

May 6, 2024

REPORT ON BUSINESS TRENDS
March 2024

“Surprisingly Mild March Levels Our Expectations”

March 2024 Sales Index softens by 2 points or 1.3 percent ...



March 2024 Sales Index softens slightly, down 1.3 percent from February 2024, down 20 points or 11.8 percent from March of 2023.

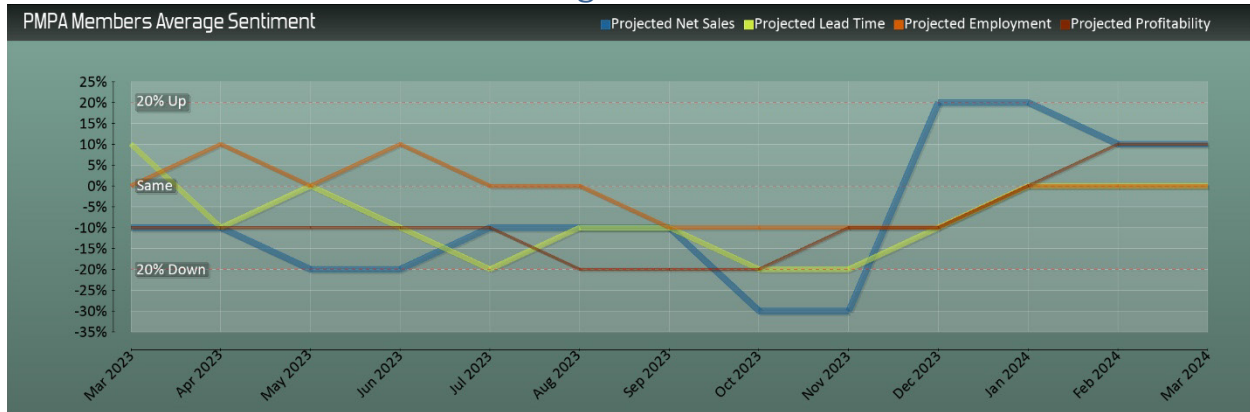
The PMPA Business Trends Sales Index softened by 2 points or 1.3 percent to 149 for March 2024, compared to February. It is up just 1 point over January 2024’s 148. While March is typically a very strong sales month, (in 2023 it was 160, or 11.8 percent higher than this year’s reading) we will take the reduced volatility. This reading is down 6.6 points from the five- year average for March from 2019-2023 or about 4.2%. Interesting historical note: Our Sales index was 147 in March of 2019 - a new high record for the month and the Index for all time. Now in 2024 we are looking at 149 as “softening.”

According to the Federal Reserve “Industrial production rose 0.4 percent in March but declined at an annual rate of 1.8 percent in the first quarter. Manufacturing output increased 0.5 percent in March, boosted in part by a gain of 3.1 percent in motor vehicles and parts; factory output excluding motor vehicles and parts moved up 0.3 percent.” **Our shops’ leveling of production is not unexpected given how much we have outperformed the Fed IP index in the months prior. For the first quarter, we are up 4.33 points or 2.9 percent over the 2023 calendar year average.**

The “**Average Length of First Shift (Hours)**” reported by our respondents for March 2024 remained level at 41.6 hours- the same as February. Down 0.6 hour or 1.4 percent for the same period from 2023. Just two shops this month-3.0 percent of respondents- reported scheduling less than 40 hours. Twenty-eight shops, 38.9 percent of respondents, scheduled overtime in March 2024. Forty-one shops- fifty-eight percent of respondents- scheduled straight 40 hours. Good times, not boom times. Order urgency seems to be under control at our customers.

(over)

Sentiment Indicators- Strong Positive Start to 2024 Continues



Outlook for all indicators for the next three months remains positive and level.

Sales Outlook (*Reporting of Sales Outlook is counts of respondents, not percent of sales*): **Sentiment for Sales over the next three months remained elevated and level in March 2024.** Twenty-two shops (31%) expect Sales growth for the next three months. Thirty-eight shops (52%) expect sales to remain level. Eighty-three percent of all respondents expect sales to increase or remain level, compared to just 12 shops (17%) expecting Sales to decline. The decliners decreased by 6 shops (33%) from February's 18 to just 12 in March. *The outlook for Sales for the next three months remains level and positive in March 2024.* (Blue line on Sentiment Chart)

Lead Times: Forward looking sentiment for Lead Times remained level in March 2024. Nine shops (down one from February's ten) or 13 percent of this month's respondents expect Lead Times to increase for the next three months. Fifty-two shops, 72 percent of respondents expect Lead Times to remain the same for the next three months. Eleven respondents -15 percent expect Lead Times to decline in the next three months. *The outlook for Lead Times remained level in March 2024 as 85 percent of respondents expect Lead Times to remain the same or go up over the next three months.* (Yellow line on Sentiment Chart)

