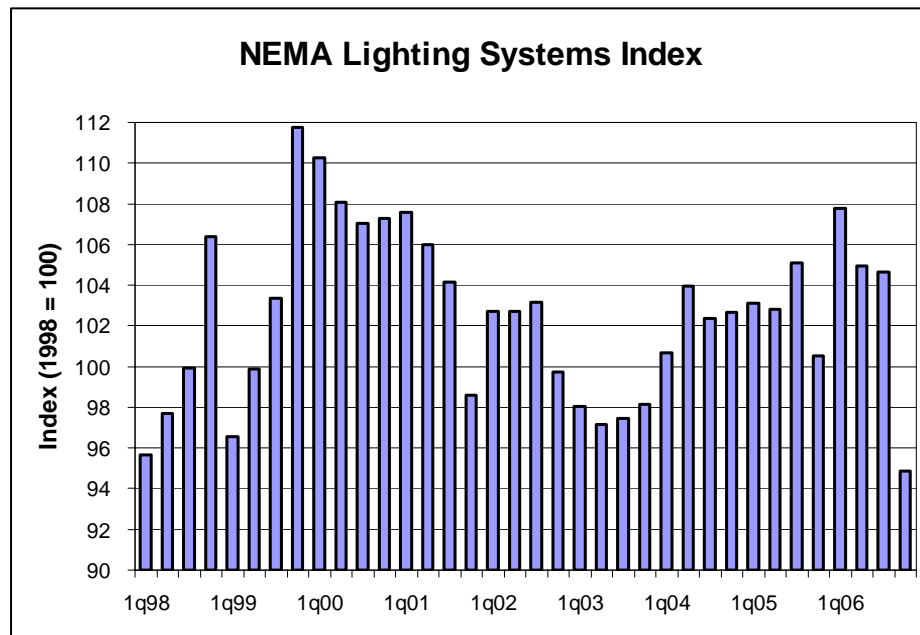


Lighting Systems Index Tumbles at the Close of 2006

NEMA's Lighting Systems Index fell 9.4 percent between the third and fourth quarters of 2006 and was off 5.6 percent on a year-over-year basis. The fourth quarter marked the third straight quarterly decline from a post-recession peak achieved in early 2006.



Recent weakness in lighting equipment demand can be traced to the housing market, where construction of new single-family homes has declined in four of the last five quarters. Some analysts believe housing is nearing or has reached a cyclical low point. It remains to be seen, though, whether increased activity late in 2006 was the result of weather-related seasonal distortions to

the data or are really the foundations of a true sectoral rebound. We feel data on building permits indicate little upside for residential construction, at least over the next few months. Even improving confidence for homebuilders, as measured by an upward trend in the NAHB housing market index since September 2006, must be viewed with caution since the topline index is at levels far below those seen as recently as a year ago.

Despite the weak fourth quarter reading for the lighting systems index, the healthy commercial, industrial and outdoor market segments should bolster demand for lighting equipment enough to at least offset the drag caused by the residential end-market moving forward. Indeed, nonresidential construction spending jumped by a double-digit year-over-year pace during the fourth quarter in nearly every major category, including nearly a doubling in the volume of lodging construction. With a solid backdrop for investment in structures still firmly in place, shipments of lighting with nonresidential or outdoor applications will likely continue to improve.

The NEMA Lighting Systems Index is a composite measure of NEMA-member companies' U.S. shipments of a variety of lighting products, including lamps, luminaire, ballasts, emergency lighting, and exit signs. Product shipments data are drawn from NEMA statistical surveys and are adjusted for inflation and seasonal fluctuations.

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