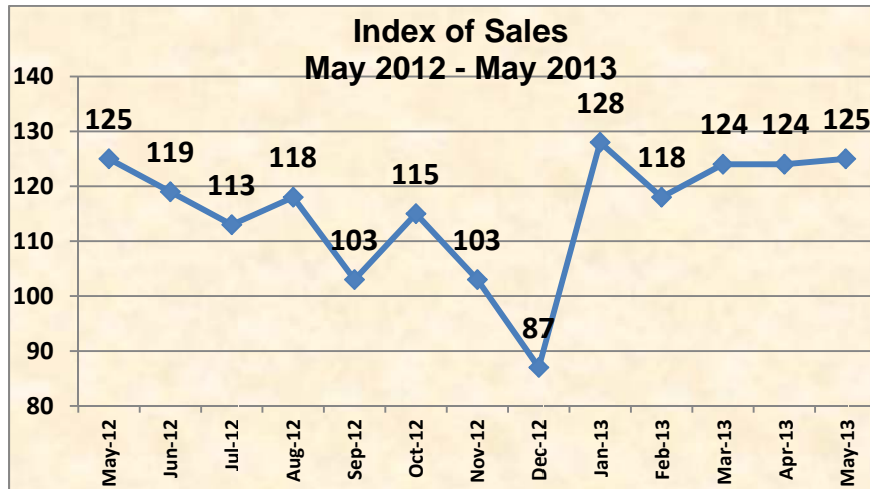


REPORT ON BUSINESS TRENDS

May 2013

“The New Abnormal: Steady As She Goes”



PMPA’s Business Trends Index for May 2013 is 125- up a point from March/April and identical to May 2012. While individual shops have seen substantial variability month to month, our index has been tracking within a very narrow band all year. The average sales reported for the year to date is 124, almost identical to that of the same time last year and 10 points above last year’s year end average. What is not to like about this report?

Critical Question: Is this “stasis” a result of our failure to commit to new projects, to add capability, to add employees? Is our holding the current level of sales “self-inflicted” based on our uncertainty? Are we letting news and current events suppress our business success?

Nature of Sales: In May 2013, 48 of 95 respondents reported sales declines compared to the prior month, while 47 respondents reported gains, and 30 of those were double digit gains. Aggregate sales seem strong, but on a shop by shop basis, they are uncertain. While our indicator shows that aggregate shipments remain high and positive, the strength of shipments on a shop by shop basis seems highly uncertain- a flip of the coin.

We remain optimistic: The 3 month moving average remains above the 12 month moving average for industry shipments. Housing appears to be recovering- May Housing Starts- up 6.8%; Auto Sales in May were up 8% over same month a year ago according to AutoData Corp., with 1.4 million vehicles sold.

(over)

Sales Outlook: Eighty-one percent (81%) of respondents felt that sales would remain the same or increase over the next three months. However those expecting both higher and lower sales moved increased 2 points, as “expect the same” lost 4 points. This is the new abnormal- level sales, but not sure if mine will be or not... *In aggregate the outlook for sales remains solidly positive.*

Lead Times, Employment, and Profitability: Lead time expectations remain unchanged. Eighty-six percent (86%) of respondents expect **lead times** to remain the same or increase. Expectations for **increased employment** in our industry are positive and optimistic with 92% of respondents expecting it to remain the same or increase. While only eighteen percent (18%) of respondents expect **profitability to increase**, unchanged from April, *eighty-six percent (86%) of respondents see profitability increasing or remaining the same.* This is down seven points from 93 in April...

- The “**Average Length of First Shift (Hours)**” is 42.6 for May, down 0.7 hour from last month’s report of 43.2, and down 0.8 hour from May 2012. About one quarter of respondents (26%) are scheduling 45 hours or more; over half- 54%- are scheduling overtime.
- **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 81% of respondents.*
 - ⇒ **Lead Times:** *Eighty-six percent (86%) expect lead times to remain the same or increase.*
 - ⇒ **Employment:** *Ninety-two percent (92%) of this month’s respondents are expecting employment to remain the same or improve.*
 - ⇒ **Profitability:** *Eighty-six percent (86%) of respondents expect profitability to remain the same or improve over the next three months.*

Current Environment: This report documents what we are calling the New Abnormal- Aggregate sales steady at an average level over ten points higher than last year’s calendar year average, while any specific shop’s shipments appear to be up or down solely by chance. The level data make us ask- *Are we artificially holding our sales down in a “self-fulfilling prophecy” by failing to add capacity, capability or talent?* The trends appear to mirror those of last year. Shipments are strong, but uncertain between shops. Thirty-two percent of respondents (30/95) managed double-digit sales increases in May over April, while 51% (48/95) showed decreases. Strong shipments and uncertainty, not volatility, seem to characterize our industry at this time.

