

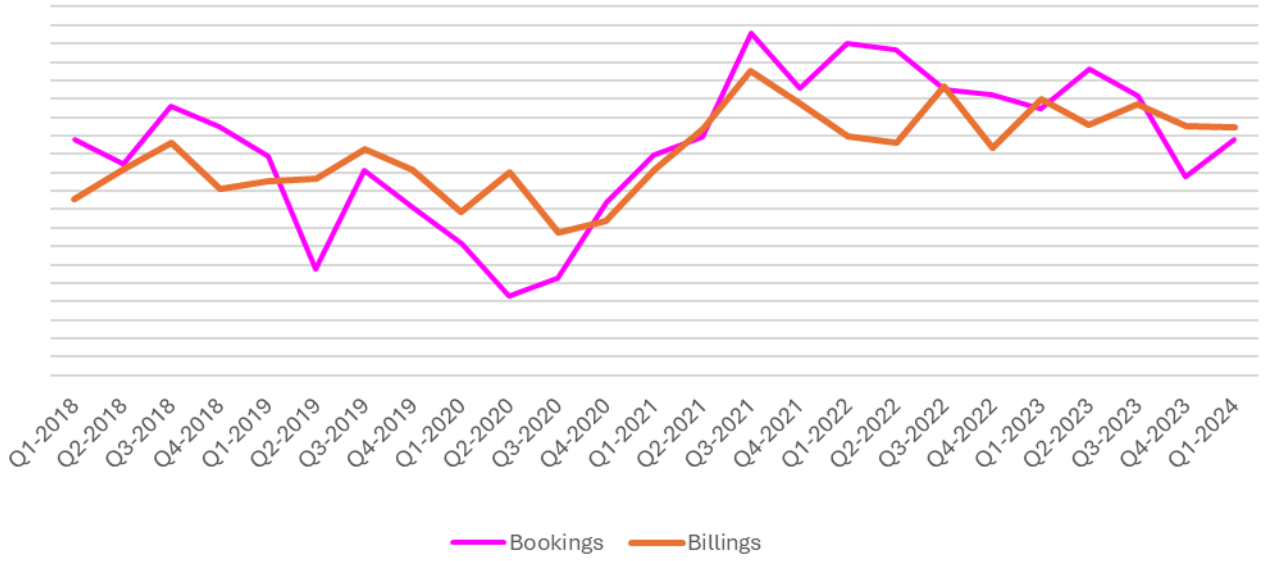
ITSA Report Q1 2024

Members report sales have started flat over 2024 however orders have bounced back by 10% which is a significant improvement on the exit of 2023. BtoB is flat at 1.00:1.

