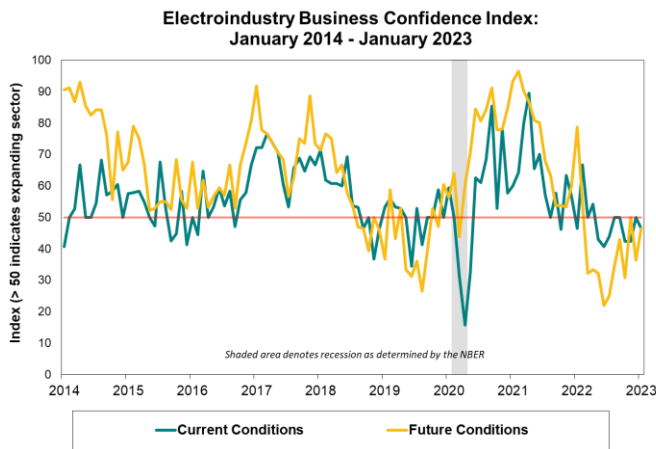


January 2023 NEMA Electroindustry Business Confidence Index

January 30, 2023

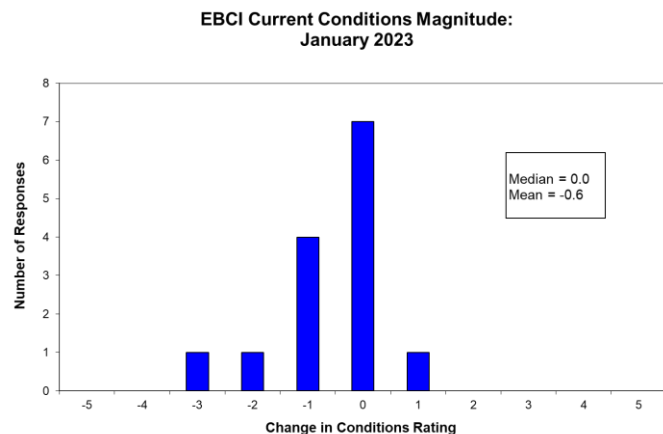
Current and future conditions indexes remain downbeat



In 2022, the current conditions component showed expansionary signals only twice, last breaking into growth territory in April. The December reading of 50, which signaled unchanged conditions from the previous month, teased the possibility of an expansionary environment ahead, but January’s score slid back to 46.4, indicating a modest slowdown. More than three-quarters of respondents noted “unchanged” conditions, and just seven percent reported that the business environment had gotten “better,” compared to the prior month.

Comments pointed to some degree of turbulence facing electrical manufacturers, with softness in residential and industrial markets but strong demand elsewhere and orders backlogs that remain stable.

The median value of the reported magnitude of change edged up to 0.0 in January after sitting at -1.0 for two consecutive months at the end of 2022. Responses skewed to the left, with a resulting mean value of -0.6, highlighted the turbulence mentioned above as some respondents experienced a noticeable deterioration in business conditions. *Panelists are asked to report the magnitude of change on a scale ranging from -5 (deteriorated significantly) through 0 (unchanged) to +5 (improved significantly).*



Although still not back to signaling growth ahead, the future conditions component bounced up 10 points from the 36.4 reading last month, reaching 46.4 in January. A slight increase in the share of panel members who expected “worse” conditions in six months was nearly overshadowed by a surge to 43 percent in those who indicated near-term expectations for “better” conditions, based on the January survey. According to some respondents’ comments, high interest rates and supply constraints will continue to bedevil manufacturers, but demand should remain strong, aided in part by investment in electrification projects.

SURVEY RESULTS:

	Current Conditions (Compared to Previous Month)		Conditions Six Months From Now (Compared to Current Conditions)	
EBCI	46.4	▼	46.4	▲
% Better	7%	▼	43%	▲
% Worse	14%	▼	50%	▲
% Unchanged	79%	▲	7%	▼

Number of Respondents =14

Values reflect the percentage of respondents expecting "Better" conditions, plus one-half of the percentage of respondents expecting "Unchanged" conditions.

A score of 50 or higher suggests conditions appropriate to expansion of the electroindustry sector.

Please note that survey responses were collected from the period of January 17-27, 2023.

EBCI METHODOLOGY:

The EBCI indexes are based on the results of a monthly survey of senior managers at NEMA member companies and are designed to gauge the business environment of the electroindustry in North America (defined here as the United States and Canada).

The survey contains the following questions:

1. How would you rate current economic conditions in North America, as they affect your business, compared to the previous month?
 - a. Using the following scale, please describe the magnitude of change in economic conditions in North America this month compared to economic conditions last month? [Scale structured as follows: 5 (improved significantly), 4, 3, 2, 1, 0 (stayed the same), -1, -2, -3, -4, -5 (deteriorated significantly)]
2. How do you expect economic conditions in North America, as they affect your business, to have changed six months from now?

Respondents are asked to indicate whether conditions are better, worse or unchanged. The survey also provides space for respondents to comment on current conditions. These comments are included below the table containing the index levels.

The index value is the percentage of respondents expecting "Better" conditions, plus one-half of the percentage of respondents expecting "Unchanged" conditions, which follows the methodology used by the Institute for Supply Management (ISM; formerly the National Association of Purchasing Management) in the construction of their manufacturing index.