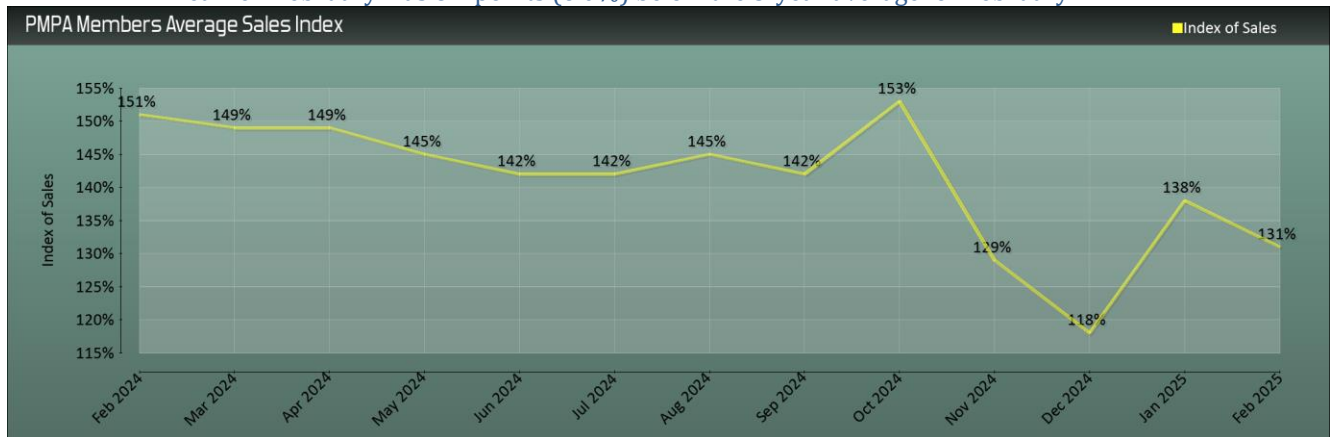


March 28, 2025

REPORT ON BUSINESS TRENDS
February 2025

“Sentiment and Hours Worked Tell a Different Story than Sales”

February sales fell 7 points (5.1%) from January 2025. February was down 20 points (13.2%) from a year earlier. February was 8.4 points (6.0%) below the 5-year average for February.



In February we see sales continue above the end of year lows.

The PMPA Business Trends Sales Index fell 7 points (5.1%) from January 2025. So, what is going on here? February sales are down from January and below our trend for the last five years. February is above the current 4-month average of 129. Since November of 2024 the trend in sales has settled at a slightly lower than average level. Sentiment and average hours worked, discussed below, indicate more is going on than just the pure sales data reflects. Average Hours increased again this month to the following the trend since November of increasing hours every month. Sentiment also remains very positive. It is unusual to see increasing hours worked without increasing sales. This indicates shops are working on jobs that have not yet shipped.

According to the Federal Reserve “Industrial production (IP) increased 0.7 percent in February after moving up 0.3 percent in January. Manufacturing output rose 0.9 percent, boosted by a jump of 8.5 percent in the index for motor vehicles and parts. The output of manufacturing excluding motor vehicles and parts increased 0.4 percent.” Industrial production grew 0.7 percent compared with our index, which was down 5.1 percent, showing we were slightly behind of broader industry overall. The manufacturing portion of Industrial Production was up by .9 percent. (Discussed below.)

The “Average Length of First Shift (Hours)” reported by our sixty-one respondents for February 2025 is 42 hours increasing .6 hours from January’s value of 41.6. Average hours for February are .7 hours above the 2024 year average for hours worked. Two shops, 3 percent of this month’s sixty-one respondents, scheduled less than 40 hours. Thirty-three shops, 54 percent of respondents, scheduled a straight forty hours. Seventeen shops, 28 percent of respondents, scheduled between 41 and 44 hours, while nine shops, 15 percent of February respondents, scheduled 45 hours or more. *Forty-three percent of respondents (27 shops) scheduled overtime.*

(over)

Sentiment Indicators- Employment Rise while Sales, Lead Times, and Profitability Remain Level.



Outlook for the next three months, Employment rise while Sales, Lead Times, and Profitability remain level.

Sales Outlook (*Reporting of Sales Outlook is a count of respondents, not a percentage of sales*):

Sentiment for Sales over the next three months remains level in February. In February 2025, nineteen shops, 31 percent of respondents, expect sales volume for the next three months to increase. Thirty-three shops, 54 percent of respondents, expect sales to remain level for the next three months. The remaining nine shops, 15 percent of respondents, expect sales to decline in the next three months. *The outlook for sales remains positive in February with 85 percent of respondents expecting increased or level sales in the next three months.* (Blue line on Sentiment Chart)

Lead Times: Forward looking sentiment for lead times remains level in February. Sixteen shops, 26 percent of respondents, expect Lead Times to increase for the next three months. Forty-three shops, 71 percent of respondents, expect lead times to remain the same for the next three months. This month two shops, or 3 percent of respondents, expect lead times to decline. *The outlook for lead times remains level with 97 percent of shops expecting increased or level lead times in the next three months.* (Yellow line on Sentiment Chart)

