

Prepared July 2003

Overall Survey Results
Results by Industry Segment
Results by Geographic Region
Member Comments by Industry Segment



National Tooling & Machining Association

9300 Livingston Road, Ft. Washington, MD 20744-4998

(301) 248-6200

(800) 248-6862

Fax: (301) 248-7104

<http://www.ntma.org>

July 2003

Dear NTMA Member:

Business conditions seemed to improve slightly for U.S. special tooling and machining companies during the first half of 2003 according to the July 2003 NTMA Business Conditions Report... a geographical “snapshot” of business trends and conditions in the industry.

A total of 553 NTMA member companies (nearly 29% of membership) participated in the June 2003 survey. Thirty-five percent of the respondents reported business conditions as good, very good or excellent... up from 30% in December 2002. Average weekly backlogs continued to increase and at 10 weeks are at the highest level reported in the last five NTMA reports.

Respondents were somewhat optimistic concerning business conditions for the next six months. Fifty-two percent of the survey respondents expect business to increase during the second half of 2003, while 34% expect business to remain the same.

Other trends reflected in the report are as follows:

- Employment in those special tooling and machining companies that participated in the survey was down 3% from December 2002.
- The average workweek was up slightly from 42.5 to 42.9 weeks.
- Average backlogs increased from 9.7 weeks in December 2002 to 10 weeks.

A quick look back at the five most recent NTMA Business Conditions Reports reveals the following additional trends:

	Total Number of Skilled Employees	Average Workweek	Average Backlog
July 2001	-9.6%	42.5 Hours	6.8 Weeks
February 2002	+7.7%	42.2 Hours	9.2 Weeks
July 2002	-6%	42.0 Hours	8.0 Weeks
February 2003	-3%	42.5 Hours	9.7 Weeks
July 2003	-3%	42.9 Hours	10.0 Weeks

Thanks to the 553 NTMA members who participated in the latest Business Conditions Survey. We value your input and comments and hope that you find the report to be informative.

Sincerely,

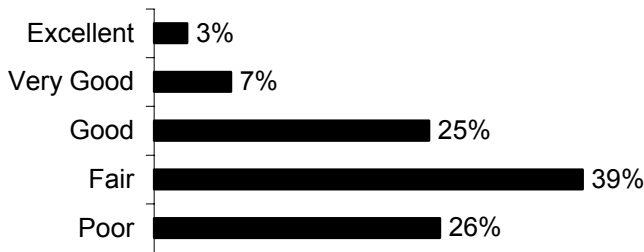
Thomas H. Garcia
Manager, Marketing Programs



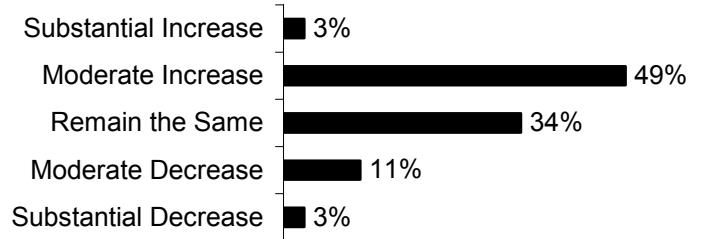
July 2003 NTMA Business Conditions Report

July 2003 reports from 553 NTMA member companies (nearly 28% of total membership).

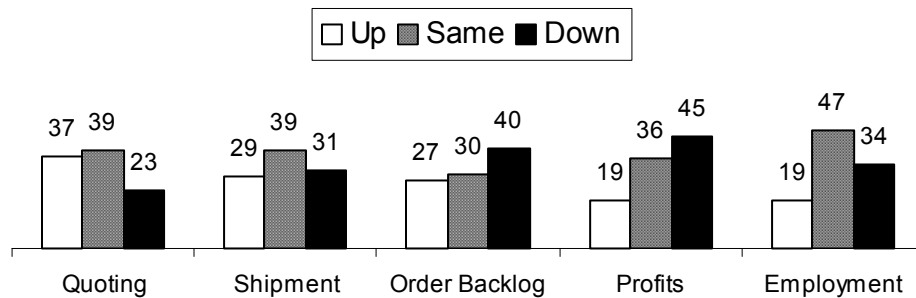
**Business Conditions
(All Segments & Regions)**



**Projected Business Conditions
Over Next 6 Months**



**Current Business Conditions Compared with
First Quarter 2003 (by %)**



Total Number of Skilled Employees: 19,642 (December 2002) 19,033 (July 2003) ... 3% decrease

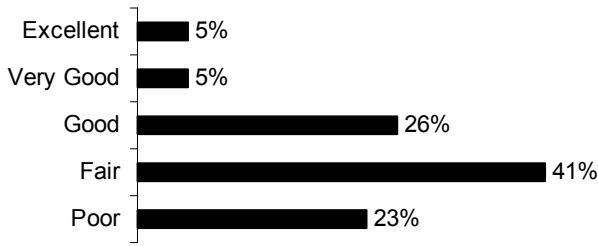
Current Average Workweek Per Skilled Employee: 42.9 hours

Future Work Currently on Books (Average): 10 weeks

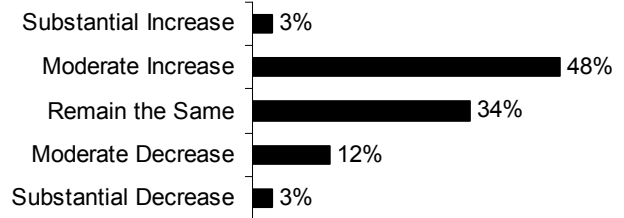
BUSINESS CONDITIONS (By Industry Segment)

TOOLS, DIES & FIXTURES (125 responses)

