

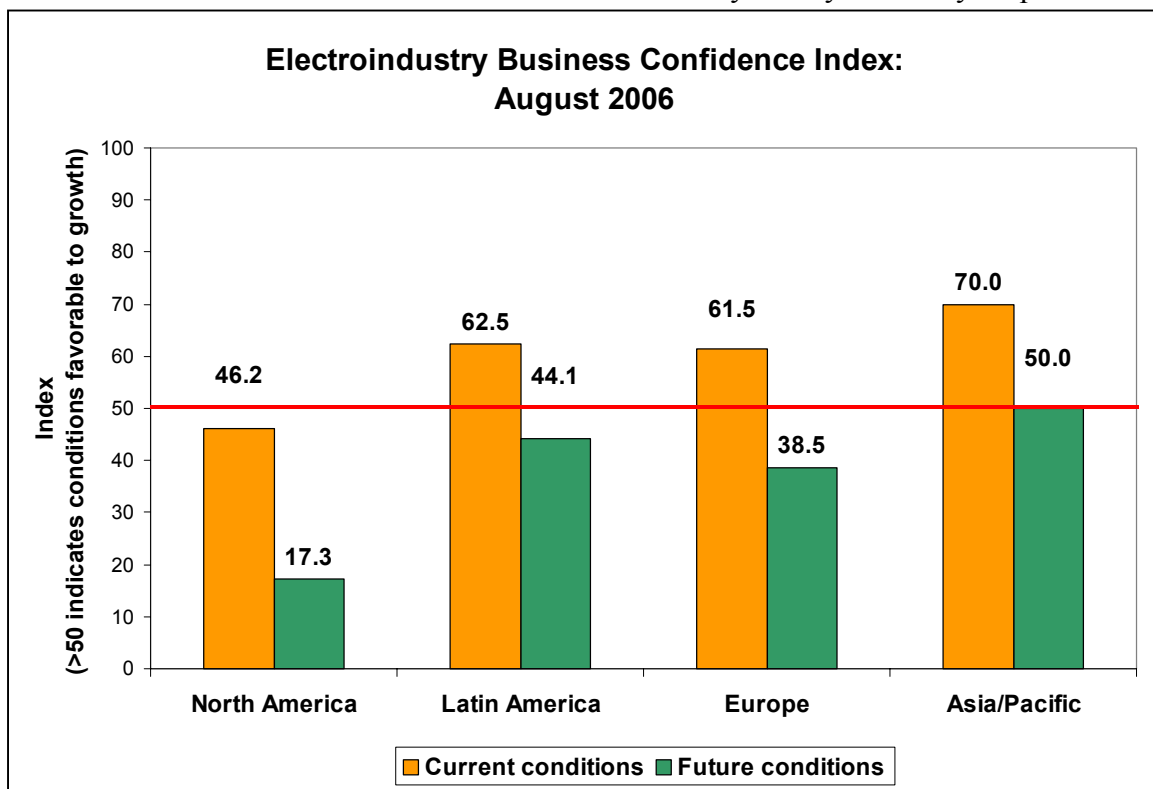
August 2006 NEMA Electroindustry Business Confidence Index

August 25, 2006

NORTH AMERICAN BUSINESS CONDITIONS DETERIORATE IN AUGUST

NEMA's Electroindustry Business Confidence Index (EBCI) for current North American conditions declined for the fourth month in a row in August and, at 46.2, came to rest below the 50-point mark separating a reading indicative of sectoral expansion from one suggestive of contraction. Previously, the index had topped 50 points for 39 months in a row. At the same time, the future conditions index for North America posted its second straight monthly drop, and its fourth in the last five months, sliding to 17.3 from 23.2 in July.

Sentiment was mixed on conditions elsewhere in the world. Current conditions were seen as improving (i.e.: boasting scores in excess of 50 points) in Latin America, Europe, and the Asia/Pacific region, though the score for Europe slipped slightly from a month ago. By contrast, future conditions indices declined for both Latin America and Europe to levels predictive of a weakening business environment over the next six months. The future conditions index for Asia held steady in July at exactly 50 points.



