

Electronic Component Sales Sentiment Drops Below 100 in December Outlook

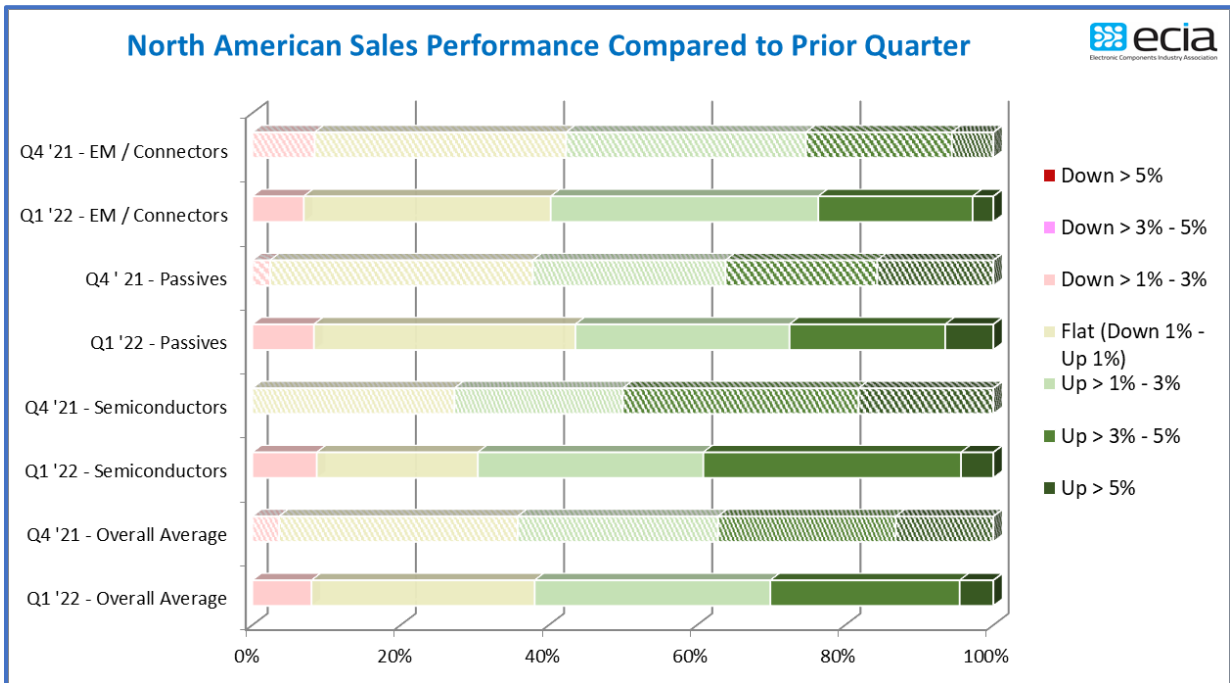
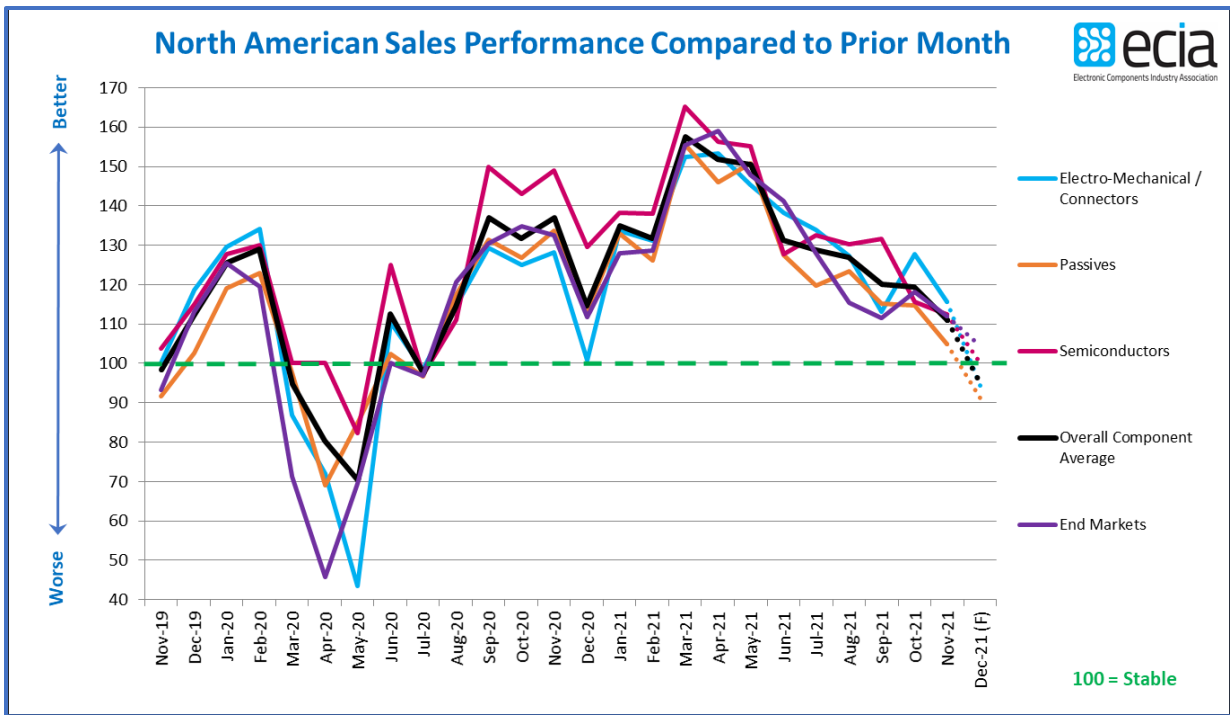
ECIA's Electronic Component Sales Trend (ECST) November and Q4 2021 Surveys