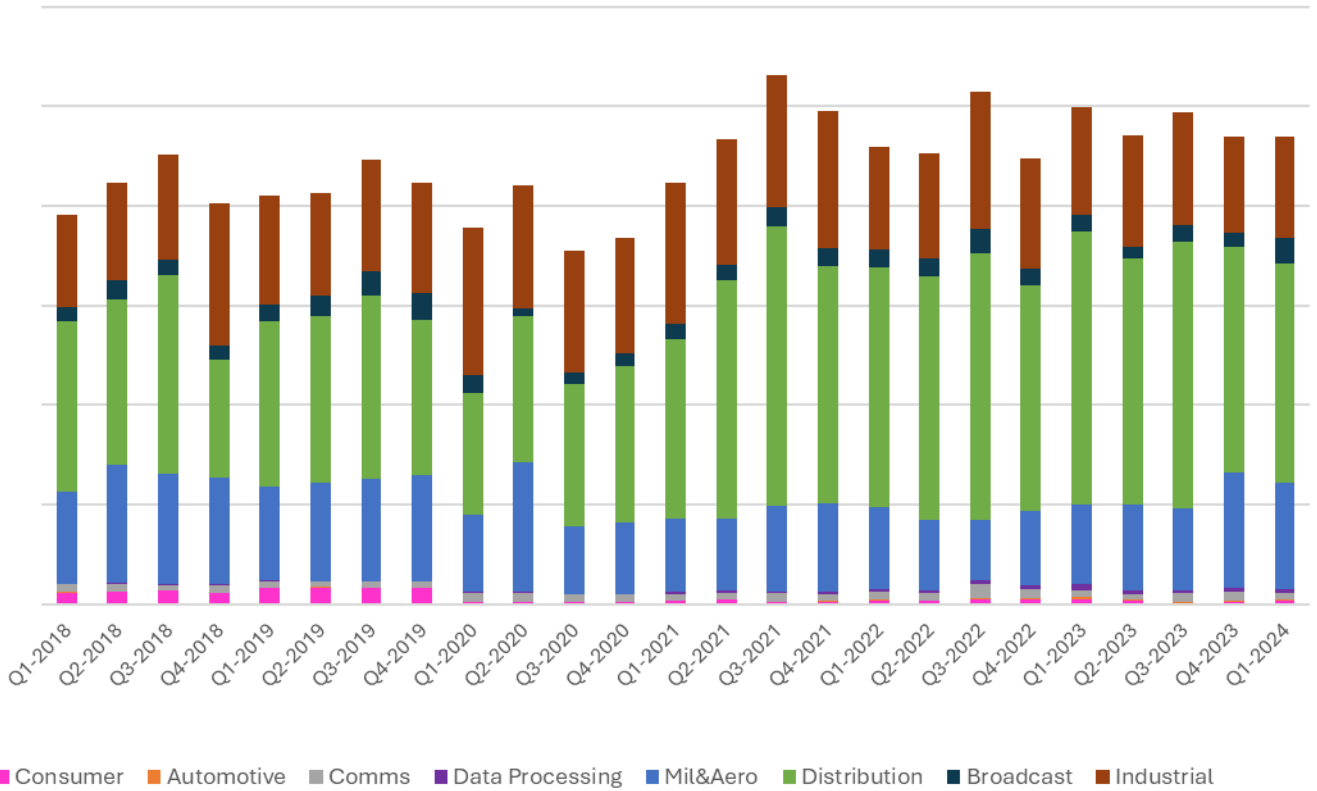
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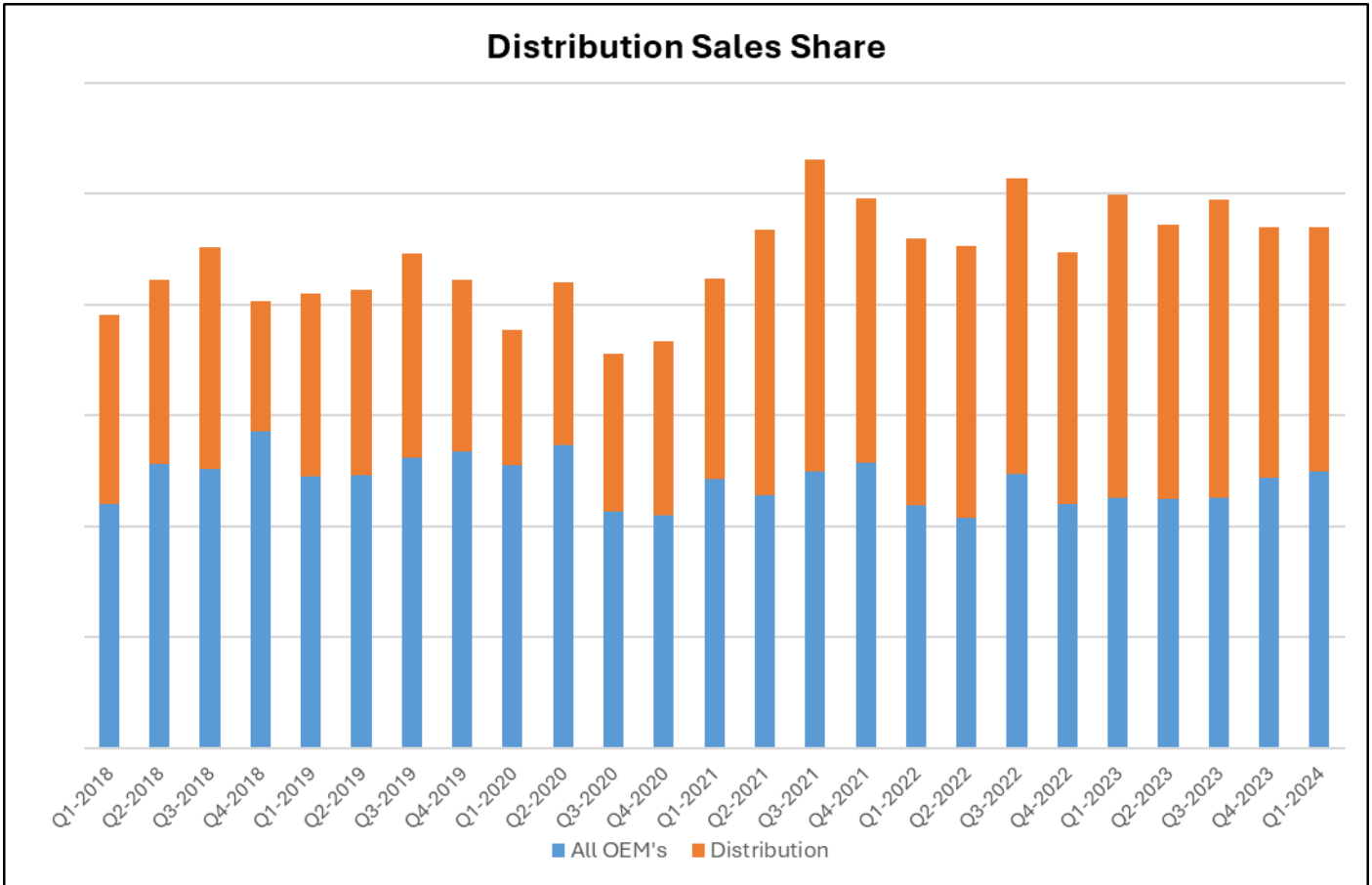
- Revenues are flat versus the exit of 2023 but continue to hold up.
- 2024 orders have made a significant bounce back over the close of 2024 and BtoB is holding at 1.00:1.
- The UK connector market continues to perform well, and this supported by both the UK Manufacturing PMI and the Make UK Data.
- The start of 2024 has been excellent in a number of our key markets with growth in Data Centre +31%, Broadcast +70%, Mass Transport +11%, Industrial +5% and Mil/Aero Flat
- Members Distribution sales were flat, but this area has continued to perform solidly over the past 12 months.
- ITSA estimates that the UK connector market in 2024 to be either flat or minimal growth.
- ITSA members, and contributors to other significant reports remain incredibly positive about the longer-term future.

