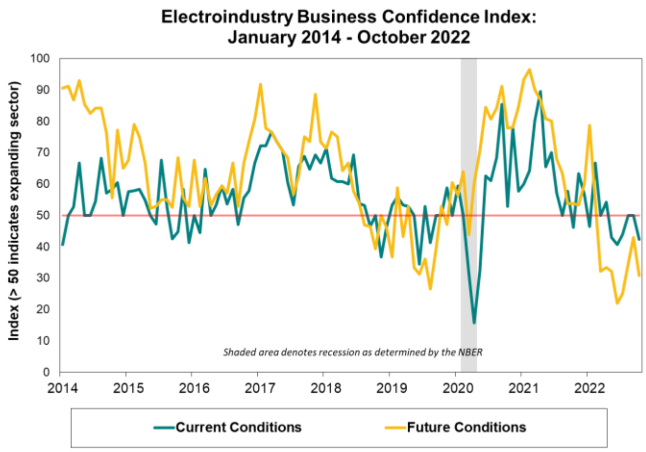
Business Information Services

October 2022 NEMA Electroindustry Business Confidence Index

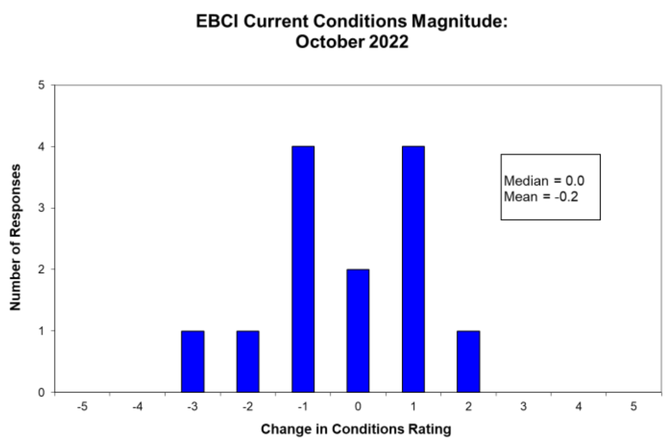
November 1, 2022

Current business conditions erode in October



After spending two months straddling the line between better and worse conditions, the current conditions component slid into "worse" territory, posting a reading of 42.3 in October. Nearly 70 percent of respondents indicated "unchanged" business conditions, but an increased share of panelists reported "worse" conditions, which was more than sufficient to pull this month's score down. Despite this component's retreat to a mildly contractionary reading, a few comments noted continued solid demand as evidenced by strong orders activity. Longstanding concerns about supply chain problems and a still-tight labor market were joined by a mention of "elevated customer inventory levels" as factors that have helped to erode business conditions.

Notwithstanding the lower current electroindustry business conditions reading, the reported magnitude of change barely budged in October, as the median stayed at 0.0, and the mean value eased back to -0.2 from last month's -0.1. *Panelists are asked to report the magnitude of change on a scale ranging from –5 (deteriorated significantly) through 0 (unchanged) to +5 (improved significantly).*



Prior to the October survey, the future conditions component had been becoming steadily less pessimistic through successive readings since its recent nadir established in June. However, the forward-looking indicator fell back from 42.9 in September to 30.8 in October. The share of respondents expecting "worse" conditions in six months jumped this month, making that the predominant view of 54 percent of our panel. Economic headwinds, including rising interest rates, and a deeply unsettled geopolitical environment contributed to the general malaise, but policy support for "electrification and energy efficiency" provided a backstop to the otherwise glum outlook.

SURVEY RESULTS:

	Current Conditions (Compared to Previous Month)	**Conditions Six Months From Now** (Compared to Current Conditions)
EBCI	42.3 ▼	30.8 ▼
% Better	8% ▼	15% ▼
% Worse	23% ▲	54% ▲
% Unchanged	69% ▼	31% ▼

Number of Respondents =13

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 October 11-21, 2022.

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.