

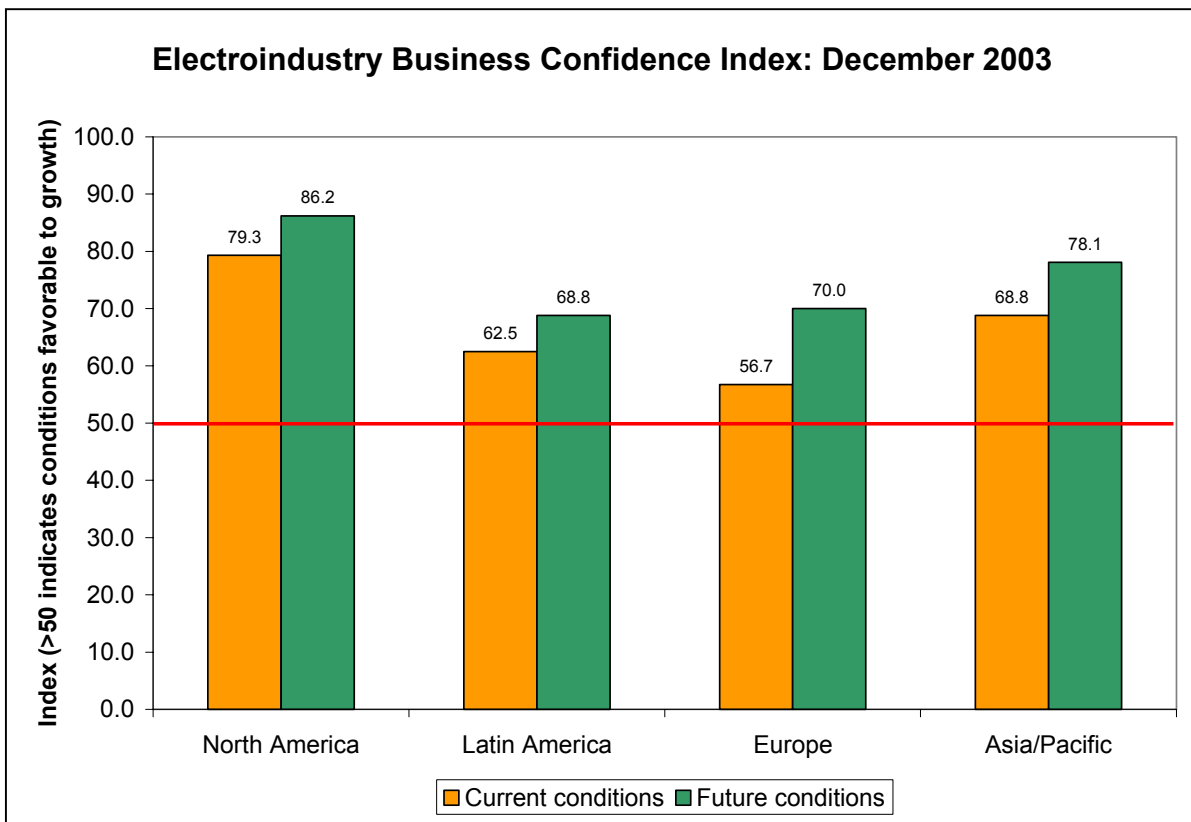
December 2003 NEMA Electroindustry Business Confidence Index (EBCI)

December 29, 2003

SUMMARY:

December marks the second consecutive month in which the current conditions index for all four regions measured above 50 points. The breadth of confidence weakened somewhat in North America and Asia/Pacific but expanded in Latin America while Europe remained essentially unchanged. Confidence in the North America market contracted from 84 in November to 79 this month, and the current conditions index for Asia/Pacific moved from 75 to nearly 69 in December. Meanwhile, Europe held steady near 56 points and Latin America's index value expanded from 59 last month to 69.5 currently.

For the sixth month in a row, all four future conditions indexes remained above 50. Optimism for North America, which moved from 85 to 86, and Asia/Pacific, up 3 points to 78, expanded slightly this month. The breadth of expected confidence in Europe retreated marginally from 73 in November's survey to 70 this month. Although still solidly positive, the breadth of confidence in future business conditions in Latin America contracted sharply from 83 last month to 69 in December.



Current Conditions

Respondents seem unable to shake the feeling that the economy, as it affects the electroindustry, has not quite achieved full stride. Some responses were clearly upbeat with the acknowledgement that activity has been strong for several months and is improving. Strength in other sectors such as IT that has not directly translated into strength in the industrial market, no boost to infrastructure spending from the failed energy bill, and the sense that improvement remains “right around the corner” point out the so-far illusory nature of the recovery for some respondents.

