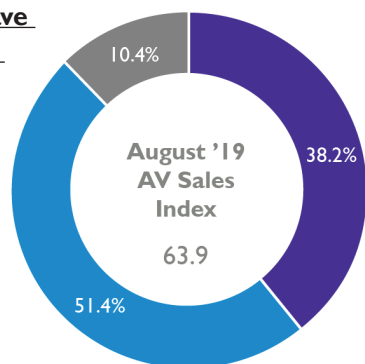


AV Industry Grows in Face of Trade Pessimism

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 data, 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 5 percent 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 the business activity; an index of more than 50 indicates an increase, while an index less than 50 indicates a decline.

Compared with the previous month, have the billings/sales at your location...

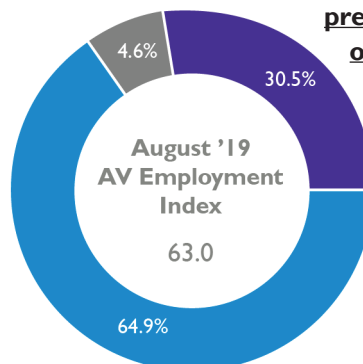
N-144



- Sales increased significantly (5% or more)
- Sales remained unchanged
- Sales decreased significantly (5% or more)

Compared with the previous month, is the overall employment at your location...

N-151



- Employment increased significantly (5% or more)
- Employment remained unchanged
- Employment decreased significantly (5% or more)

Highlights:

- The August Pro-AV Business Index leapt up 3.6 points this month, peaking at 63.9. The 63.9 mark is the highest recorded growth rate since September 2018, and the 3.6-point increase was the largest bounce since March of 2018. These happy developments come as a surprise as broader economic indicators — employment, equity markets, even many countries' GDP numbers — show slowing growth or even contraction. A closer look at

both the economic indicators and the pro-AV figures reveals a clear dichotomy: Where trade is involved, business suffers; otherwise, things are going well.

- August started with an intensification of the trade war, covered in last month's index. The rest of the month saw continued turbulence and little improvement. This month we polled the Insights Community (our updated version of the Intelligence

Panel — see below for details) about how the trade conflict affects them and how they think conditions will change over the next six months. Respondents reported that the biggest impact is that trade uncertainty is causing companies to avoid AV investment, followed by AV products becoming more expensive thanks to tariffs and supply chain disruptions. And, unfortunately, the community sees worsening conditions, with 48 percent predicting trade war intensification against just 15 percent foreseeing improvement.

- Countries like Germany, the U.K., Brazil, and South Korea find themselves poised on the brink of recession at this time. This sounds like worse news than it actually is. Economists define a recession as two consecutive quarters of GDP contraction, but back-to-back quarters of 0.1 or 0.2 percent GDP drop is a far cry from the multi-year, multi-percent drop most countries experienced around 2008 and 2009. Businesses can withstand such a modest decline with strategic belt-tightening alone. Still, seeing so many major world economies hovering near zero growth is anything but positive news. And note the common thread among these countries: reliance on exports. The trade war is hurting businesses around the globe and putting important economies on the edge of recession.
- The U.S. economy added 130,000 jobs in August, close to the predicted figure of 150,000. Just as analyzing GDP numbers shows the negative impact of trade strife, so does analyzing the jobs

numbers. While health care and service industries added jobs, export-dependent industries like manufacturing and mining were flat or declining. In fact, the U.S. manufacturing sector is now technically in a recession, having experienced six months of decline. Though trade does affect pro AV, the industry is spread across so many vertical markets and solution areas that it has continued to grow. Indeed, the August Pro-AV Employment Index clocked in at 63.0, its highest growth rate in six months. Commenters continue to mention how scarce skilled labor is currently, reinforcing our positive read on the pro-AV employment market.

“Business is still good despite the gloomy stock market. Regardless, I am seeking to diversify into other markets that endure through less-confident financial times.”

- AV Integrator, North America

“Due to high customer demand for our products and services, we are hiring new employees as fast as we can. It’s a challenge to find new qualified people with AV experience.”

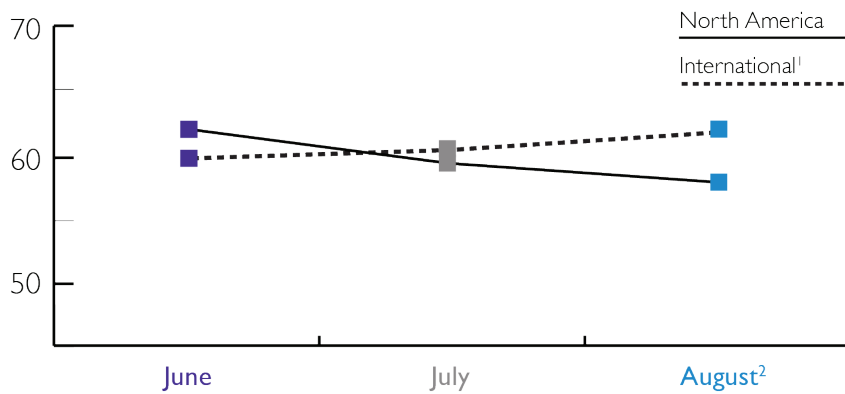
- AV Integrator, Europe

“Embedded Voice and IT, with pro-AV systems on a sharp rise impacting required skill sets and structure of both sales and operations. Integrated solutions, yet segregated skill sets.”

- AV Integrator, North America

International Outlook

The reversal of North American vs. International fortunes strengthened in August². North American sales expanded faster than International sales for the first six months of the year, but, starting in April, North American sales growth began to slow while International growth began to accelerate. Right now, the International sales figure is at 62.3, 4.9 points ahead of the North American reading of 57.4. Thankfully, both numbers are comfortably above 50, indicating that both regions are experiencing continued sales growth.



¹ Global 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. August 2019 index is preliminary, based on the average of July 2019 and August 2019 and will be final with September 2019 data in the next report.

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

Methodology

The survey behind the AVIXA Pro-AV Business Index was fielded to 600 members of the AVIXA Insights Community, Aug. 28 to Sept. 5, 2019. A total of 253 AVIP members 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, 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 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, while a score lower than 50 indicates a decrease in activity. Any score higher than 50 indicates an increase in billings/sales.

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.