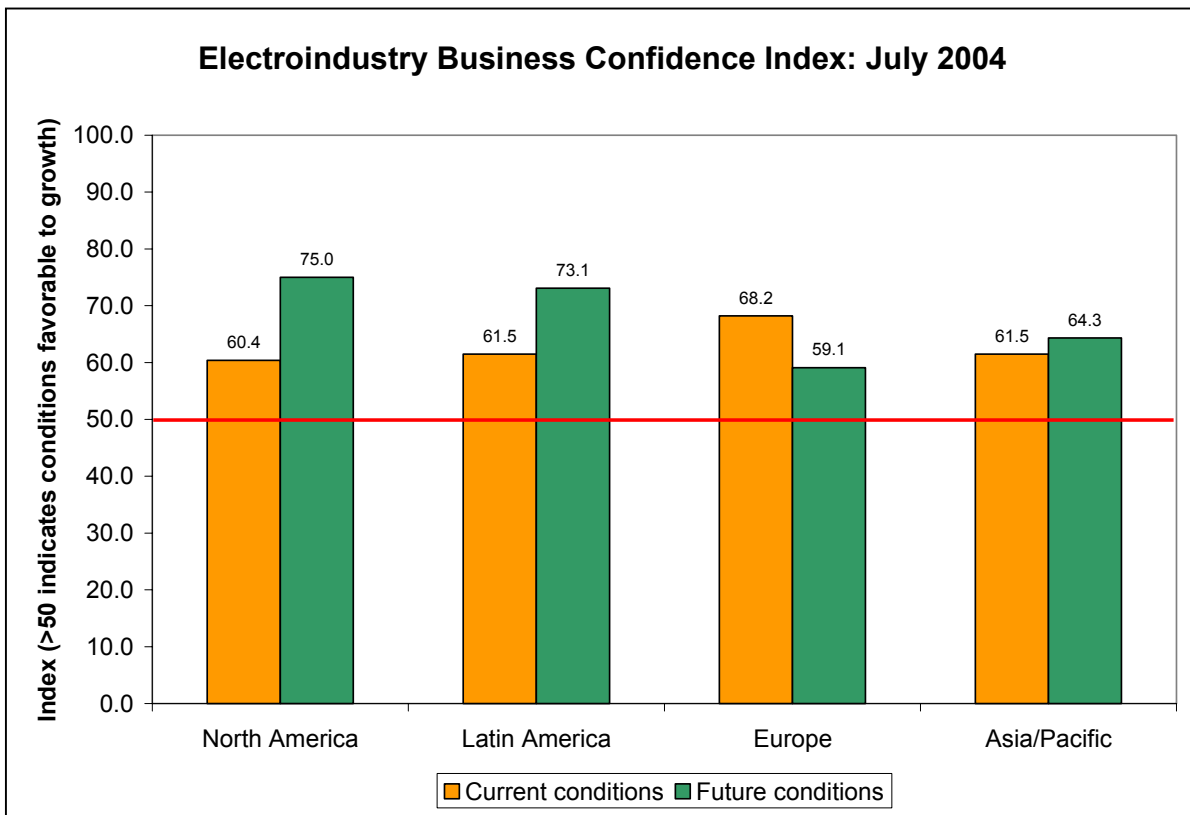


July 2004 NEMA Electroindustry Business Confidence Index (EBCI) July 27, 2004

SUMMARY:

The current conditions indexes for all four regions remained above 50 again this month, but some of the changes in the breadth of confidence are rather noteworthy. Confidence in current conditions in North America and Europe have been heading in different directions over the last few months, and that difference was highlighted again in July as the North America index contracted by 8 points to 60.4 while the Europe index expanded by nearly the same margin to 68.2 points. Although the current conditions indexes for both Latin America and Asia/Pacific narrowed, the change in each was relatively slight with the Latin America index softening from 63.3 to 61.5 and Asia/Pacific easing back from 62.5 to 61.5 points in July.

Looking ahead six months, all of the future conditions indexes also stayed above 50 in July's survey. The Latin America index was essentially flat as it drifted from 73.3 in June to 73.1 points this month. Meanwhile, Asia/Pacific was absolutely flat, holding steady at the same reading of 64.3 points this month and last. Although the North America future conditions index contracted, it did so by only 4 points to 75—still the broadest level of confidence among the regional indexes. By contrast, Europe's future index receded 16 points to 59.1, signaling a significant erosion of confidence in conditions there by year's end.