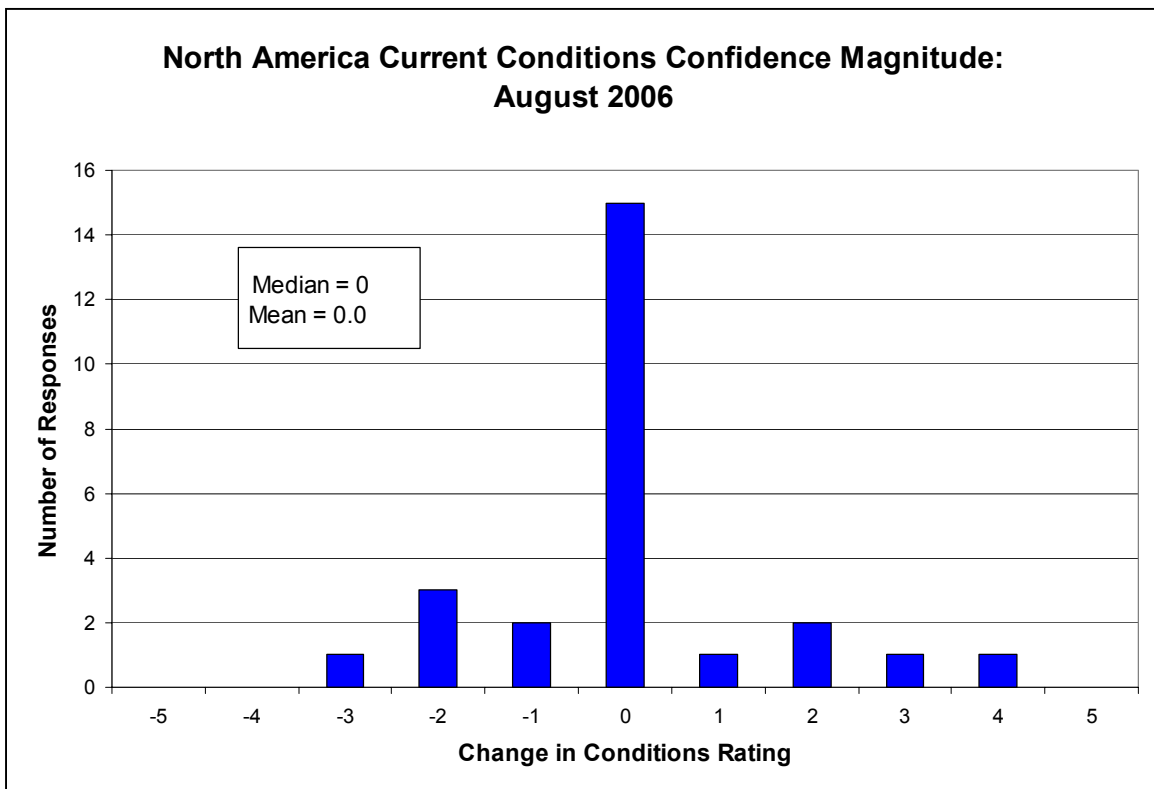
NOTE: North America includes Canada and the United States. Latin America includes Mexico, Central America, and South America.

COMMENTARY

Following more than three years of continuous expansion, business conditions faced by the North American electroindustry declined in August, evidenced by the first sub-50 point reading on the current conditions EBCI in 40 months. The index value itself has now declined for four months running and in five of the last six months. Indeed, since February, the index has fallen more than 20 points, from 68.5 to 46.2, reflecting a growing erosion of sentiment among NEMA-member executives. (The survey's measure of degree of change in conditions implied a market that was merely flat in August.)

The outlook over the next six months has taken a mostly downward trajectory since early this year as well, with the EBCI for future North American conditions falling in four of the last five months by a total of more than 40 points to its lowest level since the inception of the survey in 2001.