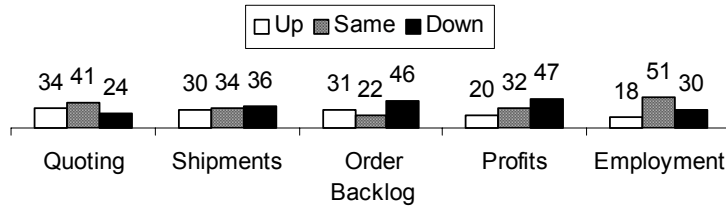
Current Business Conditions



Projected Business Conditions Over Next 6 Months

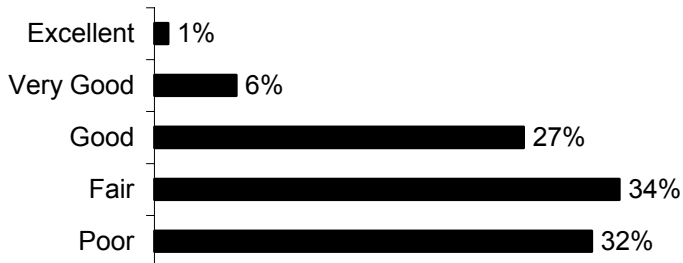


Current Business Conditions Compared with First Quarter 2003 (by %)

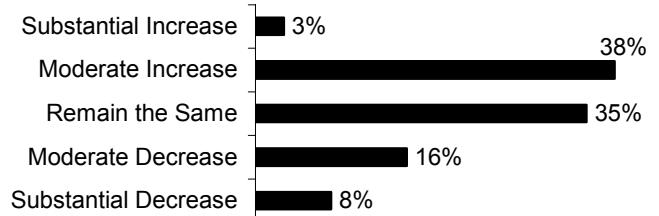


MOLDS (79 responses)

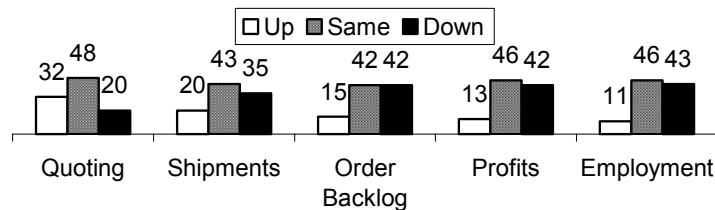
Current Business Conditions



Projected Business Conditions Over Next 6 Months

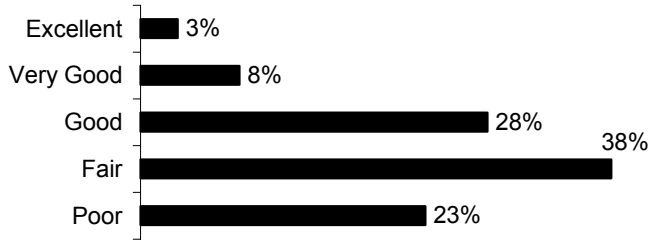


Current Business Conditions Compared with First Quarter 2003 (by %)

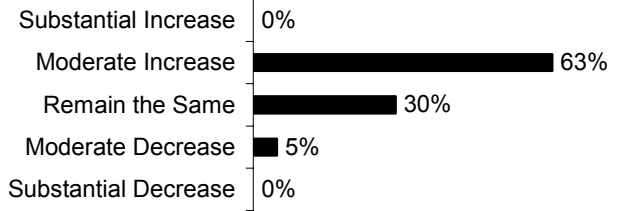


SPECIAL MACHINES
(40 responses)

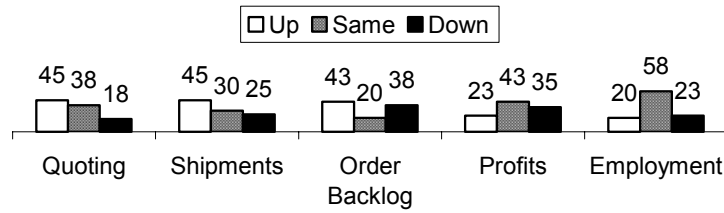
Current Business Conditions



Projected Business Conditions Over Next 6 Months

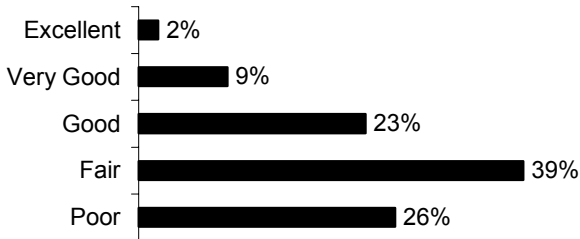


Current Business Conditions Compared with First Quarter 2003 (by %)

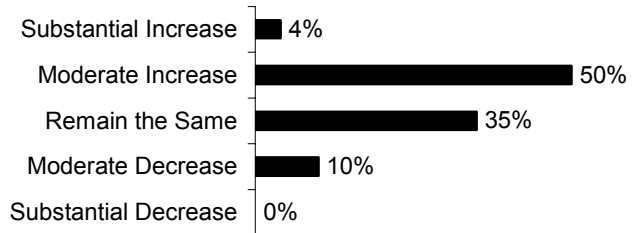


PRECISION MACHINING (excluding Aerospace)
(223 responses)

