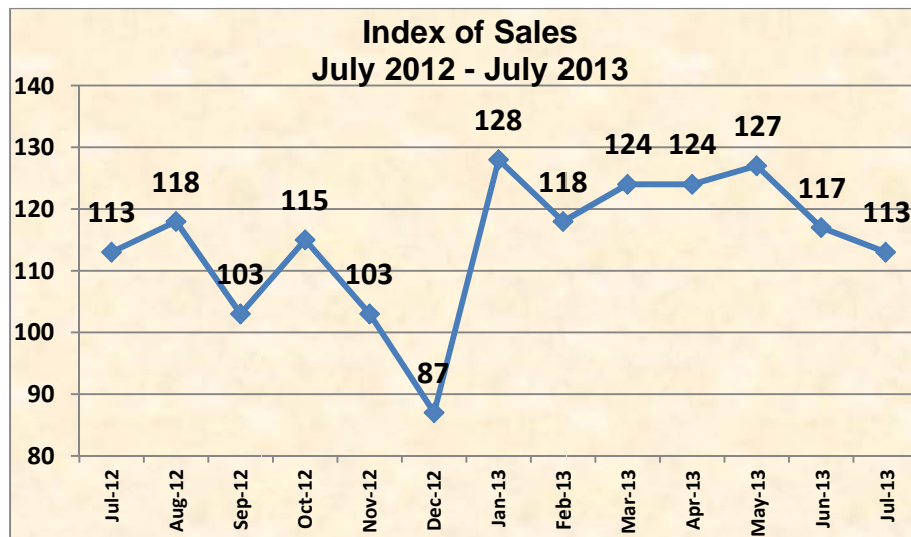


August 23, 2013

REPORT ON BUSINESS TRENDS

July 2013

“Part 4! 2013- Déjà Vu All Over Again!”



PMPA’s Business Trends Index for July 2013 is 113 identical to the value for July 2012 and down 4 points month to month, closely following last year’s 6 point drop from June to July. (Note due to late submittals, the June 2013 index was corrected to 117 from the 119 we reported; thus the 4 point rather than 6 point decline same as last year.) The year to date average for the index as of July 2012 was 120.9; for year to date July 2013 it is 121.6. The industry’s sales performance remains consistent with last year’s pattern. **We are concerned at the apparent lack of substantial growth.** Just wondering when the new orders are going to arrive???

Our industry’s lack of sales growth so far in 2013 suggests that all of our customers are in a holding pattern, and media reports of “recovery” in manufacturing really mean, at best, that manufacturing is “stable.”

Nature of Sales: Last month, 62 of 89 respondents (70%) reported sales declines; this month it is 35 out of 82 (42%). In July 2013, 44 respondents (54%) reported gains, and 27 of those (almost one third or 33% of all respondents) were double digit gains. The Fed’s Industrial Production Figure for July 2013 was unchanged – “Industrial production was unchanged in July after having gained 0.2 percent in June. In July, manufacturing production declined 0.1 percent. The factory operating rate moved down 0.1 percentage point to 75.8 percent, a rate 2.9 percentage points below its long-run average.”

(over)

Sales Outlook: Eighty-six percent (86%) of respondents felt that sales would remain the same or increase over the next three months- down 2 points from last month. However those expecting sales to grow increased from 27 to 30, a majority (56%) expect sales to remain unchanged. ***In aggregate the outlook for sales remains solidly positive.***

Lead Times, Employment, and Profitability: Lead time expectations were basically unchanged at 90 % versus last month's 91% of respondents expecting **lead times** to remain the same or increase. Expectations for **increased employment** in our industry are positive and optimistic with 90% of respondents expecting it to remain the same or increase. Twenty-nine percent (29%) of respondents expect **profitability to increase**, with eighty-five percent (85%) expecting to *see profitability increasing or remaining the same.*

The "**Average Length of First Shift (Hours)**" is down to 42.6 in July from 42.9 for June, down 0.3 hour. Just 25% percent of respondents (25%) are scheduling 45 hours or more; only half- 50%- are scheduling overtime. (This is the lowest report of overtime for the year...)

