



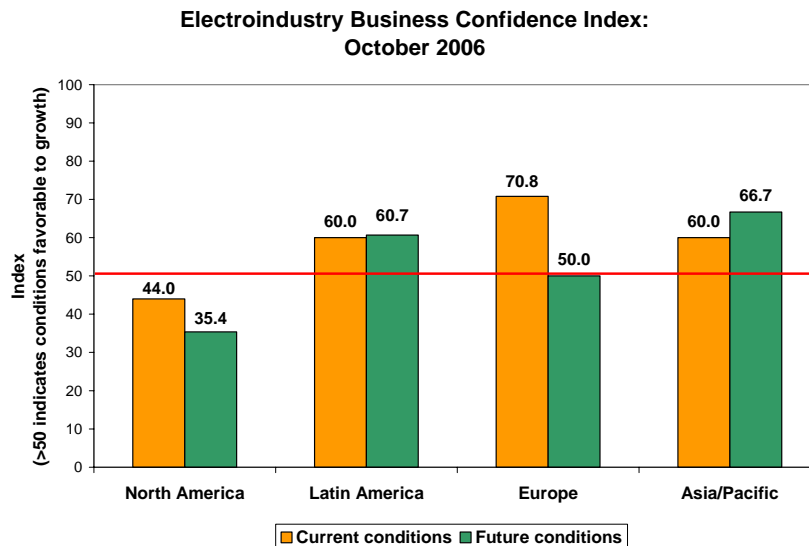
## October 2006 NEMA Electroindustry Business Confidence Index

October 25, 2006

### NORTH AMERICAN BUSINESS CONFIDENCE INDICES GAIN GROUND IN OCTOBER

NEMA's Electroindustry Business Confidence Index (EBCI) for current North American conditions rebounded in October following five consecutive monthly declines. While the diffusion-style index, at 44 points, again fell short of the 50-point threshold indicative of sectoral expansion, these latest results suggest that the rate of deterioration in business conditions slowed appreciably during October relative to the prior month, in the judgement of a panel of senior executives of NEMA-member companies.

This finding was reinforced by a complementary measure of the mean *degree* of change in North American current conditions. It registered -0.2 (on a scale from -5 [deteriorated significantly] through 0 [stayed the same] to +5 [improved significantly]), a modest decline in conditions, but a lesser one than indicated by September's mark of -0.5.



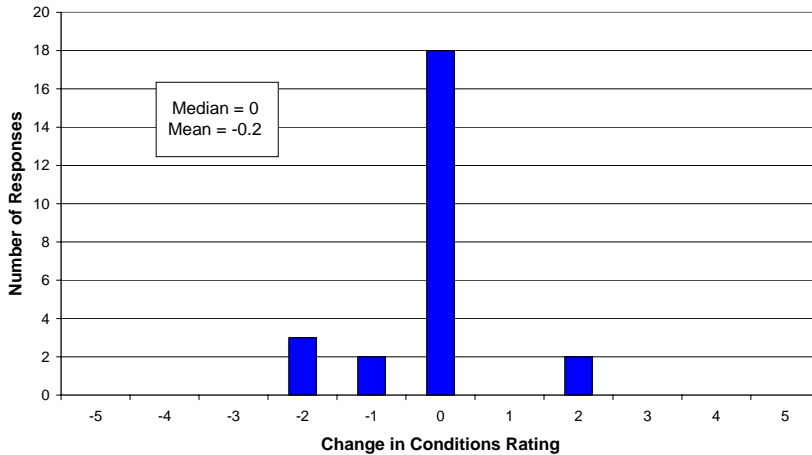
The North American future conditions diffusion index, a gauge of executives' expectations for conditions six months forward, also remained below 50, but extended its rebound to a second straight month. The index rose more than 9 points to 35.4 in October, and sits more than 18 points above August's low water mark.

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

Current conditions EBCIs for each of the other three world regions included in the survey all declined in October, but remained well above the critical 50-point mark. The Latin American and Europe indicators both slipped very modestly, to 60 and 70.8, respectively,

while the Asia/Pacific index slid nearly 8 points to a level of 60. The future conditions index for Latin America rose to 60.7 from 53.6 a month ago, but indicators for Europe and the Asia/Pacific region were off from a month ago at 50 and 66.7, respectively.

**North America Current Conditions Confidence Magnitude:  
October 2006**



Panelists comments referenced a number

of factors bedeviling the electroindustry and clouding its near-term prospects, ranging from “uncertainty about the direction of ... building material costs,” weakness in telecommunications and utilities markets, and particularly, the sharp slowdown in residential construction. At the same time, the nonresidential portion of the construction industry is quite strong in the United States and the manufacturing sector is largely in good shape. The health of these key pillars of the electroindustry has led to continued high levels of output and shipments of electrical equipment in recent months, even in the face of a significant retrenchment in homebuilding, and we continue to caution that any current weakness be viewed in the context of a heretofore booming electroindustry.

