

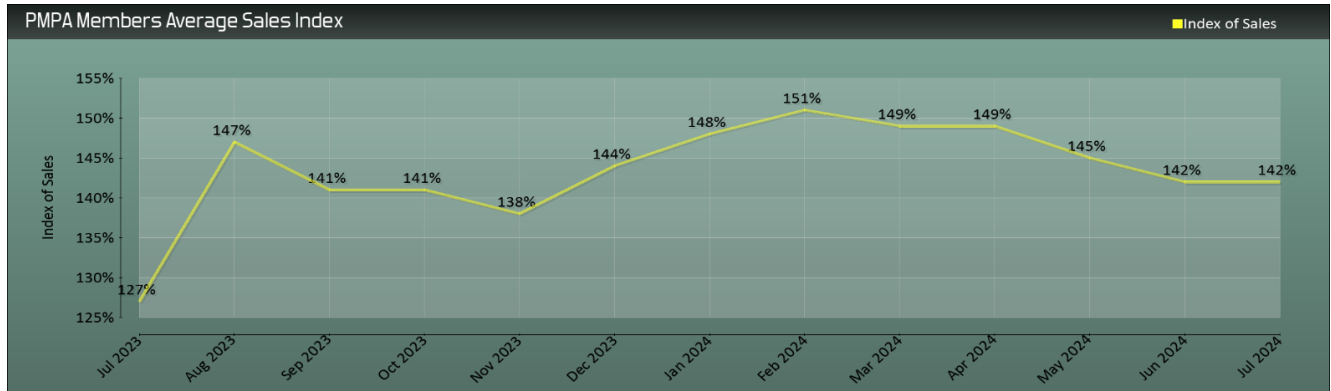
August 28, 2024

REPORT ON BUSINESS TRENDS

July 2024

“In July Sales Still Rock Steady”

July Sales come in 15 points (11.8%) above July 2023. July 2024 is 7.2 points (5.3%) above the 5-year average for July. The 2024 YTD Average is 2.0 points (1.4%) above our 2023 year end average.



In July We See Lowest Volatility of First Six Months in Our Dataset

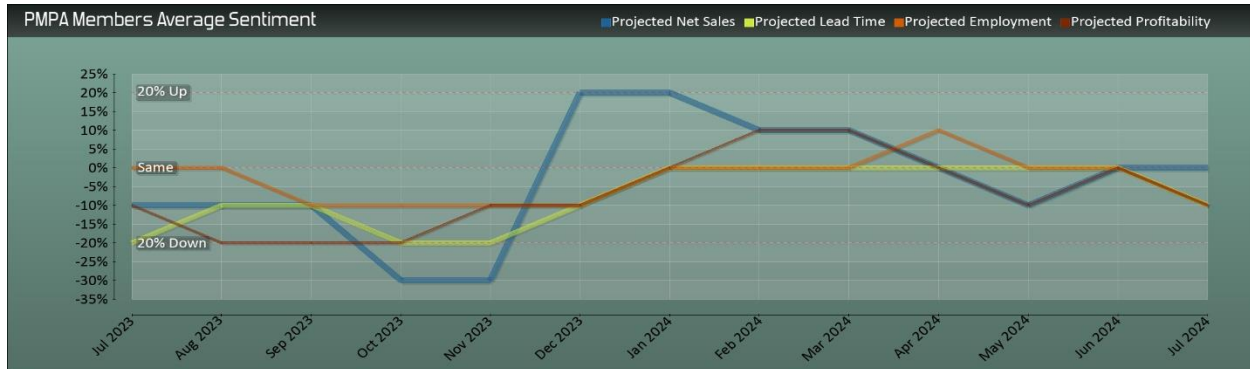
The PMPA Business Trends Sales Index stayed dead even with June 2024 reading of 142. July is above the 5-year average for July of 134.8, 7.2 points (5.3%) above. So, what is going on here? We see even sales in a month that historically has experienced a significant dip from June. July has been down in four of the previous six years when compared to June. In the two up years, 2019 and 2020, July was up only 2.3 and 4.4 percent, respectively. In the down years, July dropped on average 11.9 percent. Then the index continues to move in a non-volatile path through the year.