- **Opinions for the next three months compared to today: (See Graphs)**

- ⇒ **Net Sales:** *Those expecting sales to remain level or increase are a strong majority at 86% of respondents.*
- ⇒ **Lead Times:** *Ninety percent (90%) expect lead times to remain the same or increase.*
- ⇒ **Employment:** *Ninety percent (90%) of this month's respondents are expecting employment to remain the same or improve.*
- ⇒ **Profitability:** *Eighty-five percent (85%) of respondents expect profitability to remain the same or improve over the next three months.*

Current Environment: This report shows that the industry's performance is basically unchanged from last month and from last year. The flat performance reminds us that in the absence of growth, our ability to achieve greater margins will be the result of continuous improvements in our people and processes. ***If we are not busy on new orders, we should be busy on training and process improvements.***

The trends for our industry appear to mirror those of last year. Level shipments and declining overtime challenge the media's overly optimistic reports of a recovery. Savvy management adjusting to the lack of growth has kept profitability positive, and the outlook for employment in our shops for skilled people remains strong.

NOTE: Eighty-two (82) participants this month. (44 up, 27 up double digits; 35 down)

Miles Free
Director, Industry Research and Technology
PMPA

MKF: cmp

**PRECISION MACHINED PRODUCTS ASSOCIATION
BUSINESS TRENDS**

Results from: July, 2013

1. INDEX OF SALES OF PRECISION MACHINED PRODUCTS

2000 = 100

INDUSTRIES AVERAGES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
Base 2000	103	103	118	101	106	105	88	106	96	100	97	79	100
2009	83	76	78	68	64	70	69	74	82	85	78	72	75
2010	86	87	105	98	97	107	99	109	107	105	103	91	99
2011	110	108	127	113	116	122	106	126	114	117	113	99	114
2012	125	120	127	117	125	119	113	118	103	115	103	87	114
2013	128	118	124	124	127	117	113						
% YR AGO	102	98	97	106	101	99	100						
Y-T-D	102	100	99	101	101	100	100						

2. AVERAGE LENGTH OF FIRST SHIFT PER WEEK

	YEAR-TO-DATE		AVERAGES	
	2012	2013	Jun	Jul
Average length first shift (hours)	42.8	42.8	42.9	42.6

% Companies Reporting:

Less Than 40 Hours	2%	1%	1%	1%
40 Hours	45%	45%	48%	49%
41-44 Hours	23%	24%	21%	26%
45 Hours	12%	12%	13%	8%
46-49 Hours	8%	9%	6%	9%
50 and Over	10%	9%	10%	8%

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.

THIS REPORT DOES REFLECT CHANGES

**PRECISION MACHINED PRODUCTS ASSOCIATION
BUSINESS TRENDS**

Results from: July, 2013

The figures reported below reflect the view of respondents based on conditions as of the end of: **July, 2013**

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:

	2012												2013											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Up	46	45	34	29	27	23	28	20	18	17	18	42	30	37	37	30	30	27	30					
Same	46	43	53	57	53	59	54	56	44	44	40	37	54	51	47	53	51	59	56					
Down	9	12	13	14	20	18	18	24	38	39	42	22	15	13	16	17	19	14	14					

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

	2012												2013											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Up	17	17	20	24	17	9	9	9	11	10	5	14	16	15	11	11	10	10	10					
Same	74	78	76	71	69	78	82	74	69	68	73	74	74	73	81	74	76	79	80					
Down	9	4	4	5	14	13	10	17	20	23	22	12	10	12	9	15	14	10	10					

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

	2012												2013											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Up	23	26	24	28	22	17	18	9	12	11	12	12	19	13	20	18	14	12	18					
Same	73	69	75	65	72	75	68	82	73	68	66	75	76	83	74	75	76	78	73					
Down	3	5	1	8	6	8	14	9	15	22	23	13	5	5	6	7	10	9	10					