NOTE: Ninety-five (95) participants this month. (47 up, 30 up double digits; 48 down)

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**PRECISION MACHINED PRODUCTS ASSOCIATION
BUSINESS TRENDS**

Results from: May, 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	125								
% YR AGO	102	98	97	106	100								
Y-T-D	102	100	99	101	101								

2. AVERAGE LENGTH OF FIRST SHIFT PER WEEK

	YEAR-TO-DATE		AVERAGES	
	2012	2013	Apr	May
Average length first shift (hours)	42.8	42.7	43.1	42.6

% Companies Reporting:

Less Than 40 Hours	2%	1%	1%	1%
40 Hours	45%	45%	44%	45%
41-44 Hours	23%	24%	24%	28%
45 Hours	12%	13%	10%	14%
46-49 Hours	8%	9%	12%	7%
50 and Over	10%	8%	10%	5%

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 NOT REFLECT CHANGES

**PRECISION MACHINED PRODUCTS ASSOCIATION
BUSINESS TRENDS**

Results from: May, 2013

The figures reported below reflect the view of respondents based on conditions as of the end of: **May, 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	28	30							
Same	46	43	53	57	53	59	54	56	44	44	40	37	54	51	47	55	51							
Down	9	12	13	14	20	18	18	24	38	39	42	22	15	13	16	17	19							

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	10	9							
Same	74	78	76	71	69	78	82	74	69	68	73	74	74	73	81	75	77							
Down	9	4	4	5	14	13	10	17	20	23	22	12	10	12	9	15	14							

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	16	12							
Same	73	69	75	65	72	75	68	82	73	68	66	75	76	83	74	77	80							
Down	3	5	1	8	6	8	14	9	15	22	23	13	5	5	6	7	9							

