



Pro-AV Business Index

Released November 2017

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 tracking trends. Two diffusion indexes are created using this data, the AV Sales Index and AV Employment Index. The diffusion index is calculated based on the positive response frequency from those who indicated their business had 5 percent or more increases 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 over 50 indicates an increase, while an index under 50 indicates a decline).

Businesses Continue to See Expansion Despite Uncertainty

The global economy remains strong with low unemployment and positive GDP growth worldwide. The overall economic condition has implications for the Pro-AV Business Index as it holds steadfast, with 14 months of continued expansion since the Index's inception in September 2016. While the October Pro-AV Sales Index reads lower than September, it continues to grow with a score of 59.7 this month (any score above 50 indicates an increase in billings/sales).

Uncertainty among panelists stems, first and foremost, from the state of political leadership on nationalist policies. This is particularly pronounced among the international panelists regarding Brexit, as it has already impacted some firms. Specific impacts include skilled labor leaving for their home countries, unfavorable exchange rates, and even reductions in local education funding. Ongoing NAFTA renegotiations also continue to affect trade policies worldwide, not just among the U.S., Canada, and Mexico.

"The NAFTA Agreement with United States and Canada is being renegotiated, and the adverse references so far from the current U.S. administration has had negative effect on our currency rate of exchange, which is impacting our business."

— AV Product Distributor, Latin America

The uncertainty also creates indecisiveness among clients, which can have a direct impact for the pro-AV business. According to the panelists, some projects are currently on pause and some are just starting to be fulfilled after holdup since the last quarter.

"There is a noticeable slowdown in orders and spending. Some may be due to seasonality for our business, but there seems to be more hesitation on launch of new projects. The pipeline is healthy and full, but few are breaking free and starting."

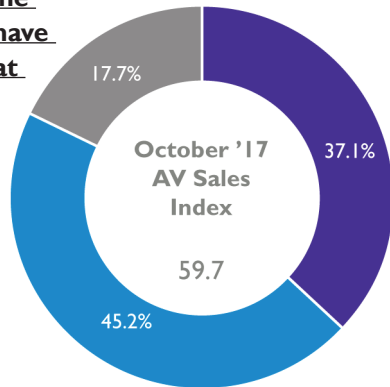
— AV Product Distributor, North America

"It appears that many of the projects that have been on hold are now coming to fruition in the last quarter. It is good for our business and will continue into next year."

— Systems Integrator, North America

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

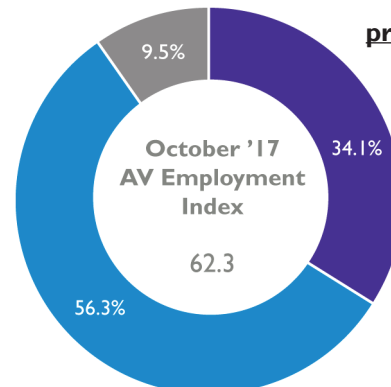
N-124



- 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-124



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

The Pro-AV Employment Index stands at 62.3 in October, indicating hiring conditions remain healthy and firms continue to add workers, despite some challenges finding qualified staff. Skilled labor shortages have been in the news with low unemployment and a strong economy worldwide. Nearly three-quarters of the AV Intelligence Panel members said they currently have open positions at their company; more than one-third (36.1 percent) said the positions have been open for more than a year. Furthermore, only about one-quarter (26 percent) say they fill the AV positions within four

weeks. The potential for higher employment costs and/or an inability to meet project requirements remain a key concern as some firms may have to turn away work as a result.

“Recruiting staff has become more competitive and new entrants into the workforce are expecting higher starting wages. We have to meet the demand in order to keep up with growth of the industry or turn away potential opportunities.”

— AV Consultant, North America

Industry Conditions for Next Six Months

When looking at revenue for the next six months, 45.7 percent of the panel members are positive and 40.9 percent neutral. Moreover, panel members see the workforce expanding or remaining stable, with nearly 9 in 10 indicating positive or neutral readings for the next six months.

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



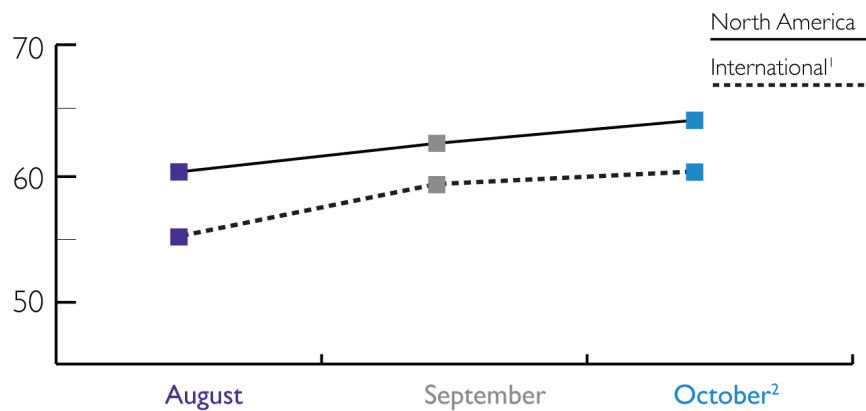
How would you assess your revenue/turnover conditions for your organization in the next 6 months?