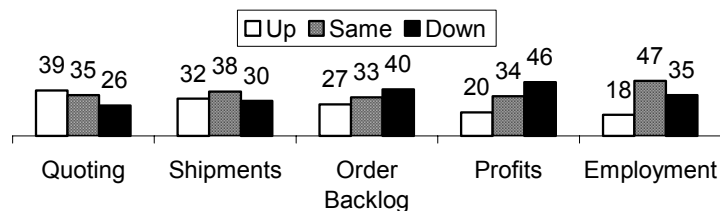
Current Business Conditions



Projected Business Conditions Over Next 6 Months

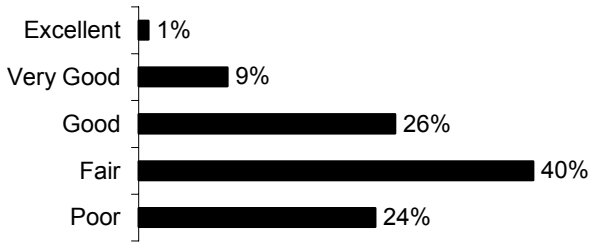


Current Business Conditions Compared with First Quarter 2003 (by %)

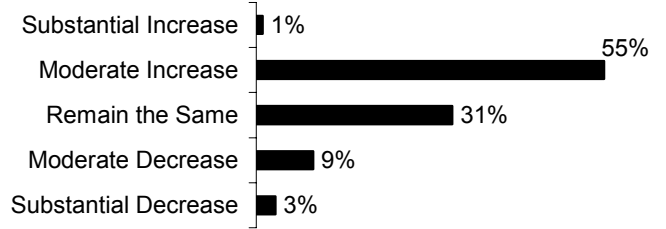


AEROSPACE MACHINING & FABRICATION
(86 responses)

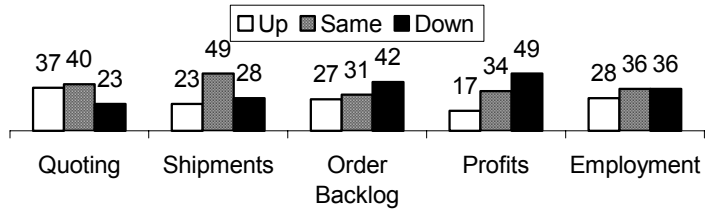
Current Business Conditions



Projected Business Conditions Over Next 6 Months



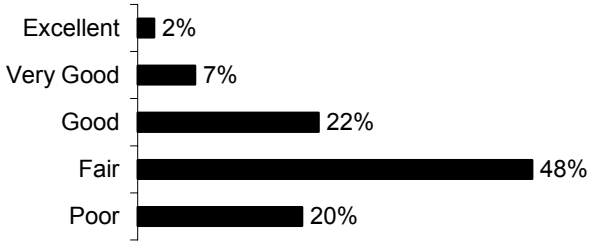
Current Business Conditions Compared with First Quarter 2003 (by %)



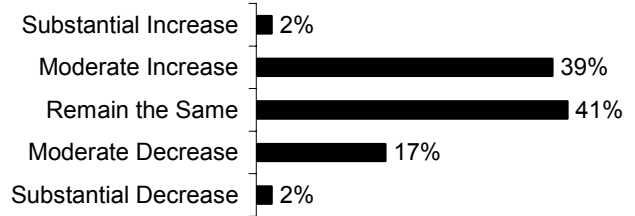
BUSINESS CONDITIONS (By Geographic Region)

**NEW ENGLAND (ME, VT, RI, NH, MA, CT)
(54 responses)**

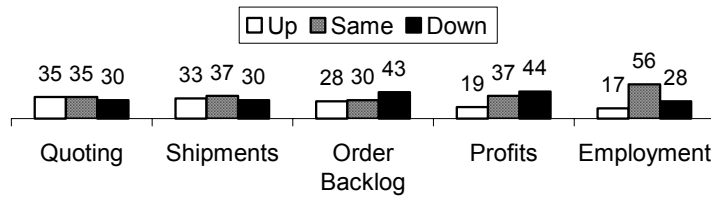
Current Business Conditions



Projected Business Conditions Over Next 6 Months

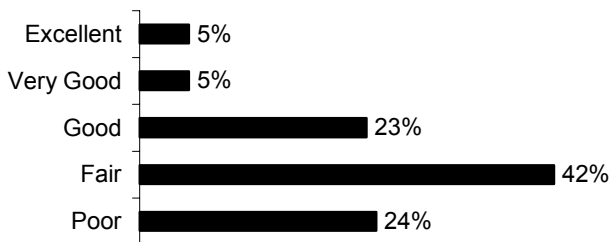


Current Business Conditions Compared with First Quarter 2003 (by %)

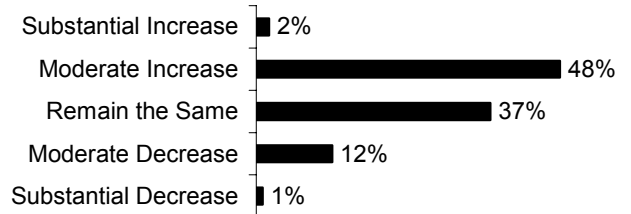


**NORTHEASTERN CENTRAL (DC, NY, PA, NJ, DE, MD, WV, VA)
(95 responses)**

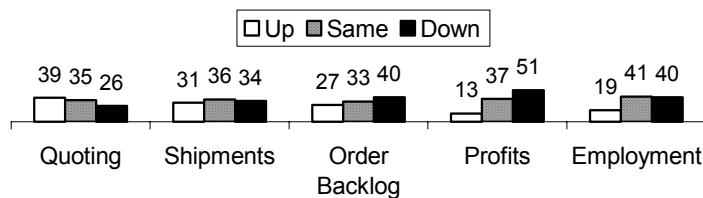
Current Business Conditions



Projected Business Conditions Over Next 6 Months

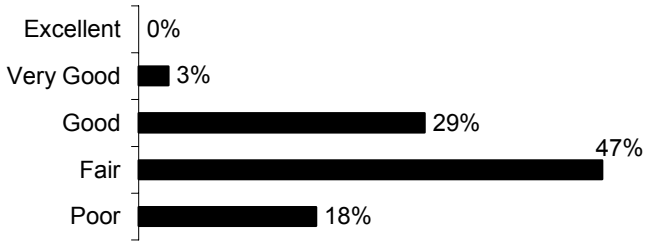


Current Business Conditions Compared with First Quarter 2003 (by %)