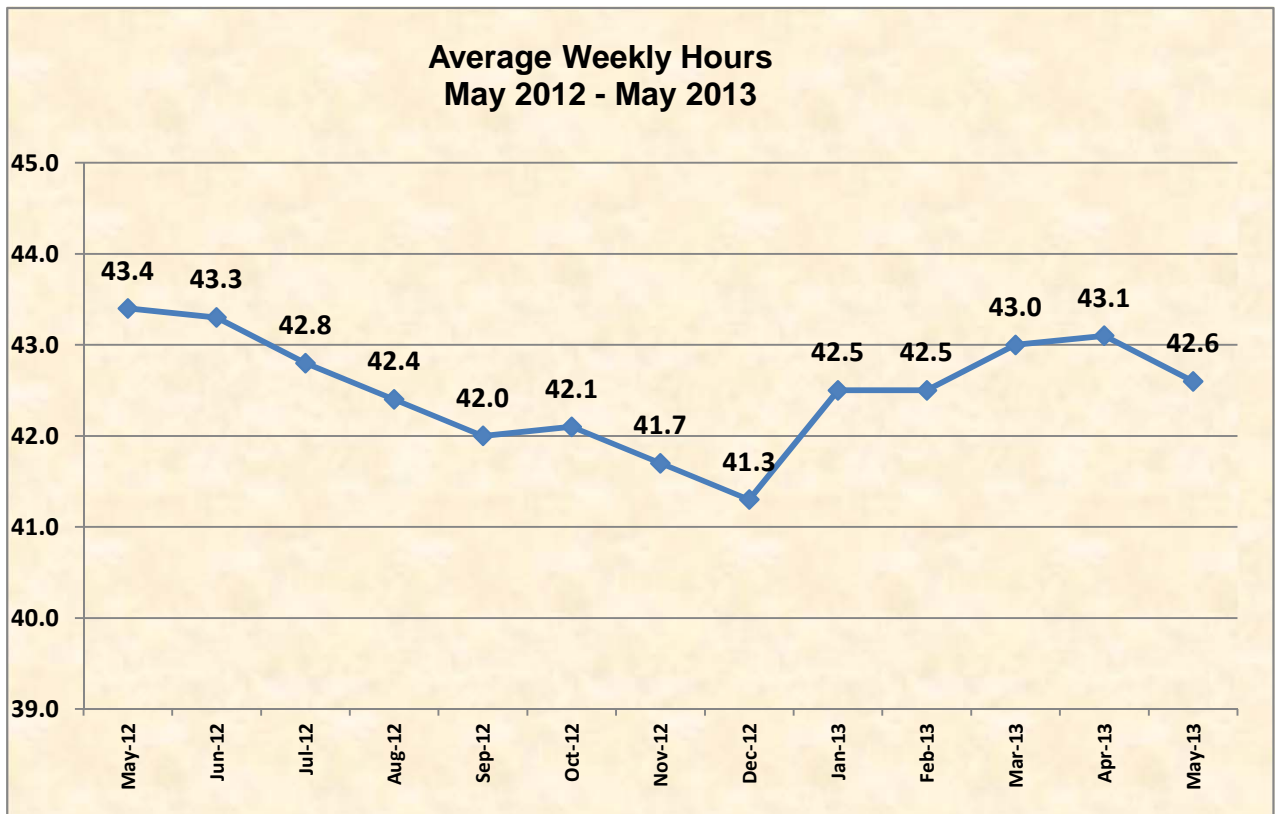
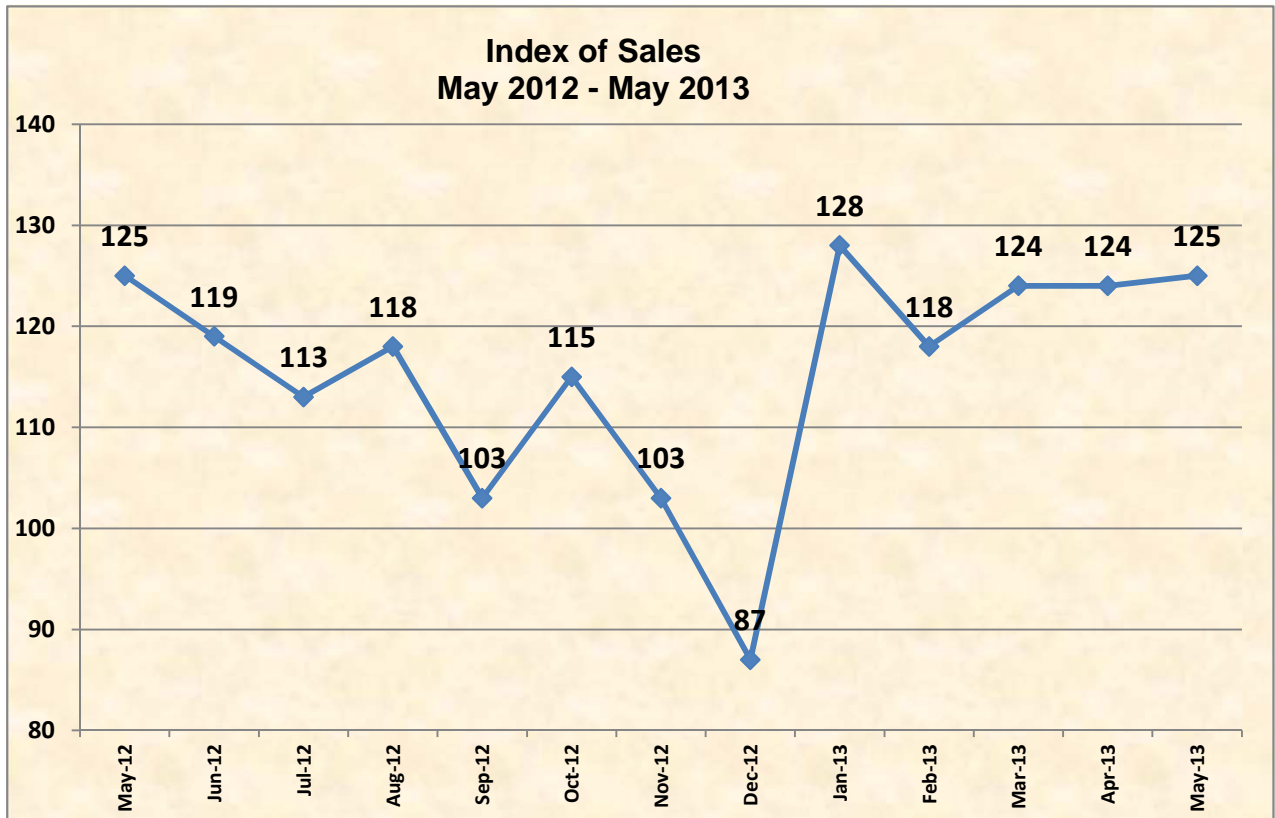
D. PROFITABILITY - Compared with today, the trend of Profitability for the next 3 months is expected to be:

	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	18	18							
Same	63	56	68	67	66	65	66	69	54	53	56	60	66	60	63	70	68							
Down	10	14	11	13	12	15	15	17	29	32	32	18	14	13	11	12	14							

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

