

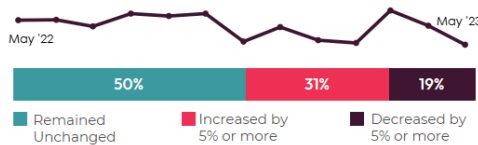
MAY GROWTH IS MEDIOCRE AS SALES VOLATILITY CONTINUES

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

MAY 2023

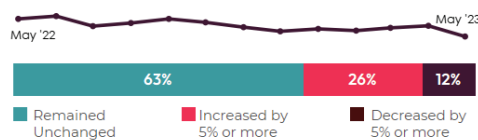
56.1



EMPLOYMENT INDEX

MAY 2023

57.1



“Approaching mid-year and projects under this fiscal budget are kicking into high gear, while other projects are getting money (re)allocated to them to move them to this fiscal year. So spending is up. AV staffing, alas, remains the same.”

– END USER, NORTH AMERICA

HIGHLIGHTS:

- After an excellent March and a good April, growth has fallen back to the modest level it was in February. The final May AV sales index (AVI-S) is 56.1. This is the lowest number since February 2021, though three of the previous six months were within 2 points of that figure. The story here is one of economic weakness, an issue that tolls more heavily as the impetus from the return to in-person continues to weaken. Given this backdrop, it seems unlikely to expect much rise in the coming months, but we could have said the same back in February before the AVI-S leaped up to 66.0. Going forward, while it is perhaps safer to expect numbers below 60, a wide range of outcomes seems possible. For May, commenters focused foremost on supply chains, where the news is mixed. The most common sentiment seemed to be, “Improving, but ongoing.” Other issues included rising interest rates, seasonal shifts, and a difficult hiring market.
- The US Federal Reserve Board implemented its final planned interest rate increase in early May, and the European Central Bank implemented a quarter-point rate increase a week later. This is creating a situation where for much of the world, interest rates are the highest they have been in over a decade. This has a few implications for pro AV: First, less new construction revenue as major capital projects become more expensive. Second,

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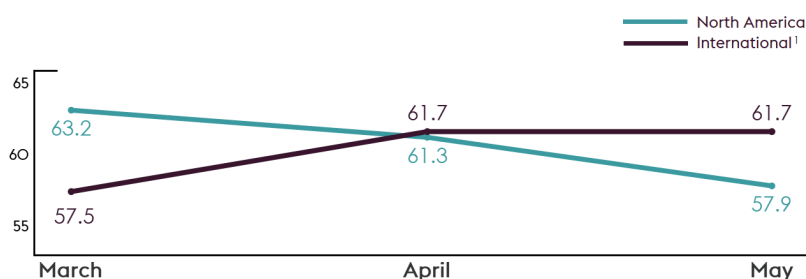
HIGHLIGHTS: *(continued)*

more incentive to switch from up-front expenditures to ongoing operating expenditures. In some cases, that will mean managed services rather than installing and paying all up front. In others, that will mean an investment in cloud solutions rather than fronting the cost of a local server. Third, the risk of recession. Central banks are tightening credit access to fight inflation, but the upshot is a chance of an economic downturn. Pro AV businesses should remain cautious about their balance sheets in this environment (while recognizing that the right investments will be worth the risk).

- The slowdown in expansion extended to staffing as well, as the AV Employment Index (AVI-E) decelerated to 57.1. As for the AVI-S, this was the lowest figure since 2021. Note though that the AVI-E continued to be steadier than the AVI-S, which means that the AVI-E once again outpaces the expansion of sales. This is unsurprising given that commenters continue to report a hiring backlog from the run-up in sales last year. That said, our interpretation is that the backlog is being filled over time. While the AVI-S has had its high months, most recent times have been more moderate. While hiring continues to be difficult, our data shows that companies have been able to hire faster than the moderate sales expansion has happened. That lends confidence to the idea that staffing is normalizing. We expect the backlog to end by the end of the year—though hiring may still be difficult for those seeking to do so.

INTERNATIONAL OUTLOOK

In a surprising shift, the rest of the world now outpaces North America in the initial reading for May.² Last month, we noted that the rest of the world seemed to be gaining strength, while North America looked less promising. But at the time, North America had a comfortable margin, some 4 points over the rest of the world in the initial April reading, making a continued advantage seem likely. But expectations are defied, and now the gap is reversed, with North America 3.8 points below at 57.9 while the rest of the world is at 61.7. For next month, we expect the advantage of the rest of the world to continue and perhaps even further expand.



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

“Trying to schedule projects without solid arrival times for parts, while also not waiting until the last second to schedule installations. moving designs to new product lines and finding out their limitations and drawbacks.”

– 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. May 2023 index is preliminary, based on the average of April 2023 and May 2023 and will be final with June 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 May 30, 2022, and June 5, 2023. A total of 262 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 the 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.

“Proposal requests are steady and government bid opportunities for Summer 2023 have increased slightly. Supply chain delays remain an issue but availability is beginning to improve. Additional suppliers have entered the supply chain and project modification is acceptable for clients.”

- INTEGRATOR, APAC

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.