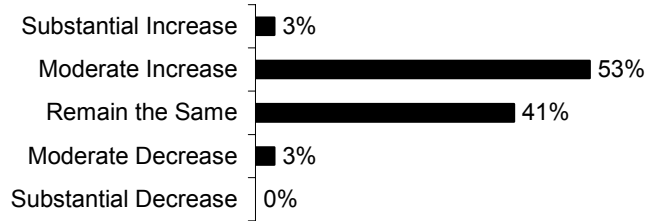


SOUTHEASTERN (FL, KY, NC, SC, TN, GA, AL, MS)
(34 responses)

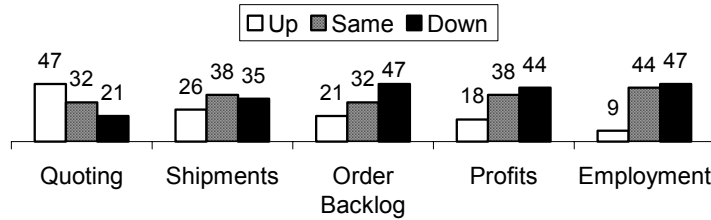
Current Business Conditions



Projected Business Conditions Over Next 6 Months

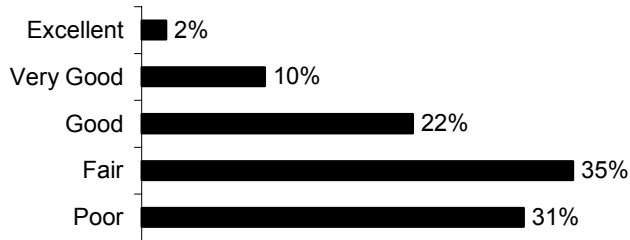


Current Business Conditions Compared with First Quarter 2003 (by %)

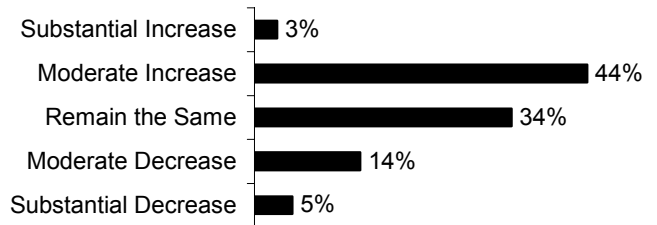


NORTH CENTRAL (OH, MI, IL, IN, WI)
(184 responses)

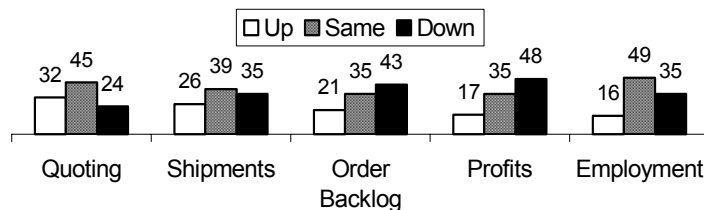
Current Business Conditions



Projected Business Conditions Over Next 6 Months

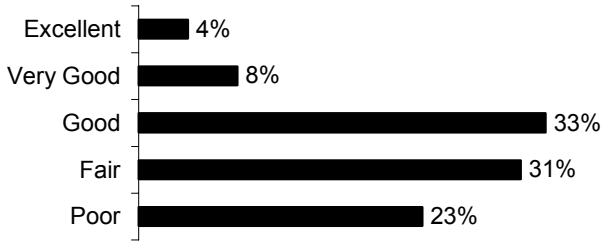


Current Business Conditions Compared with First Quarter 2003 (by %)

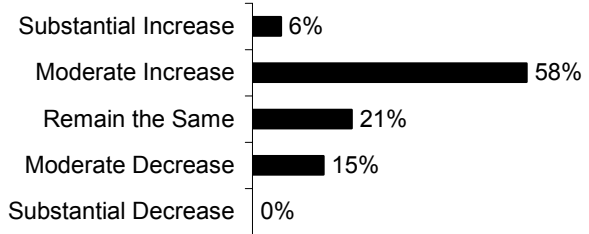


CENTRAL (IA, MO, NE, KS, MN)
(48 responses)

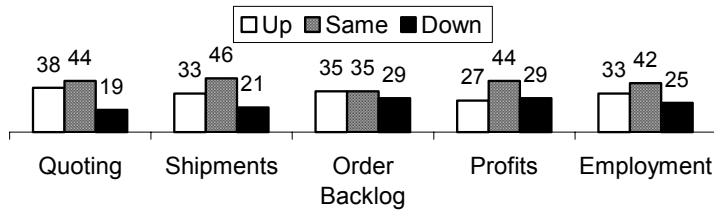
Current Business Conditions



Projected Business Conditions Over Next 6 Months

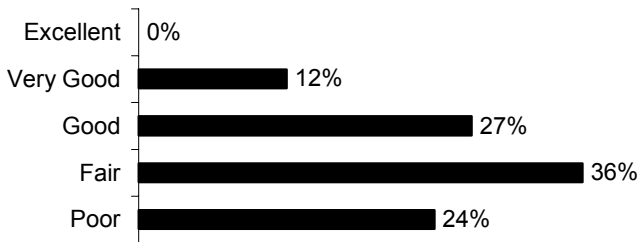


Current Business Conditions Compared with First Quarter 2003 (by %)

