

July 2, 2024

**REPORT ON BUSINESS TRENDS  
May 2024**

**“May Sees Leveled Sales as the Trend”**

May Sales come in 5 points (3.3%) below May 2023. May 2024 is 9.6 points (7.0%) above the 5-year average for May. The 2024 YTD Average is 3.0 points (2.1%) above our 2023 year end average.



*In May we see leveled Sales as the trend*

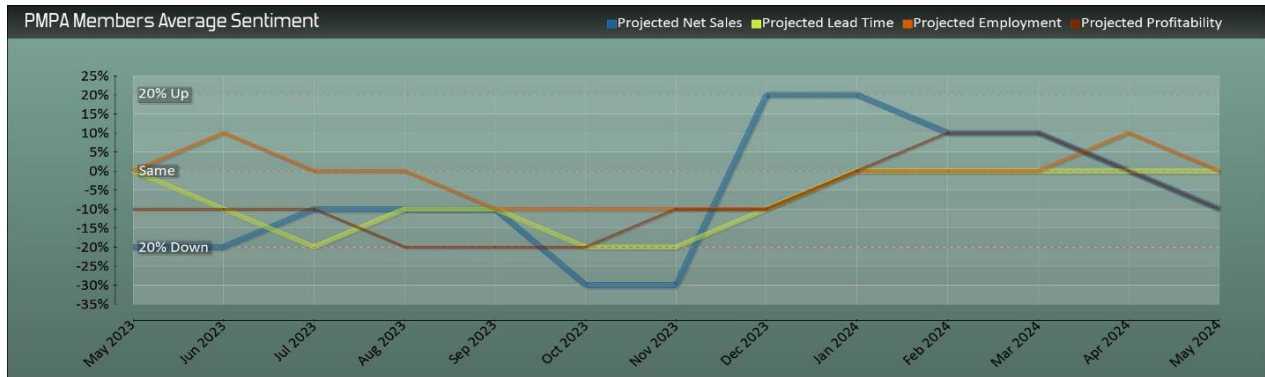
**The PMPA Business Trends Sales Index fell 4 points (2.8%) from April 2024 reading of 149. May is above the 5-year average for May of 135.4, landing 9.6 points (7.0%) above.** So, what is going on here? We have a small drop over April 2024 and a small drop over May of 2023. The average for the year is still running above the average for entire year of 2023 and just 2.4 points below the first five-month average of 2023 of 150.4.

According to the Federal Reserve “Industrial production rose 0.9 percent in May. Manufacturing output posted a similar gain of 0.9 percent after declining in the previous two months. The index for mining increased 0.3 percent in May, and the index for utilities advanced 1.6 percent. At 103.3 percent of its 2017 average, total industrial production in May was 0.4 percent higher than its year-earlier level. Capacity utilization moved up to 78.7 percent in May, a rate that is 0.9 percentage point below its long-run (1972–2023) average....” The growth in industrial production rising from a month earlier was 0.9 percent. Our index down 2.7 percent, compared to the 0.9 percent increase in Industrial Production, shows we were moving slightly behind industrial production overall. Last month we underperformed broader industry by about 3.6 percent. *(Discussed below.)*

The “**Average Length of First Shift (Hours)**” reported by our respondents for May 2024 is 41.5 hours down 0.1 hours from April’s value. Three shops (2 more than last month), 4 percent of this month’s sixty-eight respondents, scheduled less than 40 hours. Thirty-seven shops- 54 percent of respondents- scheduled a straight forty hours. Sixteen shops (2 more than last month), 24 percent of respondents- scheduled between 41 and 44 hours, while twelve shops- 18 percent of May respondents- scheduled 45 hours or more. **Forty-two percent of respondents (28 shops) scheduled overtime.**

*(over)*

## Sentiment Indicators- Sales, Profitability, and Employment decline while Lead Times remain level.



Outlook for the next three months is sales, profitability, and employment decline while lead times are in neutral positions.

**Sales Outlook** (Reporting of Sales Outlook is counts of respondents, not percent of sales): **Sentiment for Sales over the next three months declined in May.** In May 2024, eleven shops- 16 percent of respondents expect sales volume for the next three months to increase. Forty-one shops 60 percent of respondents expect sales to remain level for the next three months. The remaining sixteen shops- 24 percent of respondents expect sales to decline in the next three months. *The outlook for sales declines in May with 8 percent more respondents expecting a decreasing- over increasing- sales over the next 3 months.* (Blue line on Sentiment Chart)

**Lead Times: Forward looking sentiment for Lead Times remained level in May.** Eleven shops- 16 percent of respondents- expect Lead Times to increase for the next three months. Forty-six shops-68 percent of respondents- expect Lead Times to remain the same for the next three months. This month eleven shops- 16 percent of respondents - expect Lead Times to decline. *The outlook for lead times is expected to remain level with 68 percent of respondents expecting lead times remain level for the next three months.* (Yellow line on Sentiment Chart)

