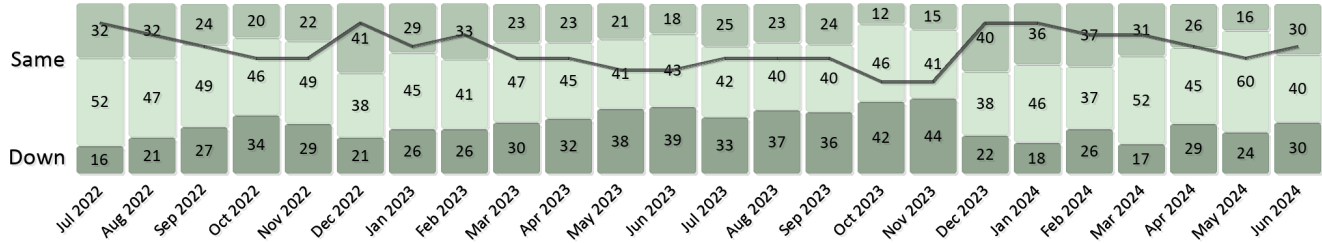
	YEAR-TO-DATE		AVERAGES	
	2023	2024	May	Jun
Average length first shift (hours)	42.2	41.6	41.5	41.5
% Companies Reporting				
Less Than 40 Hours	3%	4%	6%	6%
40 Hours	44%	56%	54%	54%
41-44 Hours	27%	21%	23%	22%
45 Hours	11%	11%	9%	9%
46-49 Hours	7%	6%	7%	7%
50 and Over	6%	2%	1%	1%

Note: Periodically, we update prior period data which was not previously available at the time of input. When these changes are made, you will probably see some discrepancy between prior month figures shown on the current report and the prior month report as originally issued.

The figures reported below reflect the view of respondents based on conditions as of the end of: **June 2024**

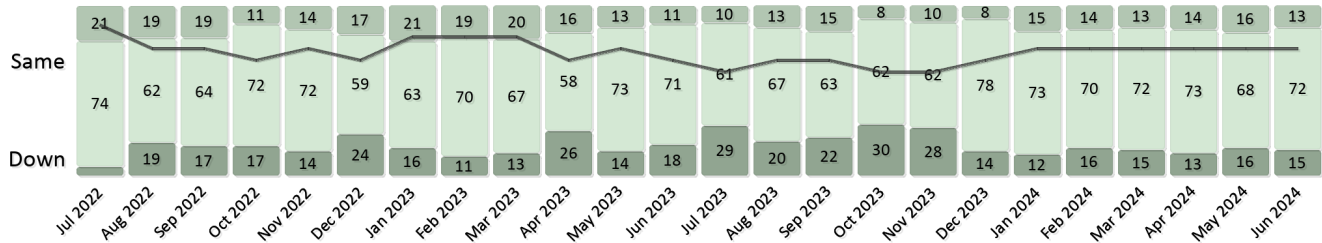
3. A. NET SALES OF MACHINED PRODUCTS - Compared with today, the trend of Net Sales volume for the next 3 months is expected to be:

Up



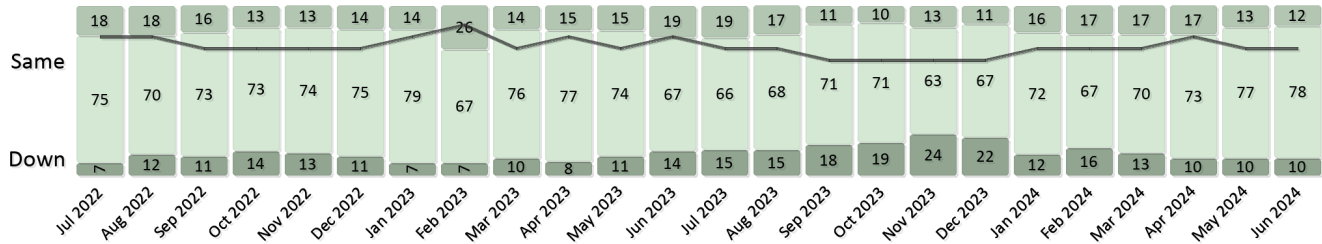
B. LEAD TIMES - Compared with today, the trend of Lead Times for the next 3 months is expected to be:

Up



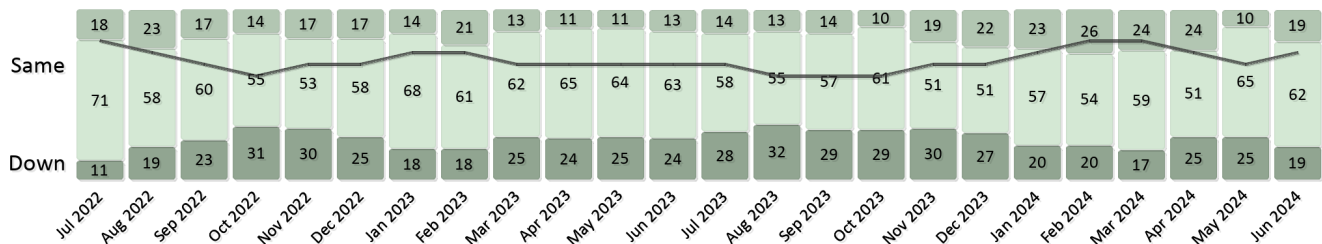
C. EMPLOYMENT - Compared with today, the trend of Employment for the next 3 months is expected to be:

Up



D. PROFITABILITY - Compared with today, the trend of Profitability for the next 3 months is expected to be:

Up



EXPLANATION OF GRAPHS: The line in each chart represents a graph for that charts data to allow for easy comparison and tracking of trends. The full range from top to bottom on that line represents 0% (bottom) to 100% (top) of the respondents. In other words, the higher the line, the greater the ration of respondents who answered the top option as opposed to the bottom option.

BUSINESS TRENDS

Index of Sales and Average Weekly Hours Charts