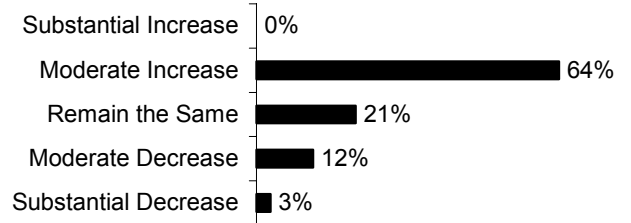


CENTRAL SOUTHWEST (AR, LA, OK, TX, NM, CO)
(33 responses)

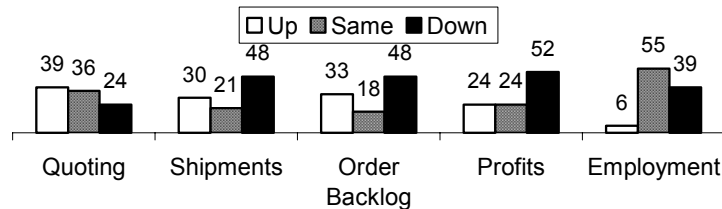
Current Business Conditions



Projected Business Conditions Over Next 6 Months



Current Business Conditions Compared with First Quarter 2003 (by %)



CENTRAL NORTHWEST (ND, SD, MT, WY)
(1 responses)

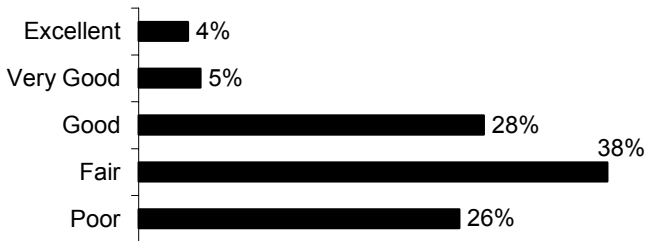
1. Current Business Conditions: **Good**

2. Current Business Conditions compared with first quarter, 2003:
 - Quoting: **Up**
 - Shipments: **Same**
 - Order Backlog: **Up**
 - Profits: **Up**
 - Employment: **Up**

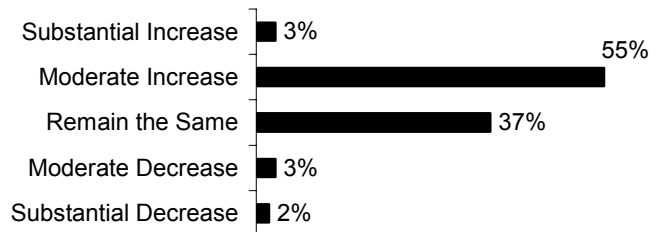
3. Projected increase conditions over next 6 months: **Moderate Increase**

GREATER PACIFIC SOUTHWEST (CA, NV, AZ, UT)
(98 responses)

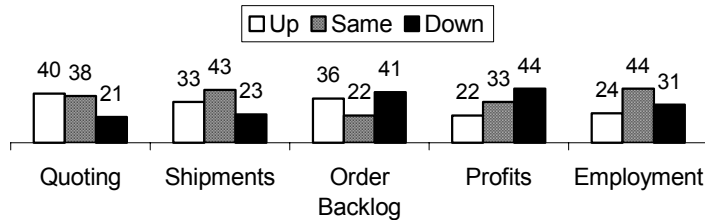
Current Business Conditions



Projected Business Conditions Over Next 6 Months

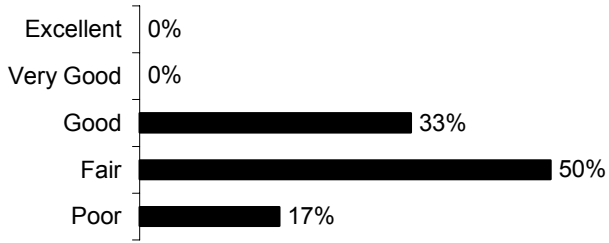


Current Business Conditions Compared with First Quarter 2003 (by %)

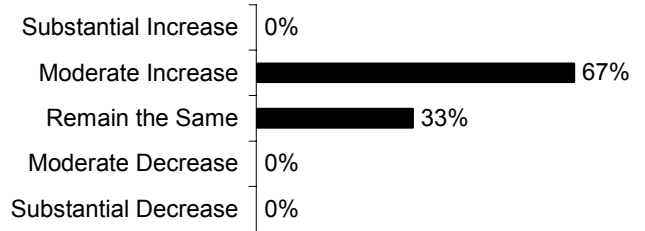


GREATER PACIFIC NORTHWEST (ID, WA, OR)
(6 responses)

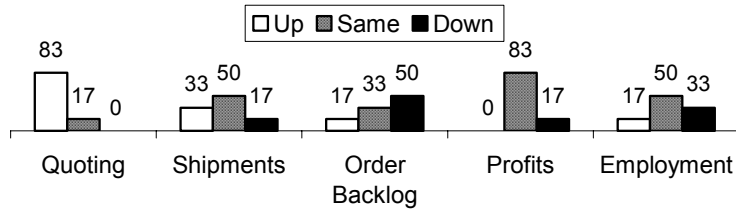
Current Business Conditions



Projected Business Conditions Over Next 6 Months



Current Business Conditions Compared with First Quarter 2003 (by %)



MEMBER COMMENTS (By Industry Segment)

TOOLS, DIES & FIXTURES

China is killing manufacturing. Too little, too late is being done to stop the exodus. (North Central; 5 employees)

Help!! (Northeastern Central; 20 employees)

Still hard to find projects released. (North Central; 10 employees)

Still the same as last time; almost all of our customers have gone out of the country. We have only one out of 20 old reliable customers left. No kidding! (North Central; 6 employees)

Orders are up, pricing is very competitive. (North Central (340 employees)

Manufacturing jobs to China, etc., hurt very much. (Northeastern; 85 employees)

Something needs to be done with Fair Trade Acts (against). (North Central; 5 employees)