The continued uncertainty may be a result of the unevenness of the recovery, even within the electrical manufacturing industry. Some apparent contradictions in responses give evidence of that unevenness. For example, although one respondent noted an increase in daily demand another reported having no improvement in demand. Respondents also contradicted one another regarding their experience with distributors, as one panelist viewed distributors as reluctant to build inventories and another panelist sensing that distributors are restocking in response to the continued strength of construction activity.

Future Conditions

Cautious optimism remains the watchword for the near term future. Compared with the mixed responses regarding current conditions, the panel found many areas of consensus about business conditions in six months. Most are expecting nonresidential construction to begin rebounding even though residential activity is expected finally to slow. Respondents expect the combination of continued easy monetary policy, presidential politics, improving consumer confidence, and a healthy stock market to keep the recovery moving. No one appears to expect a boom in the electrical industry, but most anticipate general improvement.

SURVEY RESULTS:

Region	Current Conditions (Compared to Six Months Ago)	Conditions Six Months From Now (Compared to Current Conditions)
North America	79.3	86.2
Latin America	62.5	68.8
Europe	56.7	70.0
Asia/Pacific	68.8	78.1

Number of Respondents =29

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. Demand has not increased, but [industry changes have] helped the supply situation in some markets.
2. There is definitely a noticeable increase in daily demand vs. 6 months ago. However, larger projects are still slow to be released.
3. Business conditions appear to be slowly improving - at least relative to a weak 2002. In spite of all of the recent positive statistics - ISM Index, New Factory Orders, profits, etc - Industrial business is still "in the tank". Businesses may be spending on computers, routers, & hubs but not on electrical equipment!
4. Activity levels improving.
5. Shipments have been very strong for the last three months
6. Feels better but no tangible results to report. Electrical distributors reluctant to increase inventories.
7. Improvement continues to be "right around the corner". This has been a tenacious recession.
8. Distributors seem to be restocking as construction activity is improving even in December
9. The failure of the Energy Bill to pass before year-end will delay any meaningful increase in US utility infrastructure spending. Rising costs, especially critical raw materials, without an ability yet to pass those along ... is putting a real squeeze on margins.

Conditions Six Months From Now

1. Only a combination of increase demand and a restructuring of the supply situation will improve profitability.
2. The Bush tax cuts are positively impacting the economy and consumer sentiment. The economy will stay strong throughout the election year. However, commercial construction will not recover until late '04, at the earliest. If the Fed starts raising

- rates in '04, then residential will start to slow significantly. It's a fine line we are walking right now.
3. We look for the long-awaited revival on nonresidential construction to have begun by then. We hope to see business spending on MRO & expansion also beginning to improve.
 4. Improvements evident but slow and still fragile.
 5. Anticipate improvement in commercial construction and increased spending on telecom infrastructure. Residential construction to slow.
 6. I believe that business will remain at approximately the current improved levels. This is a Presidential election year, so all will be done to get the economy in high gear.
 7. The stock market is up, consumer confidence is up, business capital spending is up, and it's an election year. I am optimistic that business conditions will be a lot better next year although we are budgeting cautiously.

LIST OF MANUFACTURERS INVITED TO PARTICIPATE:

ABB
Acuity Lighting Group
Advance Transformer
Alcan Cable
AmerCable
American Insulated Wire
Bedford Materials
Connector Manufacturing
Cooper Industries
Eaton/Cutler-Hammer
Elektrisola
Emerson Electric
Emerson/EGS Electrical Group
FCI
G&W Electric
GE Industrial Systems
General Cable
Genlyte Thomas Group
Hoffman Enclosures
Hamac
Hubbell
Hypertherm
ILSCO
Juno Lighting
Lamson & Sessions
Legrand N.A.
Leviton Manufacturing
Lincoln Electric
Lutron Electronics
MacLean Power Systems
Nexans Canada
OSRAM SYLVANIA
Pass & Seymour/Legrand
Philips Medical Systems
Radix Wire
Regal-Beloit
Robroy Industries
Rockwell Automation
Rockwell Motors
S & C Electric
Siemens Energy & Automation
Siemens Medical Solutions USA
Southwire
Square D
Thomas & Betts
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 two questions:

1. How would you rate current economic conditions in the following regions, as they affect your business, compared to six months ago?
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, Latin 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.

The Electroindustry Business Confidence Index was developed and is implemented by NEMA Business Information Services. In addition to providing general electroindustry information such as this index, NEMA/BIS fills a variety of business information needs for NEMA Sections, groups of companies, and individual electrical manufacturers.

Our services include:

- **industry statistics programs**
- **custom survey research**
- **economic analysis and forecasting**
- and **benchmarking studies**, to name a few.

If you would like to find out how NEMA/BIS can help your company, call us at (703) 841-3200, send an email to nemabis@nema.org, or visit our website at http://www.nema.org/index_nema.cfm/672.

Appendix: Time Series Charts

