

Pro-AV Business Index

Released February 2017

Pro-AV Business Index Stays Strong to Open 2017

The first InfoComm International® Pro-AV Sales Index in 2017 came in at a reading of 60.5, continuing the strong trend from December 2016 (December index = 61.0). This January AV Sales Index revealed more than four-in-five respondents indicating increased or stable sales/billings compared with the previous month. While the index remains solid, with the current administration just one month into its term, some panel members are keeping a close eye on policies ranging from taxes to international trade agreements that could impact client and respondent businesses in the near future.

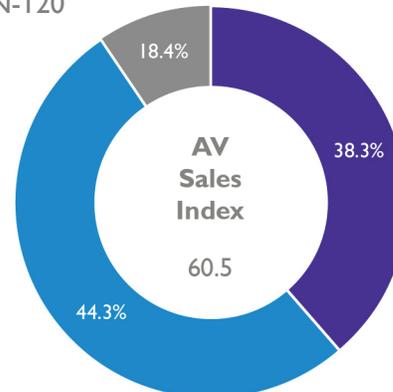
“There is a lot of uncertainty, primarily due to the Presidential administration. Customers may opt to cancel, scale-back events and/or bring them in-house. Some clients are looking for master service agreements and price protection, which erodes potential margins.”

– AV Service Provider, North America

The diffusion index is calculated based on the positive response frequency (38.3) plus half of the neutral response (44.3), giving the value of 60.5 for this month’s index (Figure 1).

Figure 1. AV Sales Index, January 2017

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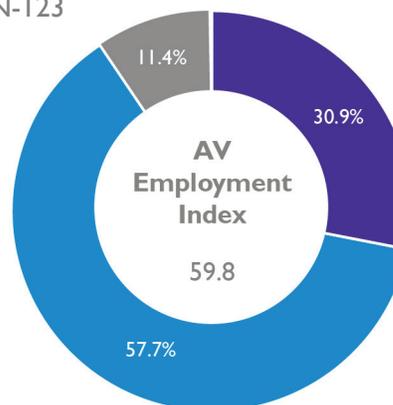


- Increased significantly (5 percent or more)
- Remained unchanged
- Decreased significantly (5 percent or more)

Following the overall labor market trend, the AV Employment Index remains strong at 59.8 to start 2017. Nearly one-third of respondents (30.9 percent) indicated increased employment at their firm, while just one-in-10 (11.4 percent) said employment at their business decreased (Figure 2).

Figure 2. AV Employment Index, January 2017

N-123



- Increased significantly (5 percent or more)
- Remained unchanged
- Decreased significantly (5 percent or more)

U.S. Construction Outlook

The positive construction market outlook for the next two years bodes well for pro-AV industry products and services going into vertical construction markets. Entering 2017, U.S. construction anticipates a couple of healthy growth years according to the most recent Consensus Construction Forecast, produced by the American Institute of Architects. AIA forecasts 5.6 percent and 4.9 percent growth in nonresidential construction for 2017 and 2018, respectively. For 2017, AIA reports the Office market is looking at double-digit growth of 10.6 percent. This is followed by Amusement & Recreation at 7.7 percent and Hotel at 7.2 percent to round off the top three nonresidential construction markets. The AIA's 2018 Consensus Forecast panel sees an easing in the nonresidential construction market with a 4.9 percent gain from 2016. Institutional building will pick up some slack in nonresidential while Educational facilities provide solid gains (Figure 3).

Figure 3. 2017-2018 Nonresidential Construction Forecast

	Forecast % Change, (Base 2016)	
	2017	2018
Nonresidential Total	5.6	4.9
Commercial Total	8.3	4.4
Office	10.6	4.6
Retail & Other Commercial	6.8	5.3
Hotel	7.2	1.8
Institutional Total	5.7	5.8
Health	4.9	4.9
Education	6.3	6.7
Religious	-1.9	0.6
Public Safety	-0.7	4.0
Amusement & Recreation	7.7	4.3
Industrial Total	0.4	3.3

Source: The American Institute of Architects, First Half – 2017 Consensus Forecast

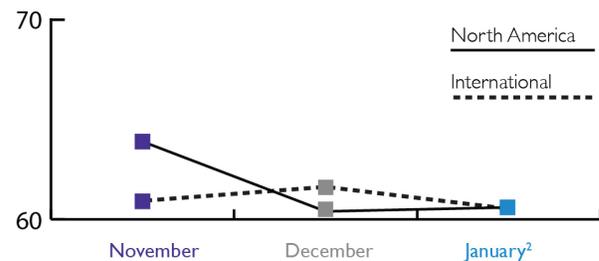
International Outlook

The January AV Sales Index for companies in North America (60.6) is slightly ahead of the prior month's 60.4, while the index for companies outside North America dropped modestly to 60.5. (Figure 4). The sales index remains well above the neutral business condition of 50, but apprehension regarding economic and political uncertainty remains.

“Exchange rate is very complicated right now in Mexico and political conditions are not good. Our commercial relationships are in great danger because of the controversial pressures from the Trump administration. If TLCAN (a.k.a., NAFTA) comes down, our expectation could be very negative.”

– AV Service Provider, Mexico

Figure 4. Global Region¹ Sales Index, January 2017



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

Future AV Business Conditions

The majority of all index survey respondents remain positive about future revenue conditions: 61.7 percent indicated that revenue/turnover would trend positively while half (50.8 percent) said workforce conditions would trend positively in the next six months – the latter figure significantly lower than the previous month. The shift is mainly due to an increase of those stating a neutral position (42.5 percent) versus 33 percent in December (Figure 5). The near-term outlook for employment may well be the result of anxiety about profitability, coping with the unpredictable economy and identifying new qualified staff, which could slow hiring in the next six months (Figure 6).