**Employment: Outlook for Employment prospects declined May 2024.** In May, nine shops- 13 percent of respondents- expect employment to improve, contrasted with seven (10%) expecting employment prospects to decline. Fifty-two shops or 77 percent expect no change in employment outlook. Sixty-one shops, 90 percent of respondents expect a level or improved employment trend for the next three months. *Prospects for employment over the next three months decline slightly to a neutral level.* (Orange Line on Sentiment Chart)

**Profitability: Outlook for the next three months declined in May** Seven shops (ten less than in April) 10 percent of respondents expect improved profitability in the next three months. Forty-four shops 65 percent (Seven more than in April) of respondents expected profitability to remain the same. Seventeen shops expect a decline in profitability, (25% of respondents). *Prospects for profit declined in May with 25 percent of shops expecting profitability to decline contrasted with 10% expecting an increase.* (Dark Red Line on Sentiment Chart)

(over)

**Opinions for the next three months compared to today:**

- ⇒ **Net Sales:** *The outlook for sales declines in May with 8 percent more respondents expecting decreasing over increasing sales over the next 3 months.*
- ⇒ **Lead Times:** *The outlook for Lead Times is expected to remain level with 68 percent of respondents expecting lead times to remain level for the next 3 months.*
- ⇒ **Employment:** *Prospects for employment over the next 3 months decline slightly to a neutral level.*
- ⇒ **Profitability** *Prospects for profit declined in May with 25 percent of shops expecting profitability to decline contrasted with 10% expecting an increase.*

**Current Environment:** Our May Business Trends report declined 4 points (2.8%) from April 2024. May was 5 points (3.3%) below May 2023 in contrast, May 2024 also outperformed the 5-year average for May by 9.6 points (7.0%). Sales for this year has been extremely level. Volatility has been squeezed out of our market which is a good thing. Volatility breeds risk. The continued level nature of our sales will make scheduling and purchase planning easier. Our first four-month average is 149 which would predict the second highest sales year in our data set, just behind 2022. Lower volatility while indicating our runner-up best year is good news for our shops for 2024.

Expectations for Sales, Profitability, and employment declined while Lead Times remained level. Sales and Profitability declined to slightly negative territory. Employment and Lead Times remained in neutral. Negative sentiment has not been followed up by actual negative results. Our sales are not growing at a rapid, but they are steady, level, and elevated. Expectations of a recession weigh on sentiment. We are also seeing the decline in average hours worked to 41.5. Steady sales numbers with less overtime is good news for our shops. We can get the work done more efficiently. Do more with less allows for easier scheduling and higher profits.

One area of concern was the wide swing in profitability expectations. Now 15 percent more shops expect decline versus growth. The question that remains is “are our order books drying up?” The actual sales numbers are not reflecting negative sentiment currently. It will be interesting to see how the next three months shake out. Continue to watch cash. Higher interest rates can easily wipe away returns when cash is poorly managed. In an environment where money is essentially free, we can be sloppy with financing because it does not cost us anything. In the higher interest rate world, managing how we finance- and what we finance- becomes much more important. Slow and steady growth is a time to improve. *Run a tight ship and insure your cash works for you.*

*David Wynn, Technical Services Director*

*PMPA*

*DW: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								148
% YR AGO	95	109	88	106	97								
Y-T-D	95	102	97	100	99								

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

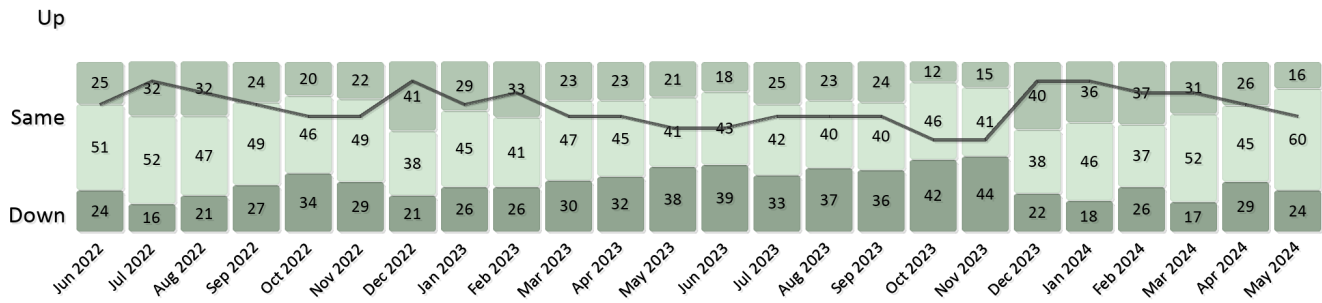
## 2. AVERAGE LENGTH OF FIRST SHIFT PER WEEK

