

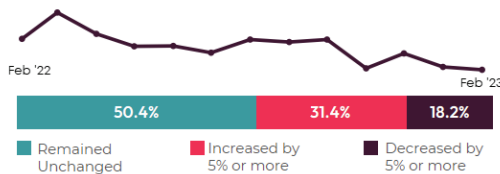
MODERATE PRO AV GROWTH CONTINUES

AVIXA®, the Audiovisual and Integrated Experience Association, has published the monthly Pro AV Business Index since September 2016, gauging sales and employment indicators for the pro AV industry. The index is calculated from a monthly survey that tracks trends. Two diffusion indexes are created using the survey: the AV Sales Index (AVI-S) and AV Employment Index (AVI-E). The diffusion indexes are calculated based on the positive response frequency from those who indicated their business had a 5% or more increase in billings/sales from the prior month plus half of the neutral response. An index of 50 indicates firms saw no increase or decline in business activity; more than 50 indicates an increase, while less than 50 indicates a decrease.

SALES INDEX

FEBRUARY 2023

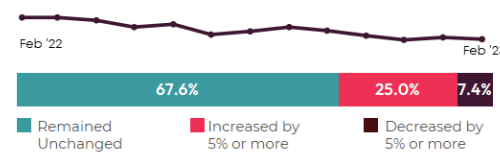
56.6



EMPLOYMENT INDEX

FEBRUARY 2023

58.8



“Seemingly now steady and not declining. Enquiries now possibly rising in comparison to past and while we did think the year could be challenging, we’re now feeling more positive.”

– INTEGRATOR, EUROPE

HIGHLIGHTS:

- With the economy slowing and the return to in-person boom mostly exhausted, pro AV growth seems to be settling into a moderate expansion phase. After February’s reading of 56.6, three of the last four months have been within in a half point of 57.0. This level is above the no-net change mark of 50, but it is lower than historic norms for our industry. Comments elaborate on why pro AV is at this level. Numerous respondents point to growing steadiness in month-to-month sales after a frenzied 2022. For some, that meant contraction in February simply due to randomness. Supply remains the most significant challenge, though the situation continues to slowly improve. Economic fears are also a factor, both in the form of already realized weakness and hesitancy to invest due to fears that things could get worse. That said, the positives clearly outweigh the negatives given the continued revenue growth.
- March began with an old-fashioned economic bump: a bank run. Modern regulations and insurance schemes have made such occurrences rare, but on Friday, March 10th, a confluence of several factors: concentration in the recently hurting start-up, crypto, and tech sectors, a large percent of deposits uninsured, losses on excess assets, etc. led to the failure of Silicon Valley Bank and Signature Bank in the U.S. Such failures are concerning; Silicon Valley Bank is the second largest bank ever to fail. But realistically,

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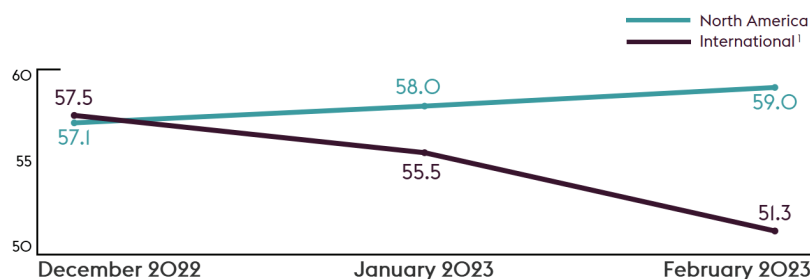
HIGHLIGHTS: *(continued)*

these failures are unlikely to lead to any systemic crisis. For one, the traits that hurt them—especially their tech sector start-up concentration and high percentage of uninsured deposits—are fairly unique. Major banks are far more diversified and hold far more insured deposits, while other undiversified banks are in healthier sectors. Beyond that, the relevant U.S. institutions (the federal government, the Federal Reserve, and the FDIC) have stepped in to guarantee the uninsured deposits. This should stop the future “get my deposits before it’s too late” waves that cause bank runs and collapses.