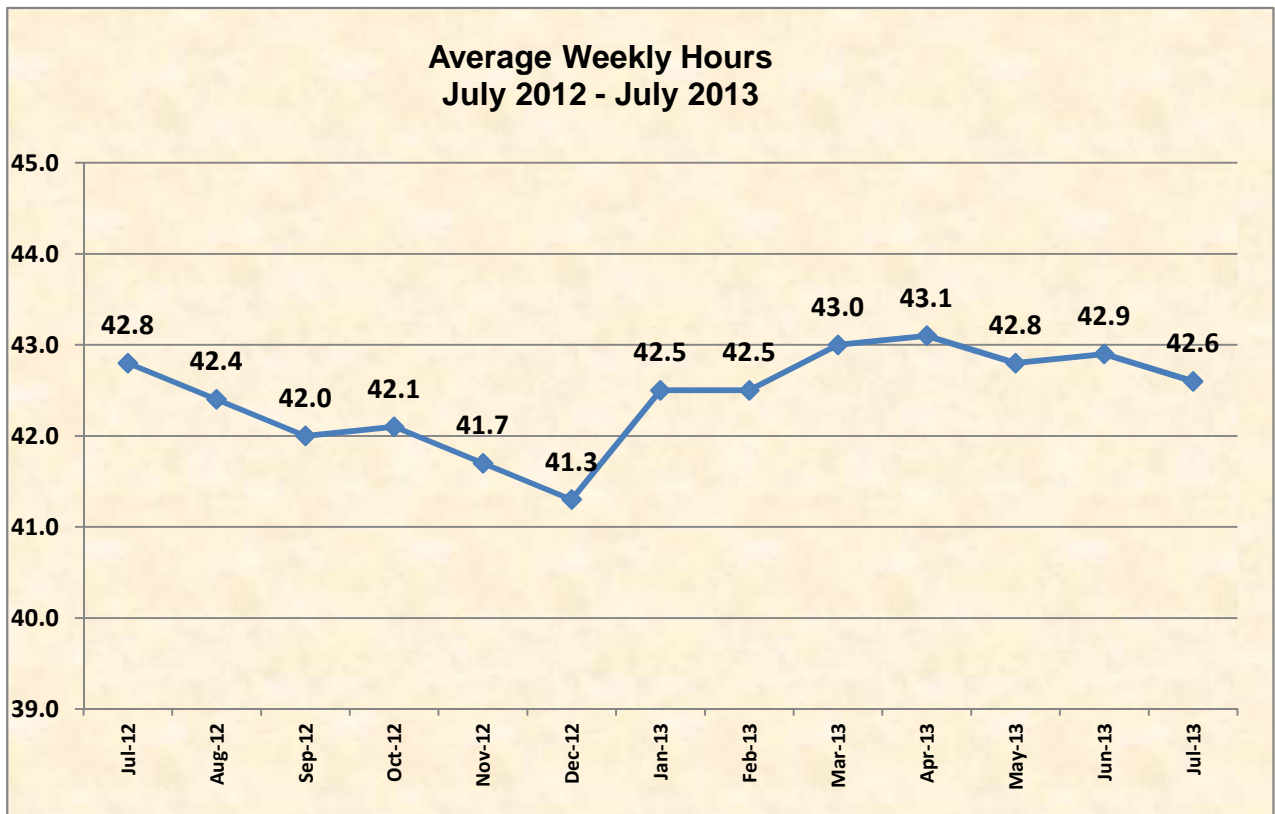
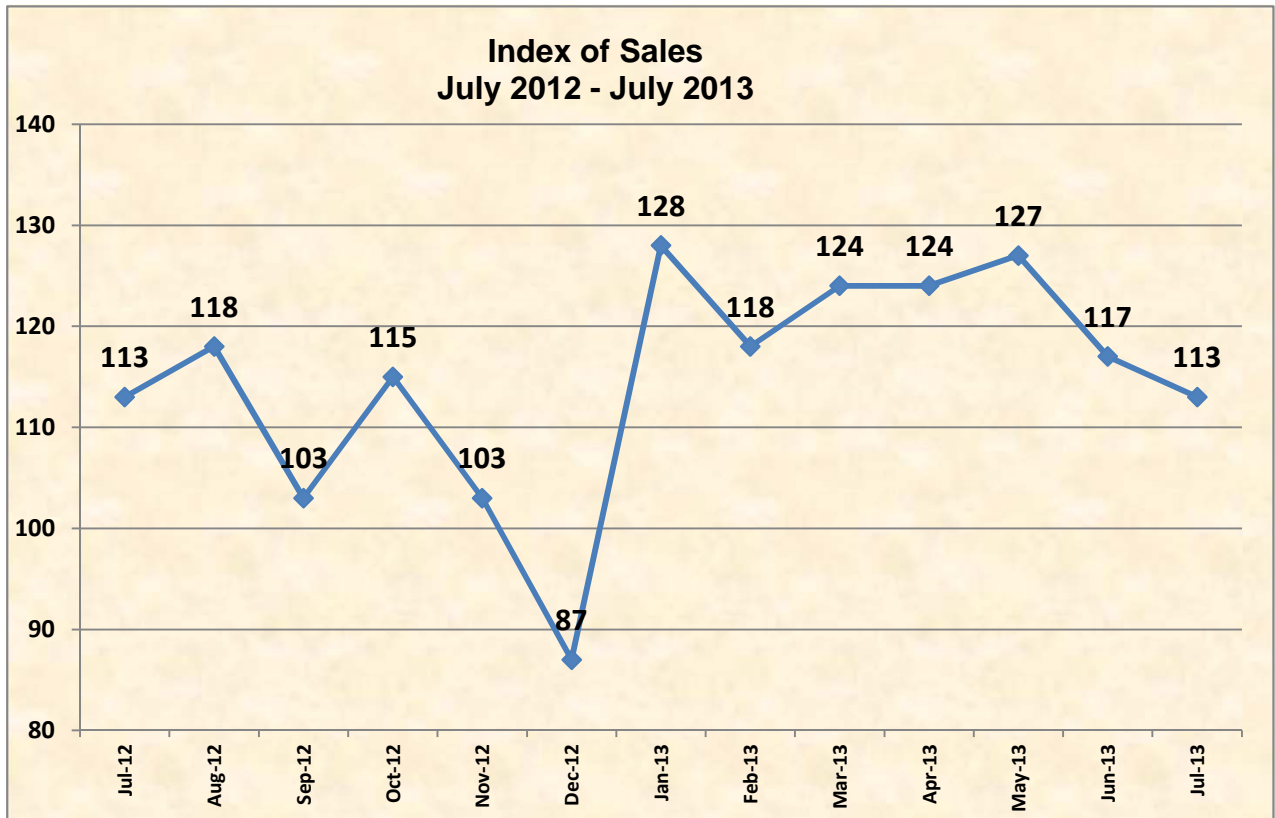
D. PROFITABILITY - Compared with today, the trend of Profitability for the next 3 months is expected to be:

	2012												2013											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Up	28	30	21	20	23	20	19	14	17	15	12	22	20	28	26	20	19	20	29					
Same	63	56	68	67	66	65	66	69	54	53	56	60	66	60	63	68	67	63	56					
Down	10	14	11	13	12	15	15	17	29	32	32	18	14	13	11	12	14	18	15					

EXPLANATION OF GRAPHS: The line in each chart represents a graph for that chart's 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 ratio of respondents who answered the top option as opposed to the bottom option.

BUSINESS TRENDS

Index of Sales and Average Weekly Hours Charts



SALES

Precision Machined Products Industry
Calculated at 3 & 12 Month Moving Averages