Dale Ford, Chief Analyst

The electronic components sales sentiment index points to an acceleration in its steep decline for the December forecast. This continues a significant downward trend that started in November. The previous survey results pointed to a major decline of -12.0 points between October and November falling to 107.3. The actual sentiment measured for November in the current survey came in down -8.3 points compared to October at an overall level of 111.0. The sentiment looking toward December predicts the overall average falling below 100.0 for the first time in 18 months, since July 2020. The December forecast for sales sentiment is expected to fall by -15.9 points from November down to 95.2 overall. From the perspective of the end-markets, the average sentiment for November comes in at 111.9 which is closely aligned with the product sentiment index for November. However, the decline predicted for December is less steep with the forecast sentiment coming in at 104.5. The difference between the average product and end-market sentiment forecasts is likely due to the differences in the mix of markets compared to the mix in products.

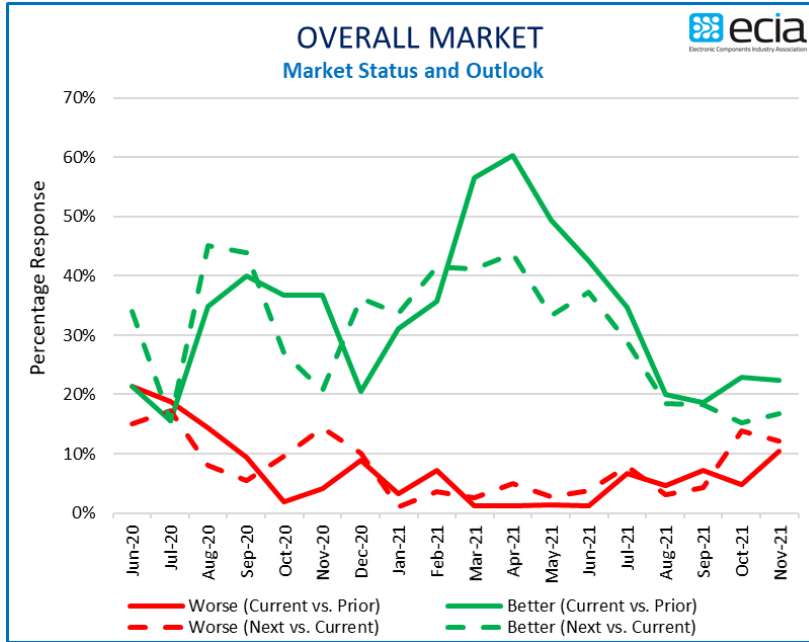
Passive components and Electro-Mechanical/Connector components are leading the predicted downward decline for December. The sentiment for Electro-Mechanical/Connector components plummets by -21.3 points down to 94.4. The Passive component index comes in lowest of all three categories at 91.1 in December. Given a significant slump in the Passives index for November, this is only a -13.8 point drop. Semiconductor sentiment is slightly more resilient as December is expected to drop by -12.5 points to 100.0 in December. Comparing between the three groups surveyed, Manufacturer Representatives depart significantly from the others with a surprisingly positive sentiment of 123.8 for November and 111.7 for December. Manufacturer sentiment hovers around 100 in November and December. Distributors report a decidedly pessimistic view as the index for this group collapses to 59.0 in December. Reviewing the various component sub-categories, Capacitor and Resistor sentiment falls below 90.0 for December. On the positive side, the Memory and MCU/MPU categories both achieve sentiment revolving around 110.0 in December. For many months the analysis of the ECST survey results has emphasized that a score above 100.0 indicates growth expectations. So, while the index numbers have fallen through the course of 2021, the overall index came in above 100.0 and called for some level of growth. Unfortunately, the new survey results predict a decline in December monthly growth – the first decline in 18 months as noted before.

From the longer-term perspective, the Quarterly ECST results deliver a much more encouraging view. The survey results for Q4 2021 show that 64% of respondents expected growth in Q4 2021 and this remains stable looking toward Q1 2022 at 62% of respondents. Semiconductors measure the highest level of optimism with over 70% expecting growth in both Q4 and Q1. The principal difference between Semiconductor expectations for Q4 and Q1 is a much smaller percentage expecting growth above 5%. All component categories show a trend toward growing expectations for growth between 1% and 3% in Q1 2022 compared to Q4 2021. While higher growth expectations are being tempered looking forward, they still provide an optimistic picture for the continued long-term growth of electronics component sales.



