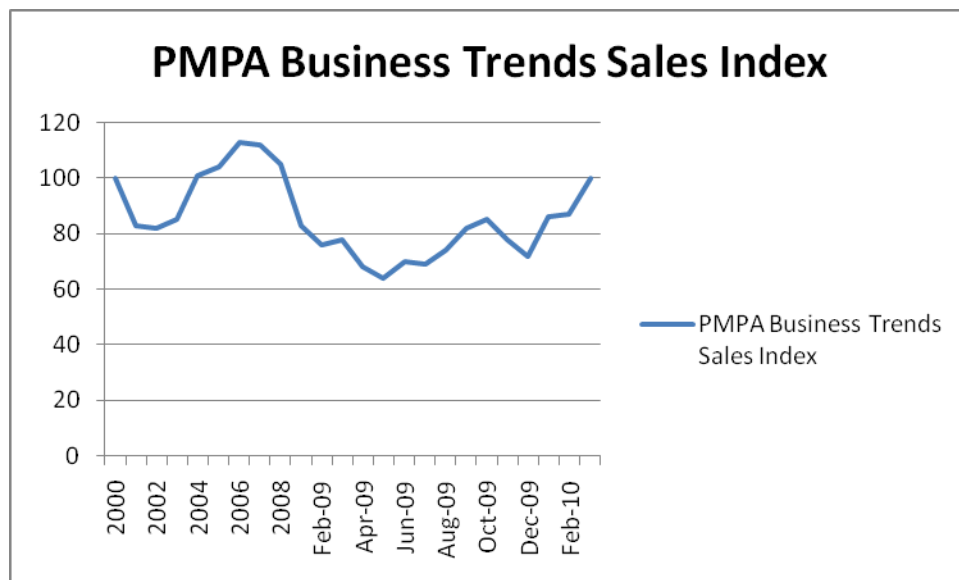


April 19, 2010

**REPORT ON BUSINESS TRENDS**

**March 2010**

**“It’s Official - The Lost Decade”**



**PMPA’s Index of Sales of Precision Machined Products** rose 13 points from 87 in February to 100 in March. This indicates that the sales levels in March 2010 are back at the level that we use for our base-year average shipments for year 2000. It is 2010 and our sales are at 2000 average level. ***The Precision Machining Industry has lost a decade!***

**Back to the future!** *We continue to believe that a new “normal” is being established.* While our sales in March have just managed to achieve year 2000 average levels, we are achieving those sales with the benefits of a decade of lessons learned on lean setups, and waste and cost reduction. This is our tenth month of sales above the May 2009 low of 65, and the index of 100 shows that we have come back to a new normal. Average length of first shift has climbed to 42.2 hours, and respondent’s expectations continue to be overwhelmingly positive. Negativity in three of the four sentiment areas we track is in the single digits. (The lead time indicator is the exception at 10). The three month moving average is moving strongly upward. *We need to recognize that we are in recovery and manage for recovery and growth.*

**Sales Outlook:** The percentage of respondents who felt that sales would decline over the next three months is 7%. Ninety-three percent of respondents expect sales to remain the same or increase. ***The outlook for sales in the short term is positive.*** *Over...*

**Lead Times, Employment and Profitability:** Twenty-eight percent (28%) of respondents expect lead times to increase, while ten percent (10%) expect lead times to decline; 62% expect lead times to remain unchanged. *This indicator is reflective of available capacity in our shops, **not** availability of material to make our products.* Expectations for change in employment remains variable with increased sentiment for both increased (29) and decreased (9) employment at the cost of “stable employment” sentiment compared to last month. Expectations for profitability to improve rose 7 points while expectations for it to decline also rose 3 points. More variability! However the sentiment for profitability to improve or stay the same is down from February’s 95 to 93 in March.

- The “**Average Length of First Shift (Hours)**” is 42.2, up .7 hour from February’s 41.5. The average for year to date is 41.4 hours! The number of shops reporting hours less than 40 for their first shift fell to just 4%; *Twenty- eight percent (28%) of shops reporting are scheduling 45 hours or more.*
- **Opinions for the next three months compared to today: (See Graphs on Page 4)**
  - ⇒ **Net Sales:** *Those expecting sales to remain level or increase are a strong majority at 92% of respondents.*
  - ⇒ **Lead Times:** *Ninety percent (90%) expect lead times to remain the same or increase.*
  - ⇒ **Employment:** *Ninety-one percent (91%) of this month’s respondents are expecting employment to remain the same or improve.*
  - ⇒ **Profitability:** *Ninety-three percent (93%) of respondents expect profitability to remain the same or improve over the next three months.*

**Current Environment:** This report provides hard data that the precision machining industry has recovered to beginning of the decade sales levels, what we are calling a “new normal.” Shops that we speak with are busy with quotes, trying to find material, and maintaining a positive attitude while continuing to make wise decisions regarding staffing, and operations. *Many shops report difficulties finding material on an item by item basis, and many are appalled at the performance of some imports from Asia that they are encountering in the service centers’ available inventory. Material prices, particularly steel, are increasing in cost through both price increases and increases in applicable scrap and alloy surcharges.*

**NOTE:** Ninety-four (94) participants this month.

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