According to the Federal Reserve “*Industrial production fell 0.6 percent in July after increasing 0.3 percent in June. Early July shutdowns concentrated in the petrochemical and related industries due to Hurricane Beryl held down the growth of industrial production by an estimated 0.3 percentage point. Manufacturing output stepped down 0.3 percent as the index for motor vehicles and parts fell nearly 8 percent; manufacturing excluding motor vehicles and parts rose 0.3 percent...*” Industrial production falling 0.6 percent compared with our index even shows we were moving slightly ahead of industrial production overall. Last month we outperformed broader industry by about .6 percent. (*Discussed below.*)

The “**Average Length of First Shift (Hours)**” reported by our respondents for July 2024 is 41.3 hours falling .2 hours from June’s value of 41.5. Three shops (1 less than last month), 4 percent of this month’s sixty-eight respondents, scheduled less than 40 hours. Forty-two shops, 62 percent of respondents, scheduled a straight forty hours. Thirteen shops, 19 percent of respondents, scheduled between 41 and 44 hours, while ten shops, 15 percent of July respondents, scheduled 45 hours or more. **Thirty-four percent of respondents (23 shops) scheduled overtime.**

(over)

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



Outlook for the next three months is Employment, Lead Times, and Profitability fall, while sales remain level.

Sales Outlook (Reporting of Sales Outlook is counts of respondents, not percentage of sales): **Sentiment for Sales over the next three months remained level in July.** In July 2024, nineteen shops, 28 percent of respondents, expect sales volume for the next three months to increase. Thirty-two shops, 47 percent of respondents, expect sales to remain level for the next three months. The remaining seventeen shops, 25 percent of respondents, expect sales to decline in the next three months. *The outlook for sales remains level in July at a neutral level with 47 percent respondents expecting level sales over the next 3 months.* (Blue line on Sentiment Chart)

Lead Times: Forward looking sentiment for lead times fell in July. Nine shops, 13 percent of respondents, expect Lead Times to increase for the next three months. Forty-two shops, 62 percent of respondents, expect lead times to remain the same for the next three months. This month seventeen shops (seven more than last month), or 25 percent of respondents, expect lead times to decline. *The outlook for lead times declined with 12 percent more of respondents expecting lead times to decline vs increase for the next three months.* (Yellow line on Sentiment Chart)

Employment: Outlook for Employment prospects fell July 2024. In July, seven shops, 10 percent of respondents, expect Employment to improve, contrasted with fourteen shops (21%) expecting employment prospects to decline. Forty-seven shops or 69 percent expect no change in employment outlook. *Prospects for employment over the next three months decline with seven more shops expecting a decline.* (Orange Line on Sentiment Chart)

Profitability: Outlook for the next three months fell in July Nine shops (four less than in June), 13 percent of respondents, expect improved profitability in the next three months. Forty-four shops, 65 percent of respondents, expected profitability to remain the same. Fifteen shops expect a decline in profitability (22% of respondents). *Prospects for profit declined in July with six more shops expecting a decline vs increase in the next three months.* (Dark Red Line on Sentiment Chart)

(over)

Opinions for the next three months compared to today:

- ⇒ **Net Sales:** *The outlook for sales remains level in July at a neutral level with 47 percent respondents expecting level sales over the next 3 months.*
- ⇒ **Lead Times:** *The outlook for lead times declined with 12 percent more of respondents expecting lead times to decline vs increase for the next three months.*
- ⇒ **Employment** *Prospects for employment over the next three months decline with seven more shops expecting a decline.*
- ⇒ **Profitability** *Prospects for profit declined in July with six more shops expecting a decline vs increase in the next three months.*

Current Environment: Our July Business Trends report remains level with June 2024. July was 15 points (11.8%) above July 2023. July 2024 outperformed the 5-year average for July by 7.2 points (5.3%). Sales are so level it is almost boring. The index is predicted to slide into our second-best sales year ever for the index and we have almost no volatility. The index usually will move up and down throughout the year showing months in particular that are significantly higher than others. During the past four years (since the pandemic) of 2023, 2022, 2021 and 2020 we had a difference between the min and max (range) for first six months of the year of 31, 33, 23, and 55, respectively. Currently we have a difference of 9 points. In the pre-pandemic years of 2018 and 2019 there was a range of 14 and 18, respectively. Our data is running smooth and steady. Variability seems to have been squeezed out of the system.