UK Connectors Bookings v Billings



Connector Sales by Market Sector





Despite the level of economic uncertainty of the past few months, and the probability of a general election in the autumn of 2024, ITSA members continue to see stability in the UK connector market and remain positive about the prospects of the year ahead. Although sales started flat, this has followed a sustained level of growth in 2023. Even better news is that orders have bounced back to be 10% above the close of 2023. This has led to members expecting at worst a flat 2024 but more likely we will see low single figure growth.

If we compare ITSA members confidence levels with other key UK manufacturing reports, then there is a general level of high confidence in the overall market.

At the start of 2024, ITSA members have seen some very encouraging growth in a number of their key markets such as Industrial +5%, Mass Transport +11% (due to refurbishment work), Data Centres +31% and Broadcast +70%.

One note of caution here is over the Mass Transport Market where two major rolling stock builders are mothballing their manufacturing plants due to no current orders, this will affect members sales into this area unless the government steps in and releases projects to keep the plants occupied.

Distribution flattened off but this has come on the back of 12 months of consistent growth.

At a technology level circular connectors (harsh and commercial) have started at +30% over the end of 2023.

Interestingly members continued to report stronger market conditions in the UK compared to some regions of Europe.



In recent months we have seen a significant fall in UK inflation which has eased price pressures on some materials and the need for selling prices to be increased but we must not forget that the period of high inflation resulted in high wage increases and members are still trying to recover these costs. More recently we have seen the conflicts in Ukraine and Gaza impact global economic confidence and there is a real prospect of a wider conflict in the middle east.

