NEMA Lighting Systems Index

Business Information Services

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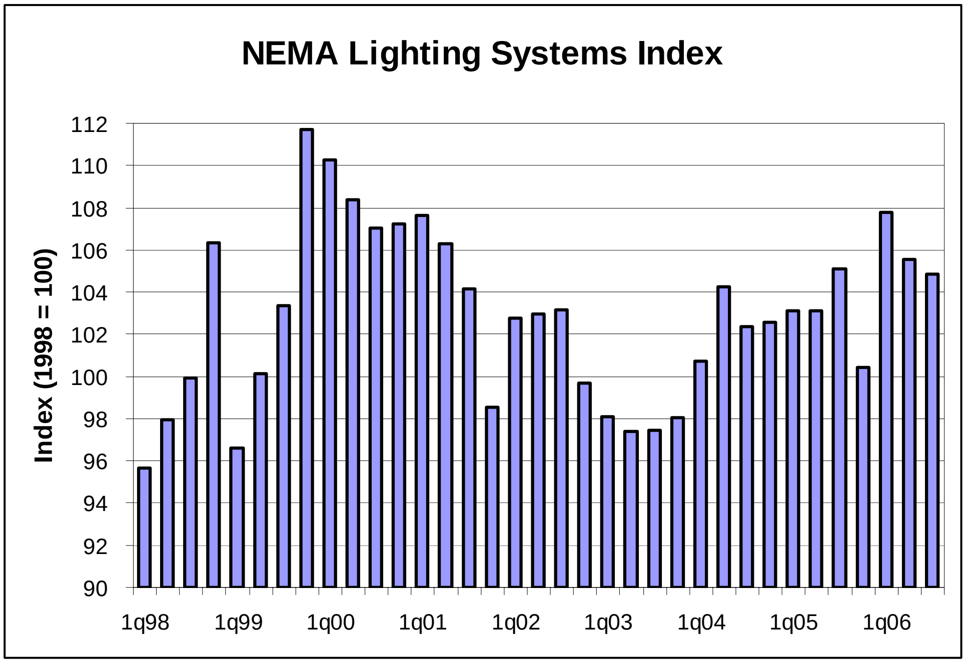
Shipments of Lighting Equipment Decline for Second Consecutive Quarter

NEMA's Lighting Systems Index slipped 0.6 percent between the second and third quarter of 2006. Domestic shipments of emergency lighting, fixtures, and large and miniature lamps all posted increases from the prior quarter, while fluorescent ballasts experienced a decline in shipments before adjustment for typical seasonal variations. Despite the gains registered in four of the five underlying component categories, the index still declined because shipments failed to increase at a rate that is typically expected for this time of year.



The flagging residential market is likely the major source behind the recent weakening in overall demand for lighting equipment. Indeed, numerous indicators, such as the 20 percent decline in starts of new single-family homes since the beginning of 2006 and flat or falling prices in many once-hot markets, show the U.S. housing market continues to struggle. While this segment will likely remain a source of weakness for lighting equipment demand going forward, conditions may be beginning to stabilize. Specifically, the NAHB housing market index is no longer falling, mortgage applications are steady and inventories, though still high, are slowly starting to ebb.

On the other end of the spectrum, commercial-, industrial- and outdoor-use lighting equipment should continue to see demand rise thanks to an improving nonresidential construction sector. Business investment in structures (excluding mining-related activities) has increased at a double-digit pace for four consecutive quarters, and additional growth in nonresidential construction activity is likely in part because firms have seen space requirements climb amid steady growth in

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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.

payrolls and output and because nearly three years of unprecedented growth in profits have left businesses the wherewithal to invest in new commercial or industrial space.

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