Our industry is in serious, unprecedented trouble. Another year of this will probably wipe us out. (North Central; 43 employees)

Very poor workload to date. (North Central; 40 employees)

I am starting to hear that giant sucking sound! (North Central; 45 employees)

Pricing continues to be pressured lower. Cannot compete with S. Korea, China, and Thailand. Long-term pricing looks dim. NAFTA and U.S. politicians have devastated the U.S.A. tool and die industry. (North Central; 90 employees)

Things recently started to pick up. Just received several large orders. (Central; 85 employees)

Prices seem to remain very competitive. A lot of money is being left on the table. (North Central; 52 employees)

Things stink! Worst since Great Depression. May go out of business after 76 years. (North Central; 16 employees)

February thru May incoming orders were excellent. June incoming orders then fell by 55%. It seems that every time we begin to gain confidence, we step in quicksand. (Northeastern Central; 74 employees)

When will it start getting better? (Northeastern Central; 13 employees)

Market Conditions are not producing profits needed to update equipment. (Northeastern Central; 65 employees)

The oxygen is leaving this industry. Manufacturing in the U.S. is in a depression. (Central; 7 employees)

More activity but increasingly more difficult to be profitable. More demands being placed on us by our customers at no cost increase. (Central; 71 employees)

Not much profit to be made under current conditions. (North Central; 50 employees)

It doesn't look good. (North Central; 9 employees)

Everything is totally unpredictable. (Greater Pacific Southwest; 9 employees)

Steel tariff still hurts. China becoming bigger threat day by day. (North Central; 34 employees)

Still waiting... (North Central; 43 employees)

Our second quarter was our best in two years. (Northeastern Central; 9 employees)

Seems like a modest turn around—let's hope it continues. (Central; 17 employees)

Mostly rush work; sales are up so naturally profit is up, but still moderate profit since we are still quoting and billing pretty tight. All rush work, but not complaining. (Northeastern Central; 15 employees)

This economy stinks with no relief in sight. Our elected officials are working against us with trade policies, etc. This has been a long, hard struggle to keep the doors open and I'm getting tired! (New England; 7 employees)

We are quoting a lot, but our backlog currently is the shortest it has been in several years. (North Central; 12 employees)

How many ways can you say "awful?" Is anyone in Washington listening? Manufacturing is terrible and getting worse. The cancer is spreading. Is there any way to stop the Asian onslaught? (New England; 10 employees)

Moderate recovery from core customers. Picking up a fair amount of new work because of other manufacturers going out of business. Margins are starting to recover. Lead times are still very tight. (North Central; 28 employees)

MOLDS

Work is competitive, but is out there. Need to “find your niche.” Be leaner and meaner! (North Central; 35 employees)

The opportunities have dropped like falling from a cliff. (North Central; 61 employees)

Market is still extremely challenging. (North Central; 21 employees)

China is killing us. (Central; 34 employees)

The U.S. seems to want out of the machining and mold business, along with local (USA) mold buyers. (Central; 6 employees)

Work picked up for a bit; now slumping off again. Everyone is going to China. (North Central; 43 employees)

Business is okay right now, but the trend is still going towards offshore. (Central; 63 employees)

Roller coaster is on a down run again! (Northeastern Central; 25 employees)

Continued push on suppliers to meet offshore pricing has eroded profitability and created a leverage point for multinational corporations to deflate pricing. The devastating effects of deflation are apparent in tooling and mold building. (Northeastern Central; 70 employees)

Property taxes on equipment are a real drain on cash flow and profit. (North Central; 9 employees)

Very poor business environment; future looks very bleak. (North Central; 15 employees)

Its not just manufacturing that is suffering. My barber and dentist are complaining too. (North Central; 56 employees)

Things were to break in June. The order was put on hold 8-9 months leaving us scrambling. (North Central; 30 employees)

Business is slow. Customers are in a “holding” pattern. Orders tend to come in at the last minute. (North Central; 62 employees)

Cautious optimism. Looking at slow improvement to current business. (Northeastern Central; 20 employees)

Our government needs to realize that manufacturing is leaving this country in record numbers—the government needs to step in and stop the flow offshore. (North Central; 20 employees)

Slow in February; good second quarter. Looks to be slowing again. Lack of quote requests. (Central; 67 employees)

It’s good to be busy again! (North Central; 104 employees)

Customers are driving us out of business by unethical business practices. (Northeastern Central; 45 employees)

Mold work really down in this area (North Central); shops going out of business. (North Central; 96 employees)

We are still seeing/feeling the influence of China molds. (Northeastern Central; 34 employees)

Difficult to sustain an adequate backlog. Still seeing order delays that cause peaks and valleys in capacity. (Central; 44 employees)

Think things will improve this year and much better 2004. (Northeastern Central; 14 employees)

SPECIAL MACHINES

Be patriotic—Buy American! (North Central; 6 employees)

Capital equipment spending very slow. Several major manufacturing firms have moved business offshore (China) making the future potential less. We need the economy to pick up so that we can judge what the remaining market looks like. (North Central; 38 employees)

Very slow paying (customer). First four months of 2003 very poor. (Greater Pacific Southwest; 9 employees)

Medical special machine assembly and test have disappeared. Auto safety is keeping us alive. (Central Southwest; 20 employees)

Profit continued to be squeezed by competitive pricing and insurance costs (medical). (North Central; 36 employees)

First three months were the worst ever. Now both inquiries and jobs are up considerably. Many companies are improving. (North Central; 20 employees)

See some light in the tunnel! (Northeastern Central; 24 employees)

Need help to sell offshore. (New England; 10 employees)

Machine orders are being held up at corporate level. (Southeastern; 80 employees)