Employment: Outlook for Employment prospects remained level in March 2024. In March, the outlook for Employment remained level with 12 shops and 17 percent of respondents expecting Employment opportunities to increase over the next three months, outnumbering the nine shops or 15 percent of respondents felt that prospects would decline. Fifty-two shops- 70 percent of respondents felt employment prospects would remain level. *Prospects for employment are positive in March 2024 with 87 percent of responding shops expecting employment prospects to remain level or improve for the next three months.* (Orange Line on Sentiment Chart)

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Profitability: Outlook for the next three months remained level in March 2024. Eighty-three percent (83%) of respondents expect profitability to remain level or increase. Seventeen shops, or 24 percent of respondents, expect improved profitability in the next three months. Forty-two shops- or fifty-nine percent of respondents- expect profitability to remain the same. The number of shops expecting a decline in profitability dropped to 12 from the prior months 14, about 17 percent of respondents. *Eighty-three percent of shops in March 2024 expect Profitability to remain the same or improve in the next three months.* (Dark Red Line on Sentiment Chart)

Opinions for the next three months compared to today:

- ⇒ **Net Sales:** *The outlook for Sales for the next three months remains level and positive in March 2024.*
- ⇒ **Lead Times:** *The outlook for Lead Times remained level in March 2024 as 85 percent of respondents expect Lead Times to remain the same or go up over the next three months.*
- ⇒ **Employment:** *Prospects for employment are positive in March 2024 with 87 percent of responding shops expecting employment prospects to remain level or improve for the next three months.*
- ⇒ **Profitability:** *Eighty-three percent of shops in March 2024 expect Profitability to remain the same or improve in the next three months.*

Current Environment: Our March 2024 data continues to show a level and positive start for our precision machining shops. The volatility and Urgency of customer orders seems to be under control, and we continue to use minimal overtime to get the job done. Our forward-looking sentiment indicators remained elevated and level in March. While our monthly Sales index of 149 is down from the month prior, we are reminded that in 2019, the Sales index of 147 was a new record high. The crazy March highs of 2021 (152), 2022 (181), and 2023 (169) for March are a stark contrast to the more level order discipline now apparent in our markets. Our data continues to make a positive case for the next three months for our shops. Listen to the data!

The ITR forecasts a slower 2024 with pick up in 2025 for our major markets served. Our March Business Trends Report seems to indicate that “level” may be a more appropriate descriptor than “lower.”

We are pleased to see that the monthly and the three-month moving averages remain above the 12-month moving average. That is a positive and auspicious signal for our business prospects. Given the sentiment indicators for the next three months, we believe that our shops are making a strongly positive start in 2024. *Take the counsel of the data!*

Miles Free, Director, Industry Affairs
PMPA
MKF: 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
% YR AGO	95	109	88										
Y-T-D	95	102	97										

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

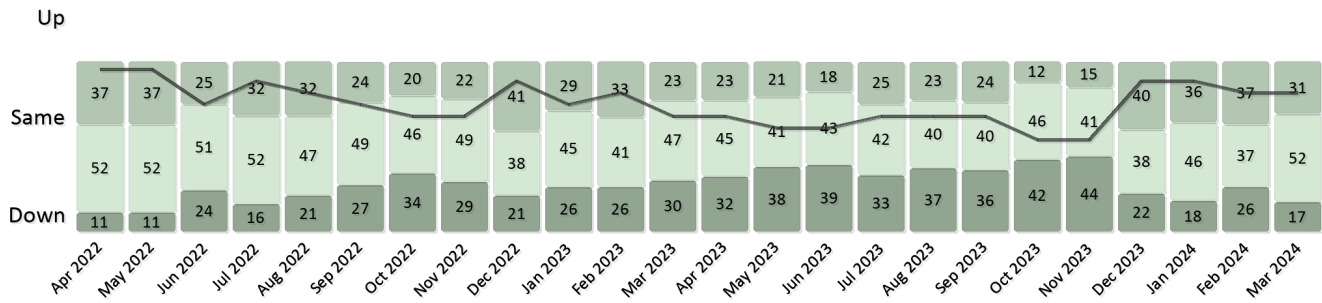
2. AVERAGE LENGTH OF FIRST SHIFT PER WEEK

	YEAR-TO-DATE		AVERAGES	
	2023	2024	Feb	Mar
Average length first shift (hours)	42.2	41.6	41.6	41.6
% Companies Reporting				
Less Than 40 Hours	3%	3%	3%	3%
40 Hours	44%	56%	58%	57%
41-44 Hours	27%	22%	21%	21%
45 Hours	11%	12%	10%	14%
46-49 Hours	7%	5%	6%	3%
50 and Over	6%	3%	3%	3%