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

² January 2017 index is preliminary, based on the average of December 2016 and January 2017 and will be final with February 2017 data in the next report.

Figure 5. Industry Conditions for Next Six Months

How would you assess the AV workforce conditions for your organization in the next 6 months?



How would you assess your revenue/turnover conditions for your organization in the next 6 months?



When asked what are the top business concerns for 2017, the panel reported “Increase firm profitability” as the top concern. “Identifying new qualified staff” and “Coping with the unpredictable economy” rounds off the top three concerns. Firms from outside North America mentioned “Coping with the unpredictable economy” as their top concern, partially based on how the U.S. might write its trade policies for working with other nations, plus local political uncertainty (Figure 6). U.S. President Trump recently met with Prime Minister Abe from Japan and Prime Minister Trudeau of Canada — with trade as a major topic. Although no specific details were revealed, “fair trade” was apparently discussed regarding Japan, and NAFTA was reportedly raised, specifically along the lines of adjustments to the agreement with Canada and major changes with Mexico.

“Political uncertainty will be the biggest distraction over the coming year or two. This can also drive inflationary forces and costs or flatten demand.”

— AV Service Provider, Europe

Figure 6. Top Business Concerns for 2017

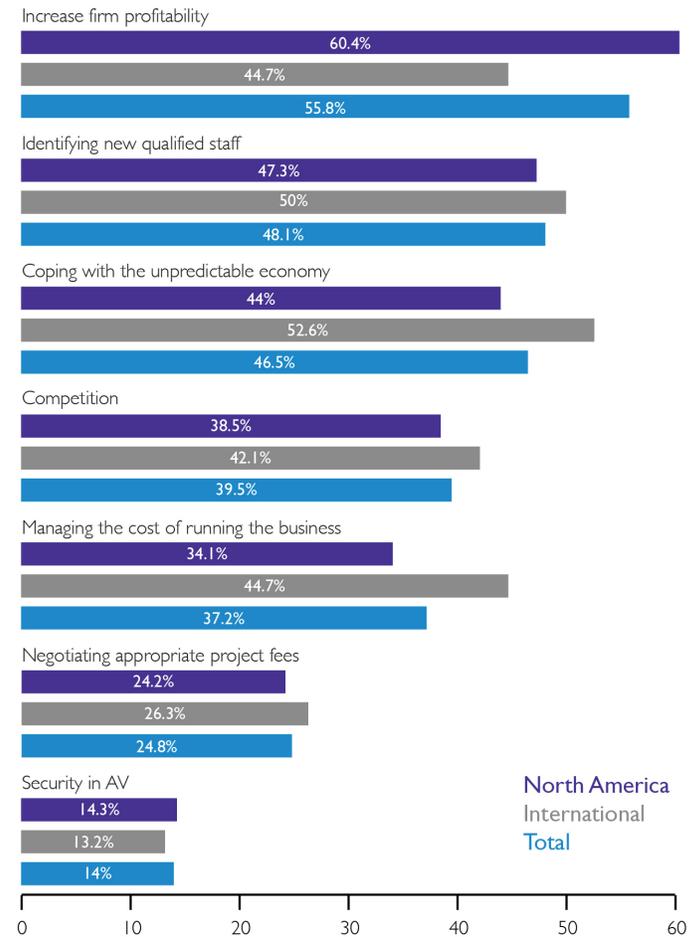


Figure 7. Overall Business Conditions for the AV Industry (sentiment cloud)



The AV Index Sentiment Cloud is based on verbatim answers to questions about business conditions (Figure 7). The answers are put through a computer

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system and a cloud is generated based on the frequency of words used in respondents' answers. The cloud is a visual representation of how AV organizations describe the industry at a point in time.

Methodology

The survey behind the InfoComm Pro-AV Business Index was fielded to 480 members of the InfoComm AV Intelligence Panel (AVIP) between Jan. 3 and Jan. 10, 2017. A total of 187 AVIP members completed the survey. Only respondents who are not end users and said they were "moderately" to "extremely" familiar with their companies' business conditions were factored in Index calculations. The AV Sales and AV Employment Indexes are computed as a

diffusion index, with the monthly score 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 report an increase as report a decrease, the score for that month will be 50. A score above 50 indicates that firms in aggregate are reporting an increase in activity that month compared to the previous month, while a score below 50 indicates a decrease in activity.

$$\text{Index} = 1.0 \times \% \text{ of positive responses} + 0.5 \times \% \text{ of neutral responses}$$

About the InfoComm International AV Intelligence Panel

The InfoComm AV Intelligence Panel (AVIP) is a research community of industry volunteers willing to share their insights on a regular basis to create actionable information. Members of the panel are asked to participate in a short, two-to-three-minute monthly survey designed to gauge business sentiment and trends in the AV industry. Surveys may be taken via your phone or computer.

In return for their time and effort, InfoComm AV Intelligence Panel members will be eligible to:

- Earn points toward Amazon online gift cards
- Preview the survey results prior to public release
- Attend a recognition reception at InfoComm trade shows
- Include select questions of their own in panel surveys

The InfoComm AV Intelligence Panel is designed to be a global community, representative of the entire commercial AV value chain. InfoComm invites AV integrators, consultants, manufacturers, distributors, resellers, live events professionals and AV technology managers to get involved. If you would like to join the panel, enjoy benefits and share your insights with the AV industry, please apply at infocomm.org/AVIP.