The last two years ending 6/30/03 were the worst in our 67-year history, considering sales & profit declines percentage-wise. And, there is no indication of improved sales for the next six months. (North Central; 38 employees)

While "special machines" is listed, machines made by us are "standard." Domestic market very weak. All significant orders are exported. (North Central; 58 employees)

Very tough marketplace for capital equipment. (Northeastern Central; 19 employees)

It is improving, but still tough. (Greater Pacific Southwest; 24 employees)

It seems to be getting worse after a small positive move in the Spring. (North Central; 85 employees)

I feel the bottom has been reached. (Greater Pacific Southwest; 15 employees)

PRECISION MACHINING (EXCLUDING AEROSPACE)

I don't think business will ever come back to what it was. Too much work has been lost to China. (North Central; 7 employees)

Main inactive customers started buying in '03 that were not in '02. (North Central; 20 employees)

Continued downward pricing pressures and substantial increases in health care expense. (Southeastern; 49 employees)

Business sucks. (New England; 3 employees)

It is getting to be more and more competitive. Prices are dropping and so are quantities. (Greater Pacific Southwest; 12 employees)

A good problem is that competition will be gone if it continues one more year. (Greater Pacific Southwest; 10 employees)

Worst manufacturing recession and slowest and longest recovery in our history. (New England; 90 employees)

90% of work is quick lead-time. (New England; 38 employees)

Lean manufacturing works! (New England; 130 employees)

Hopefully things are going to get better by God's grace and mercy. We're just going to keep praying and trusting. (Northeastern Central; 24 employees)
Conditions slightly improved. (Greater Pacific Southwest; 20 employees)

Seems to have stalled at beginning of third quarter. (Central Southwest; 12 employees)

Slow. (Northeastern Central; 6 employees)

Things look like they are about to turn around. (Greater Pacific Southwest; 22 employees)

Start looking for another business avenue. The machining industry is going the way of the textile industry, thanks to the Government policies. (North Central; 5 employees)

Current outlook is better, but we have seen that before. There is no pricing power and it is very difficult to make any money. (Central Southwest; 19 employees)

Too much manufacturing going out of the country. (Northeastern Central; 7 employees)

Government needs to step in and prevent jobs from going overseas for such reduced costs. (North Central; 25 employees)

Working our butts off to stay in business! (Greater Pacific Southwest; 19 employees)

Seeing signs of improvement, but not very consistent in the overall workload. (Northeastern Central; 12 employees)

We are still looking for a normal upswing in business. The first quarter of 2003 was encouraging, but sales retreated about 10%, but have remained fairly steady. (Southeastern; 28 employees)

Customers going from 30-45 day pay to 45-90 day pay. (North Central; 18 employees)

Send work. (North Central; 4 employees)

2001 good year; 2002 revenues down 25%; 2003 coming back. Too soon to call whole year, but we're hopeful. Second quarter was very good. (North Central; 97 employees)

Significant price pressures due to offshore sourcing. (North Central; 73 employees)

Looking better but still a long way off from recovering from last 18 months. (Central Southwest; 7 employees)

Send all manufacturing overseas quickly—sooner the better. We need immediate impact so others can see where we are heading. (North Central; 28 employees)

Some one with some “horsepower” to do something about it needs to listen to what is happening and address where the machining and manufacturing work is going—and it’s not the USA. (Central; 100 employees)

While shipping and profits are up since 1st quarter 2003...that is coming off of a bad period, so any business is going to be an improvement! It’s still slower than usual. (Central; 18 employees)

Keep manufacturing in AMERICA! (Greater Pacific Southwest; 3 employees)

It has been very hard to stay in business. 2002 was awful, but through very hard work we have survived and are seeing small improvements in business. It will be a very slow recovery. (Greater Pacific Southwest; 5 employees)

Customers are taking longer to pay. (Greater Pacific Northwest; 45 employees)

China and free trade are killing manufacturing. (New England; 19 employees)

New projects in the works should become orders within 2-3 weeks. (New England; 9 employees)

Bad—getting worse. (North Central; 32 employees)

We are currently being adversely impacted by a severe decline in business from our largest customer. Price and delivery pressures are very high right now. (Northeastern Central; 19 employees)

Our backlog is for 12 weeks, but we now only have 4 employees. Owners are operating machines to lower overflow. Not enough invoicing to cover overhead. Quoting still very tight. (Northeastern Central; 8 employees)

No end in sight. (New England; 27 employees)

Business is a little better, but we still are experiencing slow periods between peak periods. (Greater Pacific Southwest; 7 employees)

Stop the U.S. Government sucking up to the Chinese and giving away all our manufacturing jobs. (New England; 21 employees)

Turning up slowly. Lower profit margins...30-50%. Price reductions over last year just to maintain current work statement. (Greater Pacific Northwest; 88 employees)

More auction notices than purchase orders. (Greater Pacific Southwest; 18 employees)

Business difficult in California. Increasing costs; decreasing profits. Customers want cheapest prices possible. (Greater Pacific Southwest; 18 employees)

Cost pressure up. Customers want us to hold their inventory. Small lots; small price. (North Central; 19 employees)

We have finally begun to see three years of work pay off. Margins still weak; some of our opportunity has been the result of others’ misfortunes. (New England; 55 employees)

Business is bad! (Central Southwest; 5 employees)

We have not seen 3 to 4 weeks order books this year. (Southeastern; 36 employees)

All my work is going to China. What should I do? To think that we’re going to beat them on productivity alone is a fantasy. (Greater Pacific Southwest; 35 employees)

Customer base is moving to Mexico and Asia. Profits hard to come by. (Southeastern; 16 employees)

Pricing pressure remains high. Timken Co. just demanded a 5-10% cost reduction effective immediately. (North Central; 38 employees)

Still slow but looking up. (Southeastern; 10 employees)