Employment: Outlook for Employment prospects rise in February. In February, ten shops, and 16 percent of respondents, expect Employment to improve. Forty-Nine shops or 81 percent expect no change in employment outlook. Two shops, 3 percent of respondents, expect employment prospects to decline. *Prospects for employment over the next three months increase, with 8 more shops expecting an increase versus a decrease in the next three months.* (Orange Line on Sentiment Chart)

Profitability: Outlook for the next three months remains level in February. Fourteen shops, 23 percent of respondents, expect improved profitability in the next three months. Forty-one shops, 67 percent of respondents, expected profitability to remain the same. Six shops expect a decline in profitability (10% of respondents). *Prospects for profit remained level at a positive outlook in February with 90 percent of shops expecting profits to increase or remain level in the next three months.* (Dark Red Line on Sentiment Chart)

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Opinions for the next three months compared to today:

- ⇒ **Net Sales:** *The outlook for sales remains positive in February with 85 percent of respondents expecting increased or level sales in the next three months.*
- ⇒ **Lead Times:** *The outlook for lead times remains level with 97 percent of shops expecting increased or level lead times in the next three months.*
- ⇒ **Employment:** *Prospects for employment over the next three months increase, with 8 more shops expecting an increase versus a decrease in the next three months.*
- ⇒ **Profitability:** *Prospects for profit remained level at a positive outlook in February with 90 percent of shops expecting profits to increase or remain level in the next three months.*

Current Environment: Our February Business Trends report fell 7 points (5.1%) from January 2025. February is down 20 points (13.2%) from February 2024 and down 8.4 points (6.0%) below our five-year average for February. If that were the whole story it would sound bad. As things sit now it does not fit with our other indicators. The average hours worked are continuing to increase. Now the fourth consecutive month of increases nearing the 14-month high of October 2024. All four of our sentiment indicators are in positive territory. Sales and Profitability sentiment both only have fifteen percent and ten percent respectively that have anticipation of declines. Lead times and Employment are both at three percent. The raw sales figures are below recent years' averages and below last year. Yet shops continue to be incredibly positive and work more hours. I cannot reconcile declining sales with more overtime, other than shops are working on long-term projects that have not yet shown up in sale figures. We are not going to work overtime unless there are parts to be produced.

Expectations for Employment rose while Sales, Lead Times, and Profitability remained level in February. Sentiment has leveled off but remains positive. Sales sentiment is at the highest level seen since December of 2023 and Lead Times the highest since before January of 2023. Lead times may be affected by tariff disruptions muddying the effect of a usual positive signal. Currently 90 percent of shops expect profitability to improve or remain the same in the next three months. Also, one third of shops expect sales to increase in the next three months. Average hours worked increased by .6 hours to the highest level since October which was the highest value since August of 2023. Shops do not work overtime unless there is work to be done. The employment indicator rose this month. Shops are hiring employees and still working overtime.

Sales and hours worked generally move together. Sometimes there is a lag in sales from a move in hours worked. Since October of last year our index has shown a slight decoupling of hours worked to sales. Sentiment is positive and the average hours worked continue to increase. The sales index is down when compared to last year and the last five years. These two facts do not correlate. Over the next two months sales data will allow us to make a historically accurate prediction of where 2025 will land. Factors outside our industry in the broader global economy such as tariffs could be weighing us down. I continue to be positive in this environment. Shops know their business and have been up and down before. I will caveat that positive sentiment could be reflective of having terrible November and December numbers and shops see increases form the lows. Given the shops in our survey have been through difficulties and are continuing to increase the hours worked, I believe we are seeing genuine positivity the gives us a bright future. *Look for the opportunities that come from change.*

David Wynn, Technical Service Director
PMPA

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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
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	145	142	153	129	118	143
2025	138	132											135
% YR AGO	93	87											
Y-T-D	93	90											

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

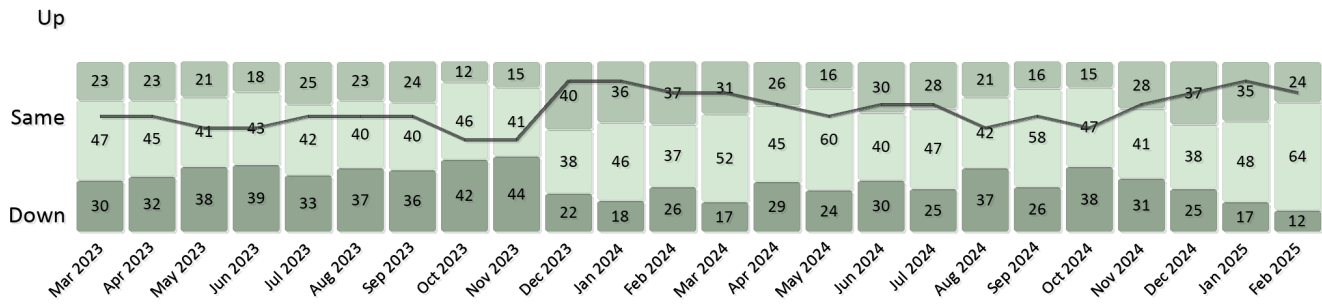
2. AVERAGE LENGTH OF FIRST SHIFT PER WEEK