Despite all the challenges facing ITSA members and their parent companies they remain incredibly positive and continue to invest for the future.

The UK is facing a general election in 2024 and any incoming government is facing a huge task to restore and maintain confidence in the UK for inward investment.

S&P Global/CIPS UK Manufacturing PMI

Key findings Manufacturing PMI at 50.3 in March Business optimism rises to 11-month high Supply chains remain under stress as Red Sea crisis continues The UK manufacturing sector showed tentative signs of recovery in March, as output and new orders increased following year-long downturns. There were also other signs of stabilisation from the latest survey data, with rates of contraction in employment and purchasing activity slowing sharply and business optimism about the year-ahead outlook hitting an 11-month high. The seasonally adjusted S&P Global UK Manufacturing Purchasing Managers' Index™ (PMI®) rose to a 20-month high of 50.3 in March, up from 47.5 in February and above the earlier flash estimate of 49.9. This was the first time the PMI has posted above the neutral 50.0 mark since July 2022. Three of the PMI sub-components (new orders, output, and suppliers' delivery times) were consistent with an improvement in overall operating conditions during March. Although the sub-indices tracking employment and stocks of purchases both signalled ongoing downturns, rates of contraction eased sharply since February. Manufacturing production increased for the first time since February 2023, as output growth in the consumer goods sector more than offset downturns in the intermediate and investment goods categories. Where an expansion of production volumes was registered, this was linked to client restocking supporting a rise in new order intakes. UK manufacturing contracted at the start of the final quarter, as output, new orders and employment all decline. There were reports that difficult and uncertain market conditions led to increased caution among both manufacturers and their clients alike.

Make UK report.

This quarter's Make UK Manufacturing Outlook report, in partnership with BDO, shows the manufacturing sector continues to perform well despite challenging economic conditions. Although there are few indications of standout performances, the results are in line with current expectations as the UK economy shows material signs of slowing down due to rising interest rates and higher costs for both businesses and consumers. The latest balance of output is at +5%, down from +20%, indicating a substantial share of businesses have experienced declining output volumes, although across the industry a small percentage of manufacturers reported improved output volumes. As order books showed strong signs of slowing down towards the end of 2023 it was inevitable that output volumes would follow suit with manufacturers making more efficient use of their inputs. As expected, order books are set to improve for the next quarter and so manufacturers are planning to expand their output to meet forecasted demand. Whether this demand will be realised remains to be seen. Order books have stagnated in recent quarters, and the same is the case for the latest result, a +7% balance for total orders, unchanged from Q4 2023. Nevertheless, the survey findings indicate a return to normal business conditions to some extent. With order cutbacks may inevitably take place but demand for labour remains strong. Investment intentions have also improved on balance to +15% indicating that manufacturers are investing in building capacity despite falling orders which suggest there is a belief the opportunities for growth exist. The share of manufacturers raising prices on their goods has increased this quarter for both UK and Export goods, which is surprising given the trends set by 2023. On the other hand, margins worsened despite those price rises suggesting that manufacturers are



working hard to shield their earnings, but costs may yet again be rising at a rate that is challenging to respond to in time. Business confidence remains positive despite both output and order books showing only mild growth. Manufacturers are increasingly demonstrating resilience to adversity which has made it much less likely for our confidence metric to shake across the sector. As a result, recent survey results have shown that the emergence of new crises, such as supply-chain disruptions caused by uncontrollable factors are having limited impact on confidence. Indeed, optimism in business confidence has remained positive for 15 quarters back to-back. Confidence in the UK economy has improved this quarter although manufacturers are more wary of external economic conditions given the UK is currently in a recession.

Summary

2024 has started on a positive note for ITSA members and their level of confidence remains high, this level of confidence is supported by the two other key UK manufacturing surveys used as benchmarks. Members do expect a positive 2024 notwithstanding the global uncertainties due to conflicts and the UK uncertainty around the upcoming general election.

Authorised

April 2024. by: John Biggs - ITSA Chair

Peter Hannon - ITSA Vice Chair