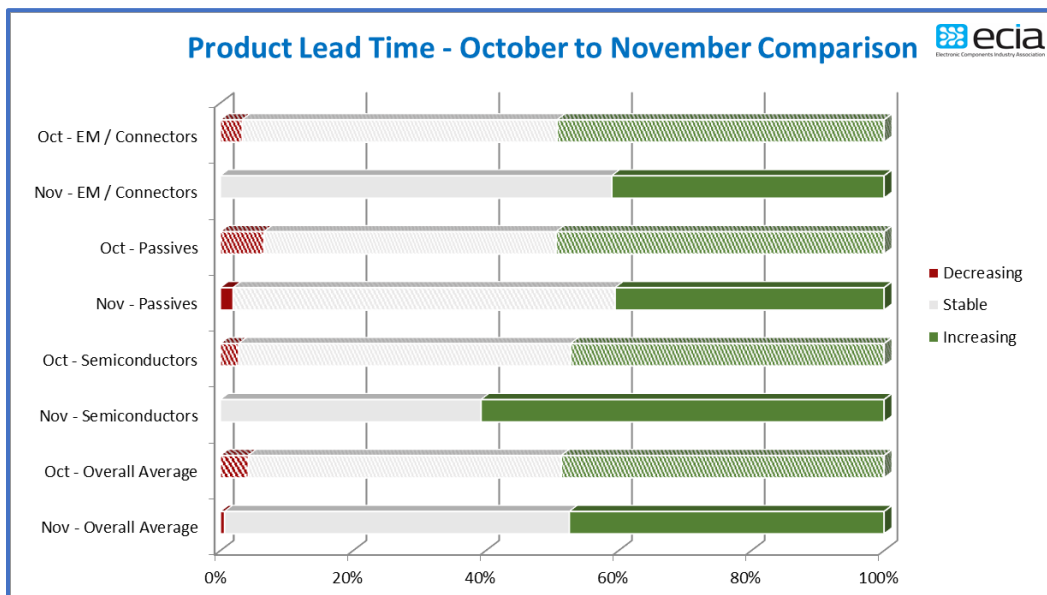
The detailed monthly survey measurement of expectations for end-market demand shows almost every market saw a decline in the index for both November and the December outlook. The declines when looking at the end-markets are not as precipitous as measured for component products. Only three markets come in under the 100.0 threshold looking toward December – Medical Electronics, Mobile Phones and Computers. They remain in the laggard position they occupied in November when Mobile Handsets were the only segment under 100.0 and Medical Electronics and Computers were at or slightly above 100.0. The greatest optimism for November and December continues to be found in Industrial Electronics and Consumer Electronics joined by Avionics/Military/Space. As noted previously, the market and component indices exhibit an element of seasonality in the month-to-month growth expectations. Expectations for November and December saw a similar decline in 2020. The electronics and electronics component markets have exhibited this typical, seasonal pattern of growth through most of its history.

Average fourth quarter growth is usually the lowest quarter during the year. However, there are other factors that are likely stunting growth expectations.



The assessment of the overall economy remains unchanged from last month. The economy, including the IT and electronics sectors, continue to be weighed down by heavy challenges that have increased over the course of 2021. In addition to a strong climb in inflationary pressures accompanied by a slumping consumer confidence index and labor shortages, the overwhelming supply chain crisis has harmed sales in every sector of the economy. With no end in sight to the stalled supply chain, manufacturers and retailers face an extremely risky and uncertain future. On top of all of this, the ongoing debate in congress over the budget and its implications for the fundamental structure of the U.S. economy has placed all industries on a very unstable situation.

Comparing the results between the October and November surveys shows a slight easing in lead time pressure for Electro-Mechanical/Connector and Passive components. By contrast, Semiconductors saw a significant increase in lead time increases. The semiconductor results align with the data reported by ECIA in its weekly/monthly lead time report. The most significant increase in lead-time pressure is found in Memory ICs, MPUs and MCUs.



The ECST survey provides highly valuable and detailed visibility on industry expectations in the near-term through the monthly and quarterly surveys. This “immediate” perspective is helpful to participants up and down the electronics components supply chain. In the long-term, ECIA shares in the optimism for the future as the continued introduction and market adoption of exciting innovative technologies should motivate both corporate and consumer demand for next-generation products over a growth cycle that still appears to have legs to go an extended distance.

The complete ECIA Electronic Component Sales Trends (ECST) Report is delivered to all ECIA members as well as others who participate in the survey. All participants in the electronics component supply chain are invited and encouraged to participate in the report so they can see the highly valuable insights provided by the ECST report. The return on a small investment of time is enormous!

The monthly and quarterly ECST reports present data in detailed tables and figures with multiple perspectives and covering current sales expectations, sales outlook, product cancellations, product decommits and product lead times. The data is presented at a detailed level for six major electronic component categories, six semiconductor subcategories and eight end markets. Also, survey results are segmented by aggregated responses from manufacturers, distributors, and manufacturer representatives.