	YEAR-TO-DATE		AVERAGES	
	2023	2024	Apr	May
Average length first shift (hours)	42.2	41.6	41.6	41.5
<b>% Companies Reporting</b>				
Less Than 40 Hours	3%	3%	1%	4%
40 Hours	44%	57%	61%	54%
41-44 Hours	27%	21%	18%	24%
45 Hours	11%	12%	14%	9%
46-49 Hours	7%	5%	6%	7%
50 and Over	6%	2%	0%	1%

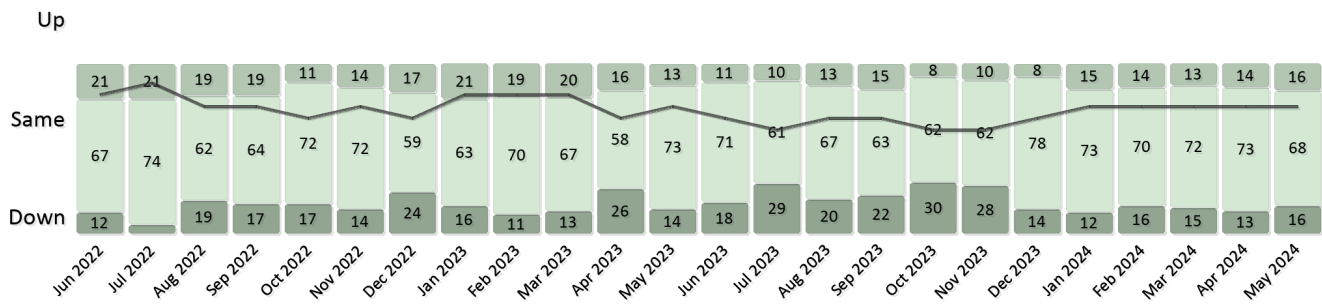
**Note:** Periodically, we update prior period data which was not previously available at the time of input. When these changes are made, you will probably see some discrepancy between prior month figures shown on the current report and the prior month report as originally issued.

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

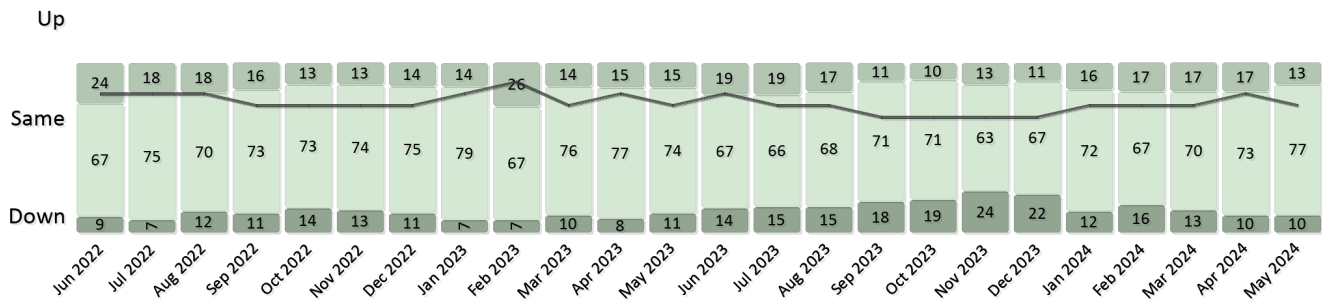
**3. A. NET SALES OF MACHINED PRODUCTS** - Compared with today, the trend of Net Sales volume for the next 3 months is expected to be:



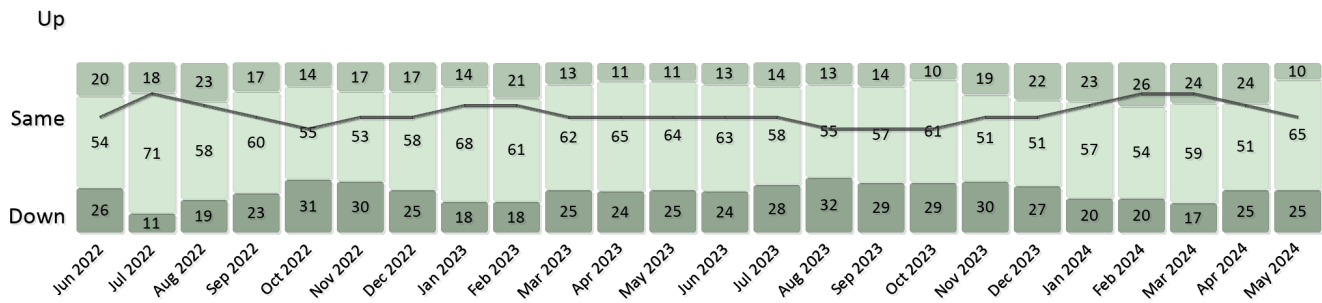
**B. LEAD TIMES** - Compared with today, the trend of Lead Times for the next 3 months is expected to be:



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



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



**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