**SURVEY RESULTS:**

Region	Current Conditions (Compared to Previous Month)	Conditions Six Months From Now (Compared to Current Conditions)
North America	44.0	35.4
Latin America	60.0	60.7
Europe	70.8	50.0
Asia/Pacific	60.0	66.7

Number of Respondents =25

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. Uncertainty about the direction of ... building material costs continues to delay a number of projects. Telecom infrastructure spending appears to have slowed beyond the normal budgetary constraints experienced at this time of year.
2. Strong cross currents just now – residential [construction] is declining but many nonresidential categories are strengthening. OEM and industrial business good and so-so respectively.
3. Incoming orders are very strong in October.
4. Gradual slowdown continues. Current incoming order rates are off approximately 15% as compared to late spring/early summer peak.
5. Nothing major happening in our utility markets. It [has] been an especially quiet hurricane season compared to the last two years.
6. The slowdown in housing is affected commodity based cable sales and the lack of hurricanes this year has resulted in distributors holding more inventory than they would like... Infrastructure spending, on the other hand, remains steady.

### *Conditions Six Months From Now*

1. Business has been so good this year it's hard to imagine that it could be much better. Still, we are forecasting modest improvement next year. The rate of change will be down - that's for sure!
2. Residential construction slowdown will continue to negatively impact business activity at least through the first quarter of 2007.
3. Our outlook for 2007 shows some slight business improvement over 2006. With commodity costs moderating and energy costs sinking, manufacturing cost pressures are receding.
4. The housing market is likely to remain weak. Interest rates should remain low...
5. Slowing housing starts will impact soon.

**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.

### **Now Available from NEMA/BIS – The *Electroindustry Economic Outlook***

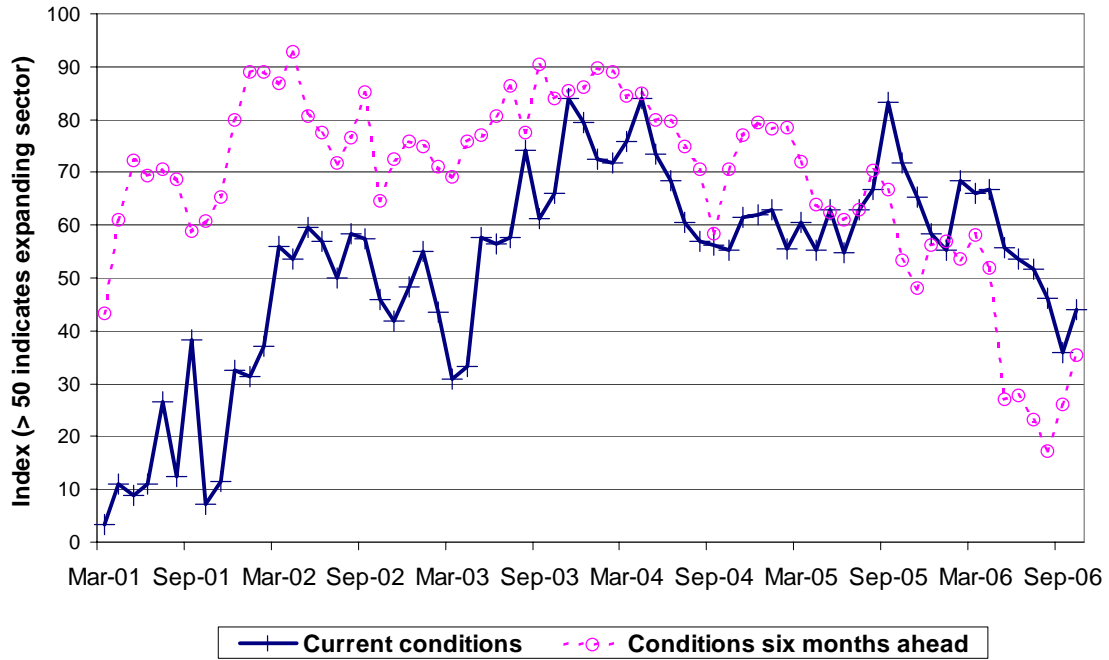
Based on popular demand for up-to-date data and forward-looking analysis of the electroindustry and the economic fundamentals that drive it, NEMA/BIS has developed a subscription-based, regularly updated compendium of the information that industry professionals and executives most often request. The *Electroindustry Economic Outlook* will be *the* preferred source for timely, comprehensive coverage of the economic trends and events shaping the U.S. electroindustry.