There is certainly no shortage of nontrivial threats to the vitality of the present economic expansion: a nationwide housing market correction, continued upward pressure on interest and inflation rates, and an ever-turbulent Middle East to name just a few. Nonetheless, we caution against an unduly pessimistic interpretation of recent month's survey results. Indeed, though industry wide shipments were off slightly in June, according to the most recent data available, they still outpaced their year-ago level by more than 12 percent. As we commented a month ago, the electroindustry has experienced significant growth over the last three years, and is likely entering a period of moderation. We hope the words of one panelist will ring true over the remainder of 2006 and into 2007: "We see things settling a bit in the next six months – nothing alarming"



SURVEY RESULTS:

Region	Current Conditions (Compared to Previous Month)	Conditions Six Months From Now (Compared to Current Conditions)
North America	46.2	17.3
Latin America	62.5	44.1
Europe	61.5	38.5
Asia/Pacific	70.0	50.0

Number of Respondents =26

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.

COMMENTS:

Current Conditions

1. Last month produced a slight bounce back in our domestic order rate along with several nice international orders.
2. August has started off gangbusters! Daily incoming order rate is running 15% ahead of July, which was an excellent month.
3. The electric utility business was notably slower in July.
4. Demand remains strong.
5. With the start of the second half of the year, orders have been very sporadic... some days a record and other days disappointing.
6. Uncertainty in the marketplace... drove some erratic buying particularly in electrical distribution.
7. July started out slowly.
8. Business in July was outstanding. The strength that we saw in the first half appears to be extending into the third quarter with no letup in sight!
9. We saw a 10% across the board slow down vs. ytd trends in all our businesses in July. Things have picked up in August but not to what we saw in the first half. We are definitely seeing the residential slow down happening now.
10. Still solid on incoming orders.

Conditions Six Months From Now

1. Still solid on incoming orders.
2. Potential for North American economy to slow on higher interest rates with threat of inflation. The Middle East situation is undermining confidence that is crucial to sustain strong economic activity into the future.
3. Public data has not caught up with the rate of slowing in the housing market. This will have an adverse effect on demand as will the lack of free consumer cash flow driven by interest rates and ever-higher gas prices. Industrial spending is still relatively sound based on planned capital upgrades.
4. I fear the "experts" are talking us into a slow down.
5. It sounds like a broken record, but I can't imagine that current business levels will continue...
6. Business conditions still good, but residential weakening.
7. We see things settling a bit in the next six months – nothing alarming.

MANUFACTURERS INVITED TO PARTICIPATE
(COMPANIES LISTED IN **BOLD** PARTICIPATED IN THIS MONTH'S SURVEY):

ABB Inc.
Acuity Lighting Group
Alcan Cable
AmerCable
American Insulated Wire Corp.
Connector Manufacturing Company
Cooper Industries, Inc
Eaton Corporation
Elektrisola
Emerson Electric Company
Emerson/EGS Electrical Group
FCI
G&W Electric Co.
GE Consumer & Industrial
General Cable
Genlyte Thomas Group LLC
Hoffman Enclosures Inc.
Homac
Hubbell Incorporated
Hypertherm Incorporated
ILSCO Corporation
Juno Lighting, Inc.
Lamson & Sessions
Legrand N.A.
Leviton Manufacturing Co., Inc.
Lincoln Electric
Lutron Electronics Company, Inc
MacLean Power Systems
OSRAM SYLVANIA
Phelps Dodge Corporation
Radix Wire Company
Rayovac Corporation
Regal-Beloit Corporation
Rittal Corporation
Robroy Industries, Inc.
Rockwell Automation
Rockwell Motors
S & C Electric Company
Schneider Electric
Siemens Energy & Automation, Inc.
Siemens Medical Solutions USA, Inc.
Southwire Company
Thomas & Betts Corporation
United Copper Industries
Universal Lighting Technologies

EBCI CONSTRUCTION DESCRIPTION:

The EBCI indexes are based on the results of a monthly survey of senior managers at NEMA member companies, which together represent more than 80 percent of the electroindustry. They are designed to gauge the business confidence of the electroindustry in key world regions.

The survey contains the following questions:

1. How would you rate current economic conditions in the following regions, 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 the following regions, as they affect your business, to have changed six months from now?

Respondents are asked to indicate whether conditions are better, worse or unchanged (or not available if their respective company does not do business in a particular region). The four regions are North America (Canada and the United States), Latin America (Mexico, Central America, and South America), Europe, and Asia/Pacific. 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 (formerly the National Association of Purchasing Management) in the construction of their manufacturing index.

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Appendix: Time Series Charts