	YEAR-TO-DATE		AVERAGES	
	2024	2025	Jan	Feb
Average length first shift (hours)	41.5	41.8	41.6	42
% Companies Reporting				
Less Than 40 Hours	5%	3%	3%	3%
40 Hours	56%	54%	54%	54%
41-44 Hours	20%	26%	24%	28%
45 Hours	11%	6%	10%	3%
46-49 Hours	5%	6%	5%	7%
50 and Over	3%	5%	5%	5%

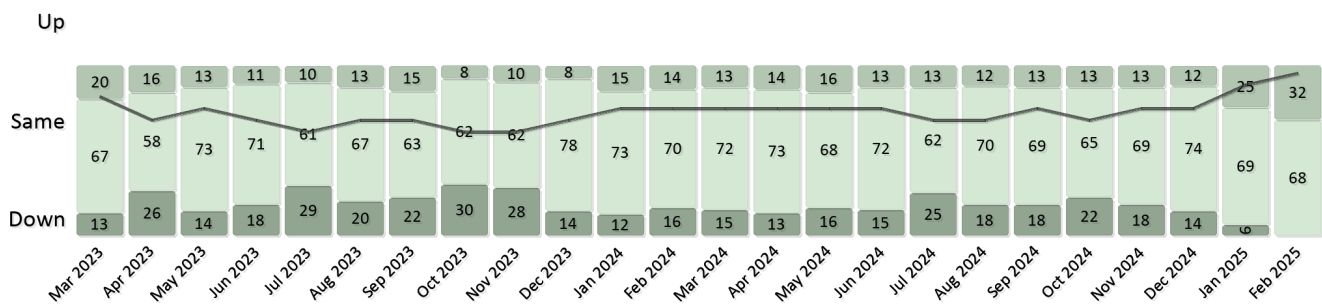
Note: Periodically, we update prior period data which was not previously available at the time of input. When these changes are made, you will probably see some discrepancy between prior month figures shown on the current report and the prior month report as originally issued.

The figures reported below reflect the view of respondents based on conditions as of the end of: **February 2025**

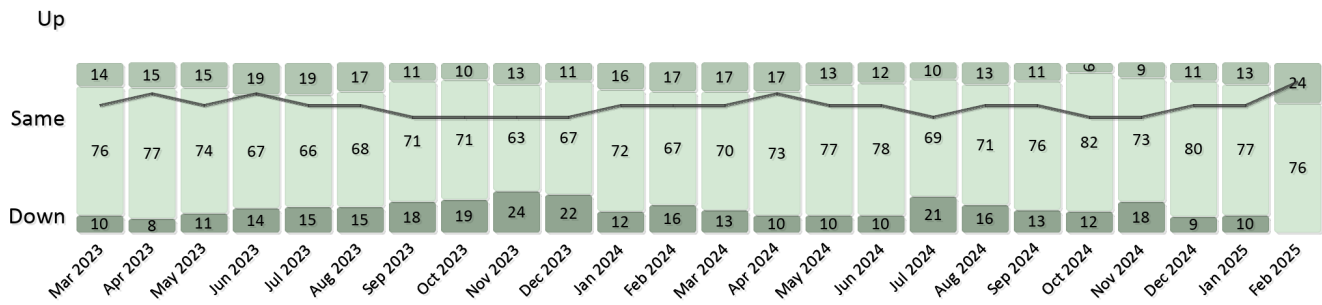
3. A. NET SALES OF MACHINED PRODUCTS - Compared with today, the trend of Net Sales volume for the next 3 months is expected to be:



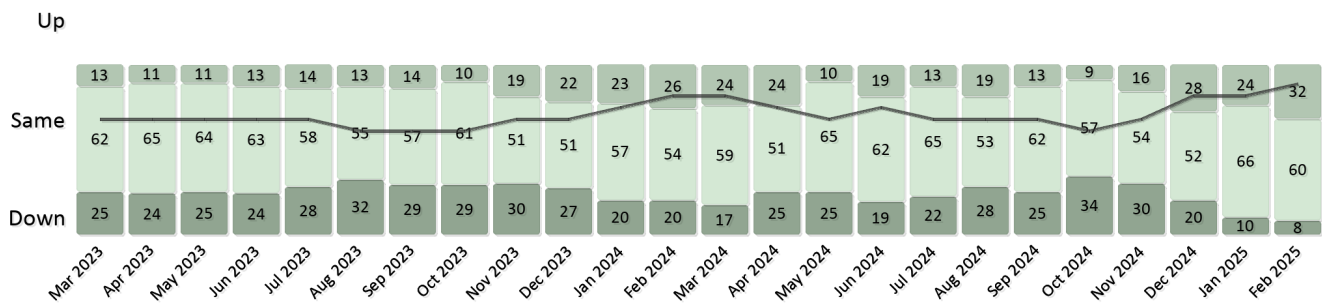
B. LEAD TIMES - Compared with today, the trend of Lead Times for the next 3 months is expected to be:



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