- **Extensive Coverage**
- **Frequently Updated**
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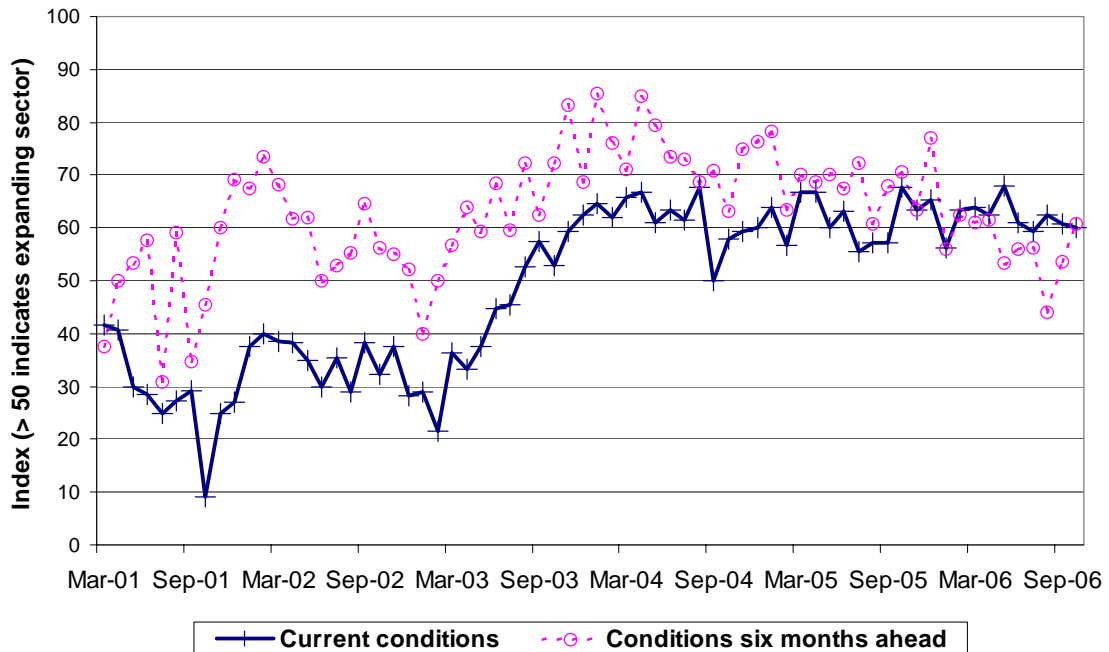
To find out how NEMA/BIS’ *Electroindustry Economic Outlook* can help your business, contact Tim Gill at (703) 841-3298, or [tim\\_gill@nema.org](mailto:tim_gill@nema.org).

## Appendix: Time Series Charts

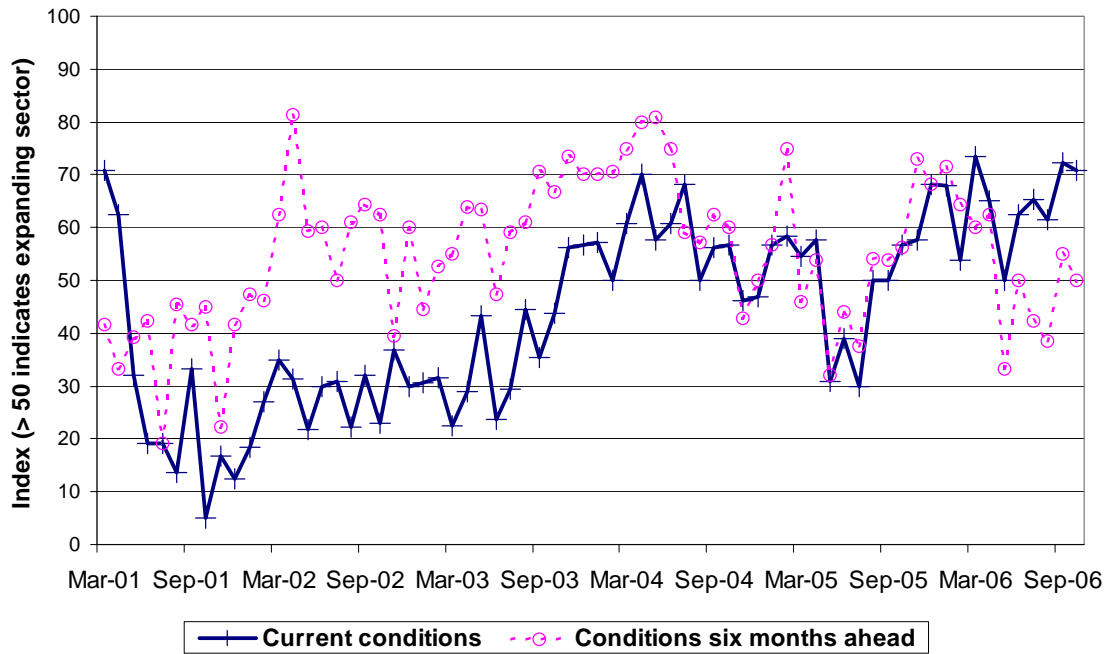
### Business Conditions: North America



### Business Conditions: Latin America



### Business Confidence: Europe



### Business Confidence: Asia/Pacific