Business is bad and the economy less stable. (Greater Pacific Southwest; 47 employees)

Quotes picking up. New sales look good for next 3-6 months. (New England; 30 employees)

I’ve never seen it so slow in 30 years in business. (Greater Pacific Southwest; 8 employees)

We are just beginning to see longer range work being placed. (Central; 12 employees)

Recovery and R & D investments remain sluggish. At best, recovery will commence late in the year at a pace of ’01. (New England; 11 employees)

We miss 2000. That was an extraordinary year. This year is better than last year, but maybe we are just getting used to the level of business. (North Central; 6 employees)

Accounts receivable collections very slow. (Central Southwest; 2 employees)

This is a rebuild year. A disappointing April–mid-May period. Customers' R & D budgets (our primary source) are still very tight. (North Central; 20 employees)

Activity is up. Better year than last year. Overall improvement looks like it will continue during second half this year. (New England; 85 employees)

Slow economy; expenses, i.e., health care, are outrageous! (Northeastern Central; 14)

Things seem to be getting worse. The work we have is less money, rush deliveries and break-even or losing money on jobs. We thought 2001 and 2002 were bad; 2003 is far worse with no improvement in sight. We've discussed closing our doors if things don't improve. Sad for a company in business over 30 years. (North Central; 5 employees)

30% of our work is due within the next 4 weeks; balance scheduled out through end of year. (Greater Pacific Southwest; 4 employees)

Help! National needs to work this area. We have begun to have more automotive moving here. Our Chapter (South Carolina) is dying. (Southeastern; 10 employees)

Still slow—too much work going overseas. (New England; 35 employees)

Our backlog continues to be low and our major market slow. (Northeastern Central; 25 employees)

Overall business conditions appear to be improving. (North Central; 40 employees)

Doing more parts for less money. Biggest customer going to China—they are making a lot of money @ 50 cents/hour. When the economy turns up, China will be very busy. We are going from a low profit to a non-profit organization. (Northeastern Central; 130)

Still slow. Making small single machines. No production quantities. (Central Southwest; 6 employees)

I have not seen it this bad in 34 years. (North Central; 2 employees)

We are seeing a softer market ahead. The past six months were great, but we wonder how long it will last. We subcontract to several local shops, but get calls from 10 more needing my work too. (Central Southwest; 29 employees)

Most new work is coming from other regions in the U.S. (New England; 8 employees)

Still spotty but better than last year. (Northeastern Central; 10 employees)

Hardly any work out there. (Northeastern Central; 2 employees)

Business is unpredictable; huge fluctuations in activity week to week. (Greater Pacific Southwest; 20 employees)

Life is slowly returning. Will it last? (Central; 87 employees)

Living week to week. Hired new rep; maybe we'll get some new business. (New England; 16 employees)

We are a production facility so we have fairly steady orders throughout the remainder of the year. We have new products that are ramping up the remainder of the year so our sales should increase slightly. (Southeastern; 54 employees)

Work from weekly releases only 1-2 weeks ahead, plus forecasts up to 12 months out. Automotive work currently in normal summer shut down period thru mid-July. (North Central; 104 employees)

“Rome is burning!” China will take over in 10 years and Congress and the President think it is OK. See where they find the tax money in 10 years. (North Central; 25 employees)

2nd Quarter profits were down due to investment in process improvement, which we are taking advantage of as our workload is picking up. Two people hired with the last two weeks. (Central Southwest; 14 employees)

First half of 2003 has been down sales and profitability wise from the first half of 2002. I believe the slowness of the manufacturing industry and the Iraqi war has affected us significantly compared to the first half of 2002. (Central; 68 employees)

Business is improving rapidly and dramatically. Quoting activity and orders are increasing, to be reflected in sales and employment next quarter. (Northeastern; 41 employees)

Margins down to get work. (North Central; 42 employees)

We have a lot of long-running jobs that can't be billed until completion. (Northeastern Central; 20 employees)

Planning on a long summer. Bring on 2004! We have never laid off anyone prior to last month in our company's 34-year history. Was tough to do, but had to! (North Central; 48 employees)

Cautious optimism. (New England; 60 employees)

AEROSPACE MACHINING & FABRICATION

Margins are smaller. People are going out of business and overseas. Business is the worst I've seen in 22 years. We are always making new contacts and should be fine. Staying diversified is the key—main customers in a variety of industries. (Greater Pacific Southwest; 16 employees)

Do you think we will ever be able to get a fair price for what we do? Pricing pressure is unbelievable. (Northeastern Central; 24 employees)

Biggest problem is collecting on old and slow or non-paying accounts. Problem worsens at the end of each quarter. Started seeing this at the end of October 2003. I don't expect much improvement this year. (Greater Pacific Southwest; 11 employees)

Booked 26 new orders last week for deliveries starting in October '03 to first quarter '04. Over 300 new RFQs this month. (Greater Pacific Southwest; 87 employees)

Too much work going offshore or to non-US competition. Business climate in California untenable. (Greater Pacific Southwest; 35 employees)

Continuing decline. Work is being sourced in Poland and China. Quality and service no longer matter. (New England; 26 employees)

Something in manufacturing has to break loose soon! (North Central; 196 employees)

Backlog is good 36 weeks, but deliveries are stretched out over 72 weeks. (Greater Pacific Southwest; 20 employees)

Work that is being placed in the market goes very cheap. No company loyalty. Everything goes for low dollar—past performance adds nothing. (Central Southwest; 60 employees)

Picking up business from smaller shops that are being squeezed out. (Northeastern Central; 135 employees)

Things continue to be very slow, but most of my customers are expecting a gradual increase in workload through the end of the year. (Greater Pacific Northwest; 3 employees)

Concerned that economy is faltering further. (Greater Pacific Southwest; 20 employees)