Current Conditions

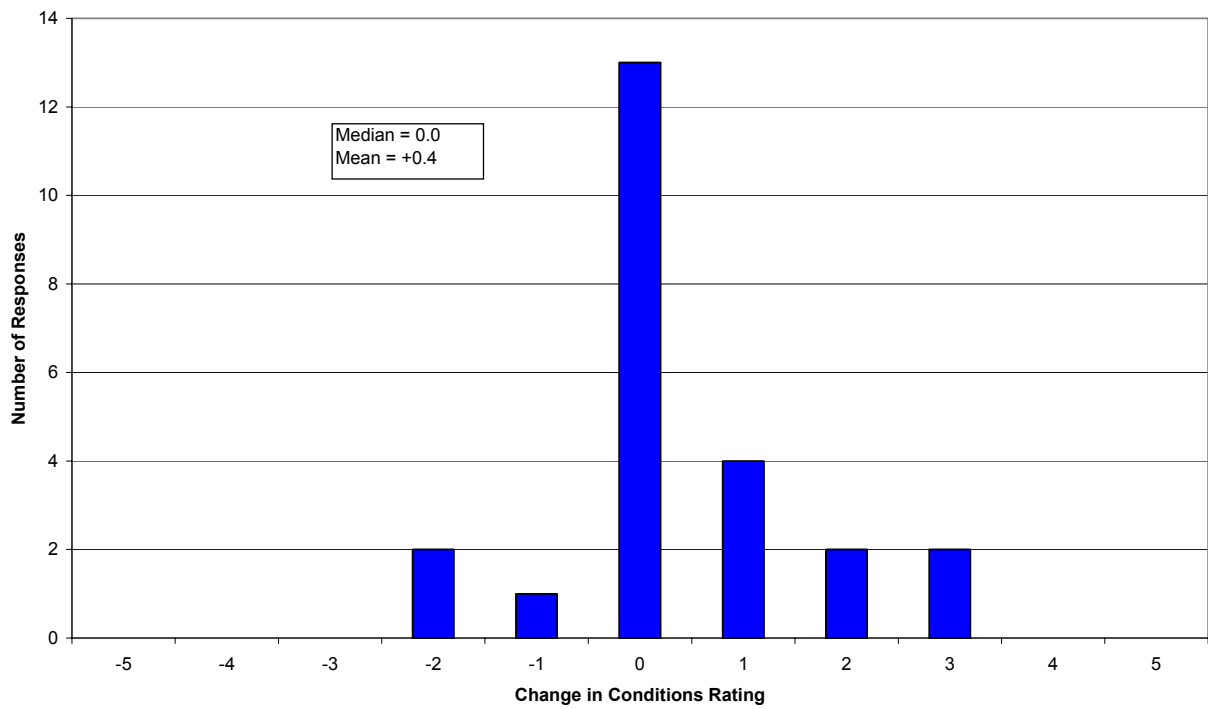
July's comments about current conditions present some evidence of a recovery that is still rather uneven across segments of the electrical industry. Several respondents commented on some degree of softening or slowing in the sectors of the economy related to their businesses. In most cases, that perception of softening did not appear to cross over into outright decline, suggesting more of a flat spot in the road than a downhill stretch. In a couple of electroindustry segments, including power equipment, conditions are reported to be quite good. One respondent mentioned the re-emergence of raw materials price inflation with a note of concern, but for now distributors at the other end of the supply chain remain upbeat. On the heels of the considerable attention given to China earlier this year, one panel member remarked upon some recent slowing in the Asia/Pacific region.

The median score on the North America current conditions magnitude indicator slipped to 0 on a scale ranging from +5 (Improved significantly) through 0 (Stayed the same) to -5 (Deteriorated significantly). The distribution of responses clustered very tightly around the 0 point, which indicates that conditions stayed the same as the prior month. The tight distribution also suggests, perhaps contrary to the uneven nature of the comments, that most of the electroindustry is experiencing a similar flattening in market drivers.

Future Conditions

Much of the commentary regarding future conditions revolves around the U.S. presidential election, although the concerns are varied: potential disruptions, market anticipation and response to the election, and a general slowing once the pressure of election-year politics is off all factored in the panel members' assessments. Beyond politics and its effect on the marketplace, some respondents remained upbeat about their end markets. According to one comment, nonresidential construction appears set to improve even as housing eases from an unprecedented high level. Finally, one panel member expects certain sectors of the Mexican economy to pick up in the next six months.

Histogram:
North America Current Conditions Confidence Magnitude, July 2004



SURVEY RESULTS:

Region	Current Conditions (Compared to Previous Month)	Conditions Six Months From Now (Compared to Current Conditions)
North America	60.4	75.0
Latin America	61.5	73.1
Europe	68.2	59.1
Asia/Pacific	61.5	64.3

Number of Respondents =24

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. Business up but indicators are softer than we would like to see for the 2nd half of the year
2. Little has changed. Any improvement continues to be slow. The economy is not significantly improving, despite comments from the press and the administration.
3. Spread of growth in Asia seems to slow down a little now.
4. The US utility market seems to be on a roll. Spending continues at relatively strong levels.
5. Mid-way through the summer we seem to have hit a "soft spot" as July orders have slowed from the June pace - not a normal seasonal event. Many of the national statistics from GDP on down have shown a weakening in the second quarter so maybe this is a reflection of that decline.
6. Business remains very strong in all segments. Distributors remain very bullish. Metals and other material inflation is re-emerging...

Conditions Six Months From Now

1. Assumes interest rates continue a modest increase, inflation remains low and that there are no major disruptions during the political conventions and general election.
2. Some key sectors in Mexico are likely to improve in the next six months. How much business we are able to win there from the US is open to question.
3. Expect some slowdown after the Presidential election, but with a time lag.
4. The only concern on the horizon appears to be the fall elections and what course the economy will take before and after.
5. We continue to feel that the general direction of the electrical business is upward - in spite of the current softness. In all likelihood residential will be declining throughout the second half of 2004 and most of 2005; but we see improvement in nonresidential, industrial, and OEM markets as more than making up for the decline in homebuilding.

6. We continue to be of the view that end-markets will remain strong through the remainder of '04, but not stronger than the current situation. '05 is very hard to call at this point.

LIST OF MANUFACTURERS INVITED TO PARTICIPATE
(COMPANY NAMES LISTED IN **BOLD** PARTICIPATED IN THIS MONTH'S SURVEY):

ABB Inc.
Alcan Cable
AmerCable
American Insulated Wire Corp.
Bedford Materials Co., Inc.
Connector Manufacturing Company
Cooper Industries, Inc
Eaton Corporation
Elektrisola
Emerson Electric Company
Emerson/EGS Electrical Group
FCI
G&W Electric Co.
GE Industrial Systems
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
Robroy Industries, Inc.
Rockwell Automation
Rockwell Motors
S & C Electric Company
Siemens Energy & Automation, Inc.
Siemens Medical Solutions USA, Inc.
Southwire Company
Square D 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, 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