International Outlook

The October International and North American preliminary² Pro-AV Sales Indexes continue to expand with the overall global economy. The October North American Pro-AV Sales Index reads 64.3 and the International Pro-AV Sale Index is at 60.8. While the lack of confidence in political settings has had little direct impact on the economy, it is important to monitor the progress of major policy events. In the

near and long term, Brexit is unofficially 15 months away, and NAFTA negotiations are in progress. Furthermore, the U.S. is re-examining trade deals with other regions of the world as well. This creates uncertainty that is also felt in the Asia-Pacific and the Middle East from economic and regional diplomatic tensions to implementing the business goods and services tax (GST).



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. October 2017 index is preliminary, based on the average of September 2017 and October 2017 and will be final with November 2017 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.

Meta-Trends Impact on Pro-AV

Macro-economic trends throughout the world can play a major role in the pro-AV industry from the outside in. As shown in the chart below, this month panelists were asked their opinion on the top trends that would impact the AV industry and its constituents in the near and long-term.

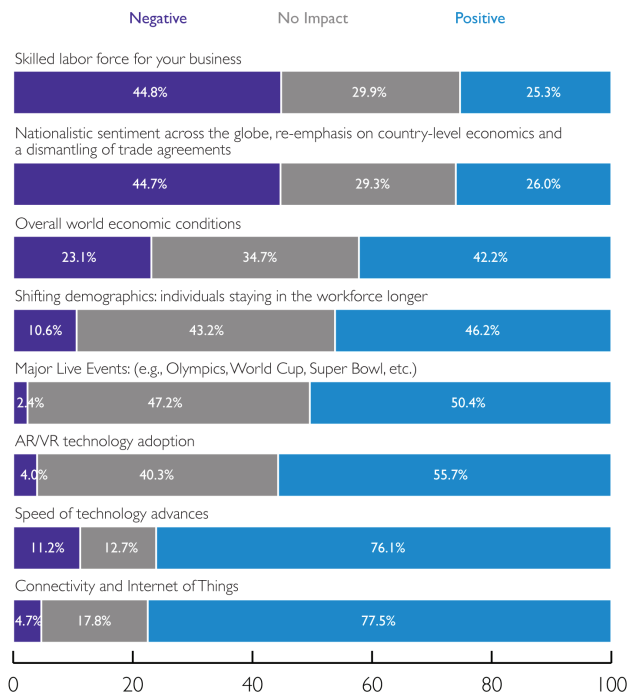
Technology advances drive the pro-AV industry, so it is not surprising that connectivity and IoT, and the speed with which technology advances, are most positively affecting the industry. Some negative impacts did come through, however, as users are quick to note the challenges of security risks that accompany growing connectivity among a multitude of devices.

Labor conditions and economic uncertainty have businesses keeping a close eye on the future. Consistent with the concerns raised above, the trends

having the most negative impact are 'Finding skilled labor' followed by 'Nationalistic sentiment across the globe, re-emphasis on country-level economics and a dismantling of trade agreements.' As the economy continues to flourish, finding skilled labor at an affordable price is expected to become more of a challenge.

Panelists also placed importance on having vendors with CTS[®] staff working on their projects. One-third (32.6 percent) of end-user panelists said it was "Extremely Important" for the vendor to have CTS project staff and nearly another quarter (23.3 percent) indicated it was "Very Important." Less than one-in-10 (7 percent) said it is "Not at All Important" to have CTS certified staff working on their projects.

Meta-Trends and Their Impact on the Industry



“The speed of technology adoption will have a positive effect on our business. As company leaders change generationally they focus more on technology than in the past, as they have been brought up with it and see the benefits rather than the cost. This can only lead to more companies adopting AV technology that in the past was thought of as too expensive or not necessary.”

– End User, Europe

Pro-AV Business Index 2017, Historical Data (Previous 3 Months)

	August 2017	September 2017	October 2017
Pro-AV Sales Index*	58.4	66.2	59.7
Pro-AV Employment Index*	54.6	66.0	62.3

* For more data starting September 2016, please see past reports or join the panel to get the monthly report and data emailed to you directly.

Methodology

The survey behind the AVIXA Pro-AV Business Index was fielded to 754 members of the AVIXA AV Intelligence Panel (AVIP) between Oct. 28 and Nov. 6, 2017. A total of 210 AVIP members completed the survey. Only respondents who are service providers 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 reports 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. Any score above 50 indicates an increase in sales/billings.

About the AVIXA AV Intelligence Panel

The AVIXA 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, AVIXA AV Intelligence Panel members will be eligible to:

- Earn points toward Amazon online gift cards
- Preview the survey results prior to public release
- Include select questions of their own in panel surveys

The AVIXA AV Intelligence Panel is designed to be a global community, 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 panel, enjoy benefits, and share your insights with the AV industry, please apply at avixa.org/insight/marketintel/AVIP.