Expectations for Sales remained level while Employment, Lead Times, and Profitability declined. Sales are in neutral territory with the other three in slightly negative territory. This looks like the election year sideways movement we saw at the beginning of this year in the sentiment indicators. Our customers do not like change and in an election year there is posturing and planning by large corporations. In 2024 we are guaranteed to have change. No matter who wins it will be a new administration at the helm. Change makes our customers nervous about long-term commitments, decreasing forward looking orders and guidance. That in turn weighs on our sentiment.

The index for July is running above the five-year average for July. July is well above July of 2023 (11.8%). I checked data back to 2010 and this is the lowest range of sales in the first six months ever recorded. The only year that was close was 2012 which was 10 points. Steady as she goes is the story. Continue to watch cash. With slow and steady growth there is time to make decisions. With time comes the ability to automate. We do not have to throw bodies at problems and chance making bad hires. We want to preserve our culture while growing. Look to make processes more efficient rather than rush to bring in performers. Slow growth will allow us to bring in the right performers at the right points. This maximizes the gain for both our companies and the performers we bring on. Steady growth will allow our shops to organically grow our staff over time. Steady sales continue as we move through 2024. *Enjoy the abnormally calm waters, less volatility equals less risk.*

David Wynn, Technical Service Director
PMPA

(over)

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	142						147
% YR AGO	95	109	88	106	97	92	112						
Y-T-D	95	102	97	100	99	98	100						

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

2. AVERAGE LENGTH OF FIRST SHIFT PER WEEK

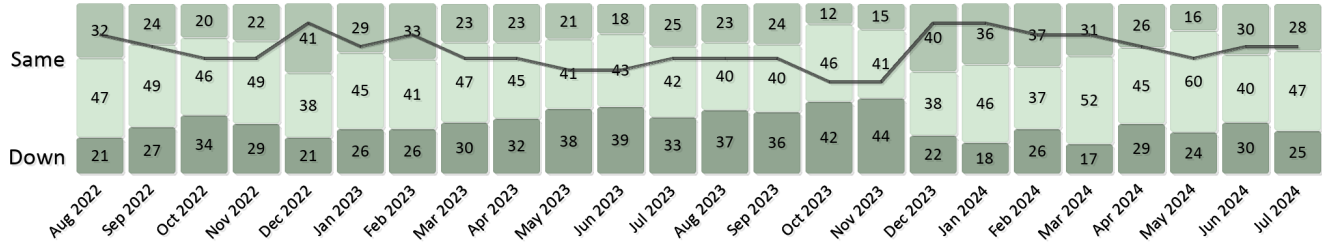
	YEAR-TO-DATE		AVERAGES	
	2023	2024	Jun	Jul
Average length first shift (hours)	42.2	41.5	41.5	41.3
% Companies Reporting				
Less Than 40 Hours	3%	4%	6%	4%
40 Hours	44%	57%	54%	62%
41-44 Hours	27%	21%	22%	19%
45 Hours	11%	11%	9%	7%
46-49 Hours	7%	5%	7%	4%
50 and Over	6%	2%	1%	3%

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: **July 2024**

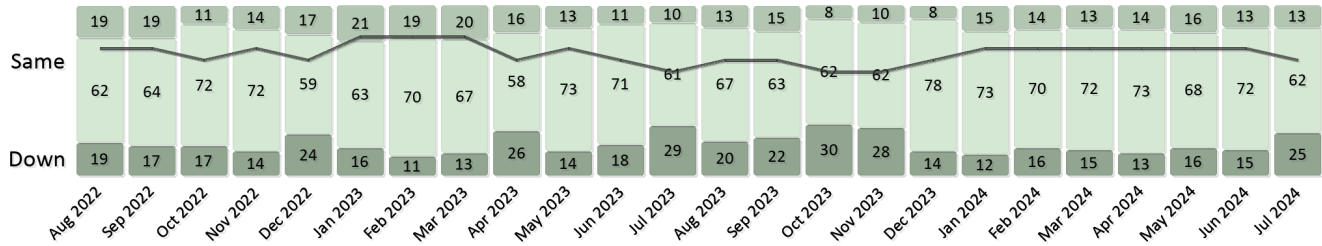
3. A. NET SALES OF MACHINED PRODUCTS - Compared with today, the trend of Net Sales volume for the next 3 months is expected to be:

Up



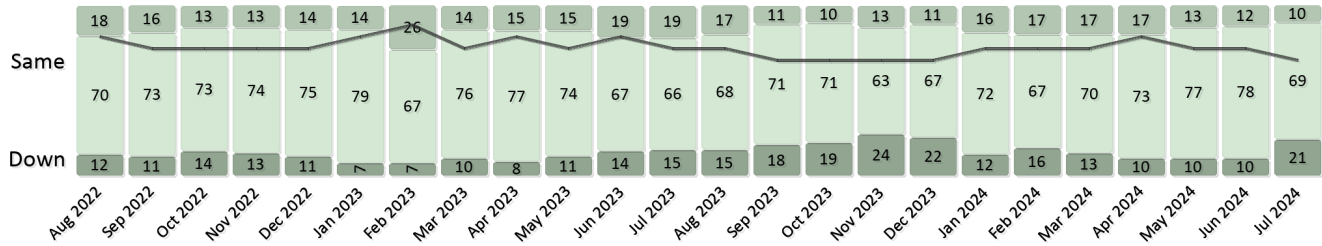
B. LEAD TIMES - Compared with today, the trend of Lead Times for the next 3 months is expected to be:

Up



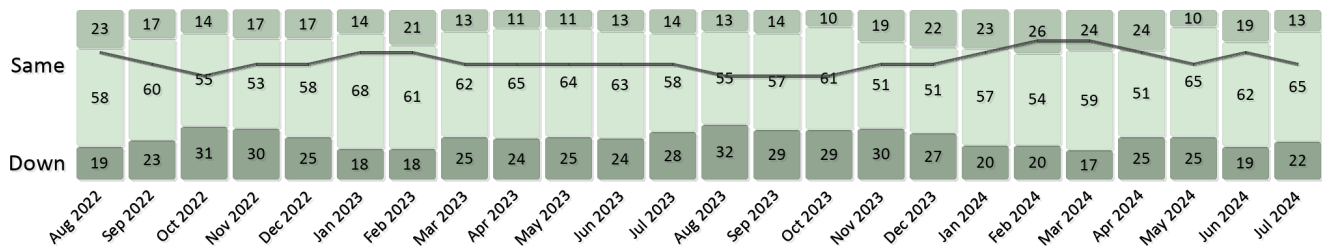
C. EMPLOYMENT - Compared with today, the trend of Employment for the next 3 months is expected to be:

Up



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

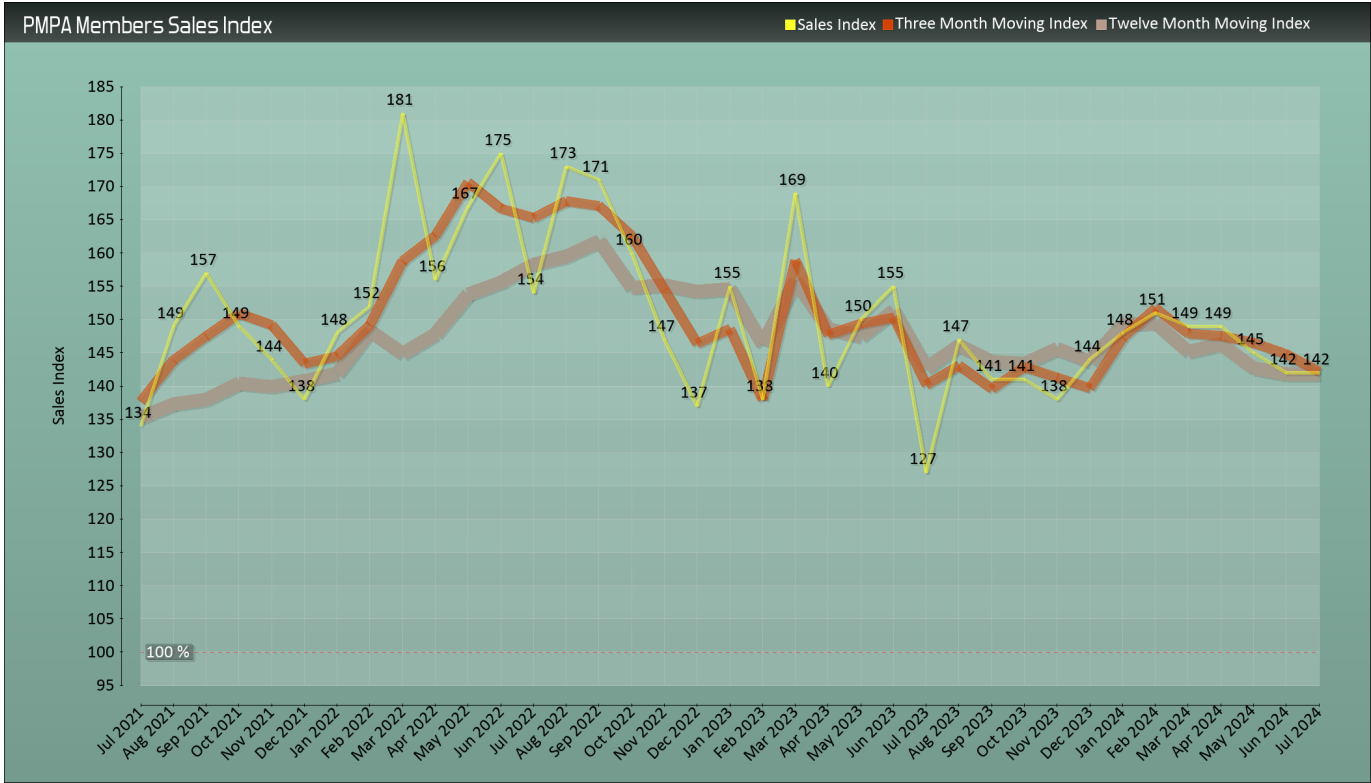
Up



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



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	142						147
% YR AGO	95	109	88	106	97	92	112						
Y-T-D	95	102	97	100	99	98	100						

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

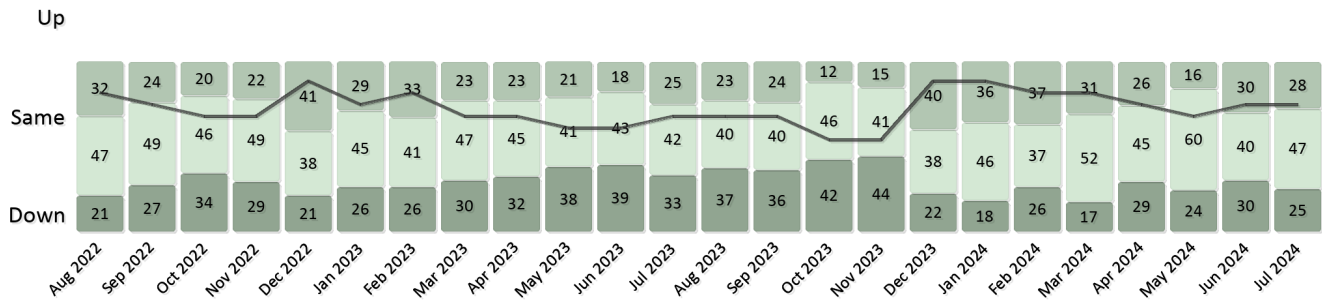
2. AVERAGE LENGTH OF FIRST SHIFT PER WEEK

	YEAR-TO-DATE		AVERAGES	
	2023	2024	Jun	Jul
Average length first shift (hours)	42.2	41.5	41.5	41.3
% Companies Reporting				
Less Than 40 Hours	3%	4%	6%	4%
40 Hours	44%	57%	54%	62%
41-44 Hours	27%	21%	22%	19%
45 Hours	11%	11%	9%	7%
46-49 Hours	7%	5%	7%	4%
50 and Over	6%	2%	1%	3%