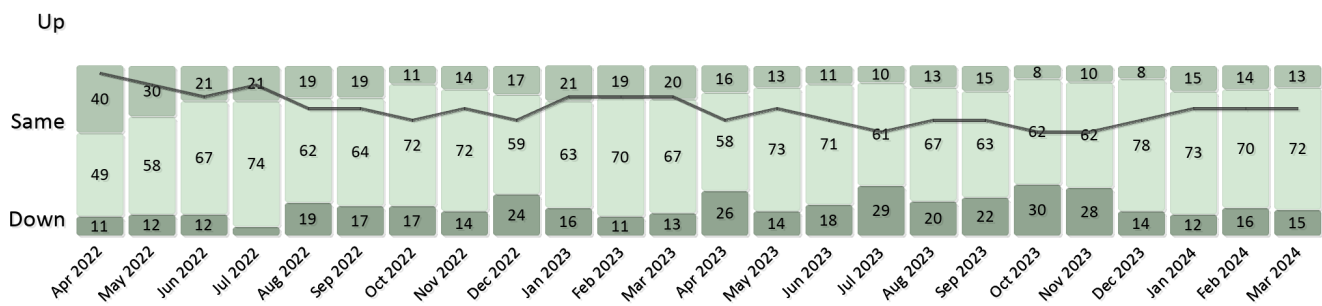
Note: Periodically, we update prior period data which was not previously available at the time of input. When these changes are made, you will probably see some discrepancy between prior month figures shown on the current report and the prior month report as originally issued.

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

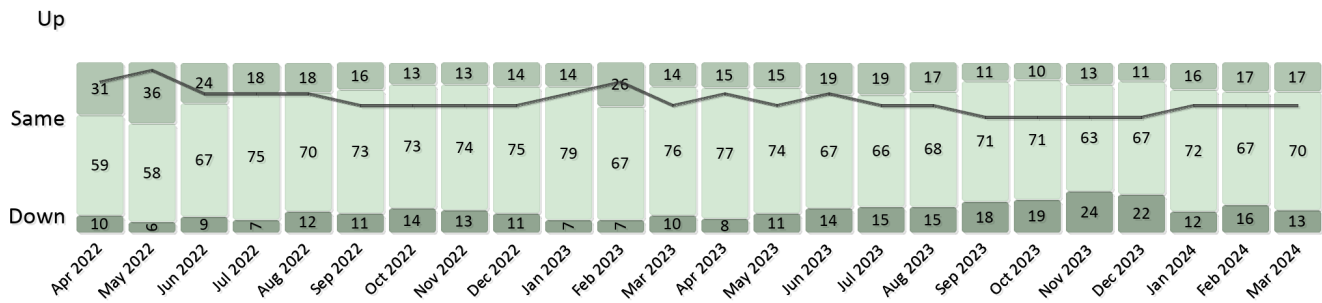
3. A. NET SALES OF MACHINED PRODUCTS - Compared with today, the trend of Net Sales volume for the next 3 months is expected to be:



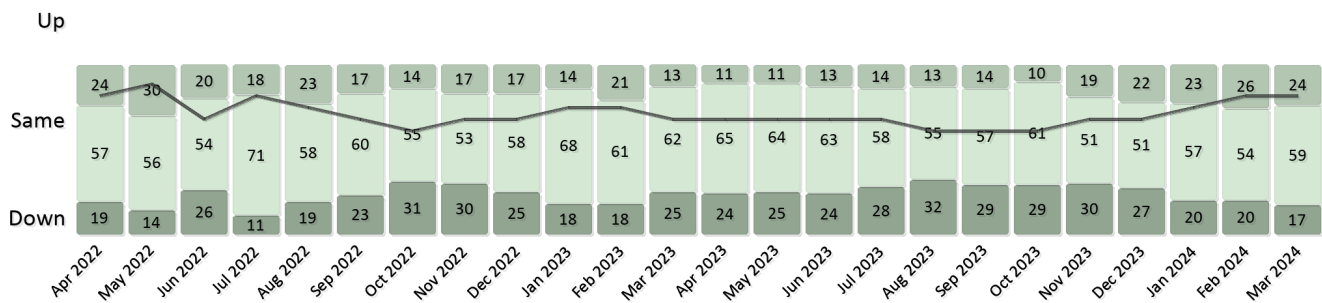
B. LEAD TIMES - Compared with today, the trend of Lead Times for the next 3 months is expected to be:



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