- The AV Employment Index (AVI-E) continued to exceed the AVI-S in February, as it registered 58.8. As in January, this reflects that employers are continuing to catch up on hiring after a busy and difficult-to-hire 2022. It also reflects a lower rate of contraction. In a steady state, month-to-month randomness means many businesses have down months. But payrolls contract far more rarely. The outsize strength of employment is not a pro AV-only phenomenon. February’s U.S. wasn’t quite as eye-popping as January, but it still showed payrolls are the bright spot of the current economic environment. The economy added 311,000 jobs, and labor force participation increased enough to lift the unemployment rate from 3.4% to 3.6%. This is about as good a report as could be expected, as it shows strength in the form of the huge payroll expansion and easing tension in the form of the increased labor force participation. We certainly hope such positivity continues in March.

INTERNATIONAL OUTLOOK

The international outlook shows an increasing divergence between North America and the Rest of the World in our initial reading from February.¹ This reading shows North America experiencing accelerating pro AV growth for the second month in a row, while the Rest of the World billings have decelerated for three months. While North America is at 59.0, the Rest of the World sees nearly flat sales at 51.3. It’s not clear why there is such a wide gap; while the U.S. economy is stronger relative to many regions, the advantage is not so substantial. That suggests the longer-term trend will be one of convergence—though it is unlikely we will see much convergence next month.



Global regional indexes are three-month moving averages (based on prior, forward and current months) due to relative small ample size.

“Customers have returned to work most days, which should be helping generate more revenue. However, the supply chain restraints are adversely impacting our ability to deliver and complete jobs. We are incurring additional labor costs to incrementally install solutions.”

– INTEGRATOR, NORTH AMERICA

¹ International regions include Europe, Latin America, Middle East/Africa, Asia-Pacific

² Due to the small sample, the North American and International indexes are based on a 3-month moving average. February 2023 index is preliminary, based on the average of January 2023 and February 2023 and will be final with March 2023 data in the next report.

METHODOLOGY

The survey behind the AVIXA Pro AV Business Index was fielded to 2,000 members of the AVIXA Insights Community as well as many members of the ISE mailing list between February 27, 2022, and March 7, 2023. A total of 266 AV professionals completed the survey. Only respondents who are service providers and said they were “moderately” to “extremely” familiar with their company’s business conditions were factored in index calculations. The AV Sales and AV Employment Indexes are computed as diffusion indexes. The monthly score is calculated as the percentage of firms reporting a significant increase plus half the percentage of firms reporting no change. Comparisons are always made to the previous month. Diffusion indexes, typically centered at a score of 50, are used frequently to measure change in economic activity. If an equal share of firms reports an increase as reports a decrease, the score for that month will be 50. A score higher than 50 indicates that firms, in aggregate, are reporting an increase in activity that month compared to the previous month. In contrast, a score lower than 50 is a decrease in activity.

“We seem to have leveled off in the rapid increase of business seen during `22. Most of our work and discussions for `23 are repeat business. The few pieces of new business are with existing clients. And at long last, our staff turnover has dropped to pre-pandemic levels.”

- LIVE EVENTS, NORTH AMERICA

ABOUT THE AVIXA INSIGHTS COMMUNITY

The AVIXA AV Intelligence Panel (AVIP) is now part of AVIXA’s Insights Community, a research group of industry volunteers willing to share their insights on a regular basis to create actionable information. Members of the community are asked to participate in a short, two-to-three-minute monthly survey designed to gauge business sentiment and trends in the AV industry. Community members will also have the opportunity to participate in discussions, polls and surveys.

Community members will be eligible to:

- Earn points toward online gift cards
- Receive free copies of selected market research
- Engage directly with AVIXA’s market intelligence team to help guide research
- Ask and answer other industry professionals’ questions

The Insights Community is designed to be a global group, representative of the entire commercial AV value chain. AVIXA invites AV integrators, consultants, manufacturers, distributors, resellers, live events professionals, and AV technology managers to get involved. If you would like to join the community, enjoy benefits, and share your insights with the AV industry, please apply at avip.avixa.org.