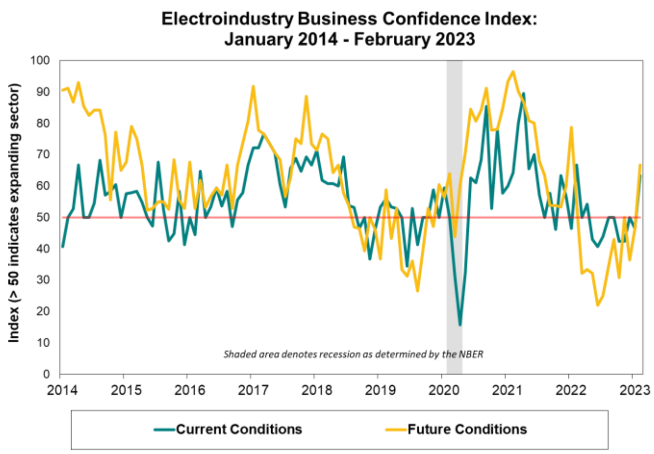
Business Intelligence

February 2023 NEMA Electroindustry Business Confidence Index

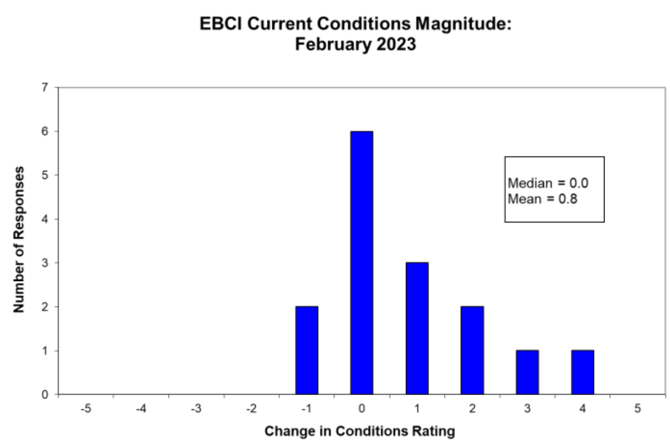
March 3, 2023

Survey panel outlook brightens considerably



After spending nearly all of 2022 in unchanged or even contractionary territory, the current conditions component improved dramatically just two months into 2023 as the February reading added 17 points to January's score to reach 63.3. The share of participants reporting "unchanged" conditions remained the majority position in the latest iteration, but fully one-third of respondents indicated "better" conditions in February, which help push the current metric into the growth range for the first time since last April. The move toward electrification and infrastructure investments, as illustrated in one comment that described "strong continued demand in EV, utility, and data centers," played a role as did strong orders activity and easing supply chain pressures.

The median value of the reported magnitude of change held steady at 0.0 in February for the second consecutive month after slipping to -1.0 at the close of 2022. Meanwhile the mean value of the magnitude measure turned positive, moving up to +0.8, after nine straight months of negative results. *Panelists are asked to report the magnitude of change on a scale ranging from –5 (deteriorated significantly) through 0 (unchanged) to +5 (improved significantly).*



The future conditions component made an even more pronounced improvement, gaining 20 points from the previous month to hit 66.7 in February. A sharp pullback in the proportion of respondents who expected "worse" conditions in six months was the primary driver of the increase, with only 7 percent sharing that perception, while 40 percent indicated that "better" conditions lay ahead. Although comments pointed out potential weakness, such as in residential construction, on net they reflected a buoyed outlook compared to recent sentiment.

SURVEY RESULTS:

	Current Conditions (Compared to Previous Month)	**Conditions Six Months From Now** (Compared to Current Conditions)
EBCI	63.3 ▲	66.7 ▲
% Better	33% ▲	40% ▼
% Worse	7% ▼	7% ▼
% Unchanged	60% ▼	53% ▲

Number of Respondents =15

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.

Please note that survey responses were collected from the period of February 13-24, 2023.

EBCI METHODOLOGY:

The EBCI indexes are based on the results of a monthly survey of senior managers at NEMA member companies and are designed to gauge the business environment of the electroindustry in North America (defined here as the United States and Canada).

The survey contains the following questions:

1. How would you rate current economic conditions in North America, 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 North America, as they affect your business, to have changed six months from now?

Respondents are asked to indicate whether conditions are better, worse or unchanged. 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 (ISM; formerly the National Association of Purchasing Management) in the construction of their manufacturing index.