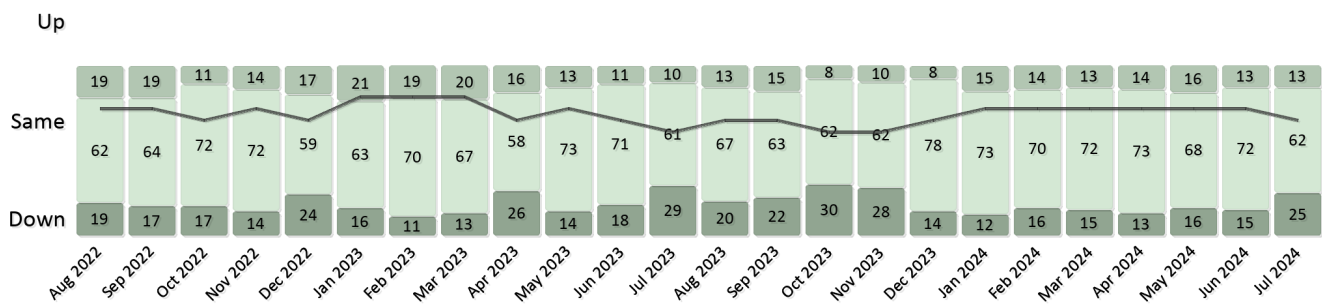
Note: Periodically, we update prior period data which was not previously available at the time of input. When these changes are made, you will probably see some discrepancy between prior month figures shown on the current report and the prior month report as originally issued.

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

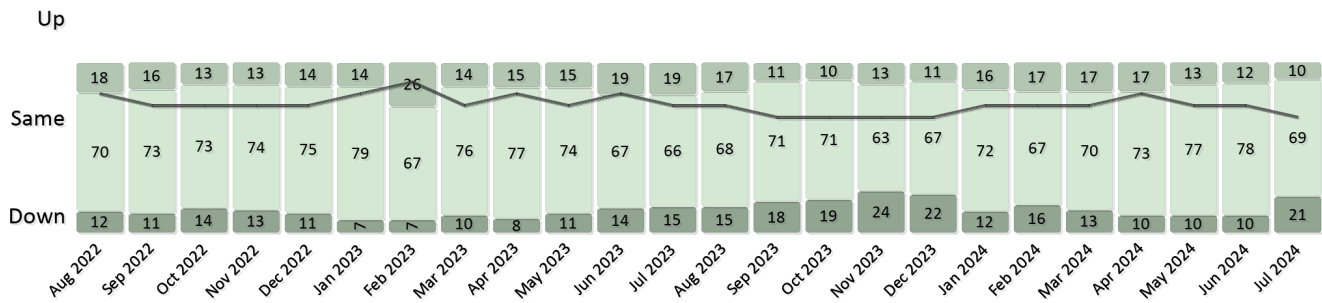
3. A. NET SALES OF MACHINED PRODUCTS - Compared with today, the trend of Net Sales volume for the next 3 months is expected to be:



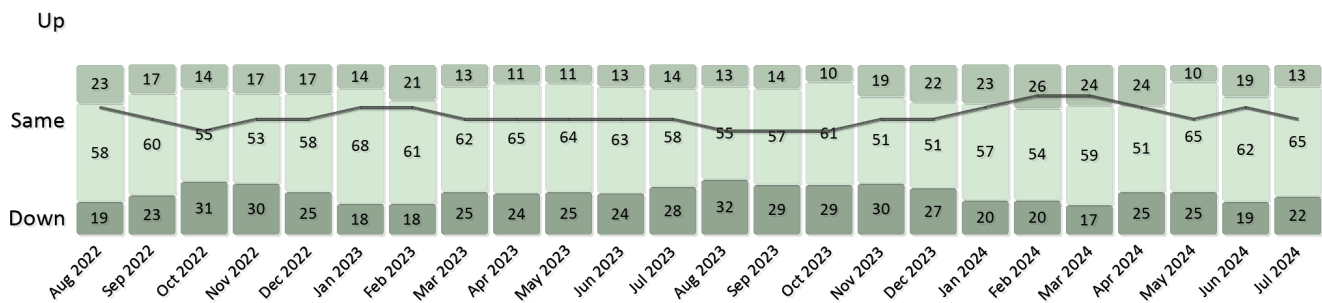
B. LEAD TIMES - Compared with today, the trend of Lead Times for the next 3 months is expected to be:



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

