

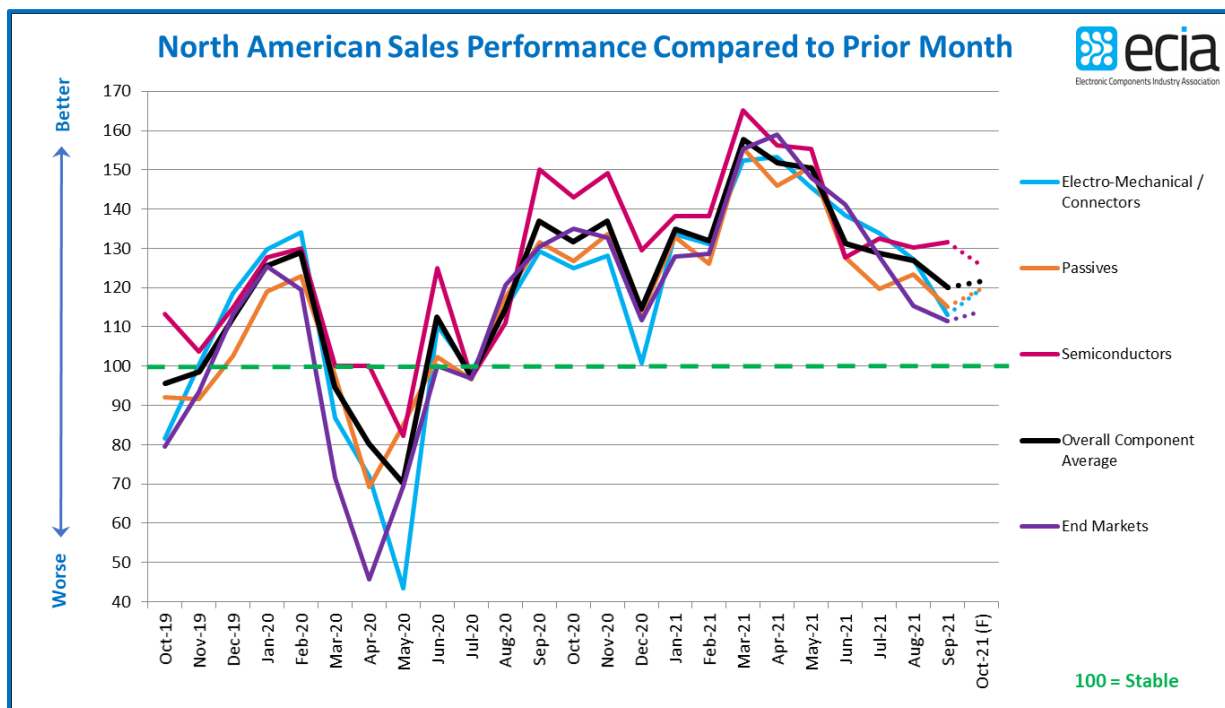
Signs of Stabilizing Growth in Electronic Component Sales

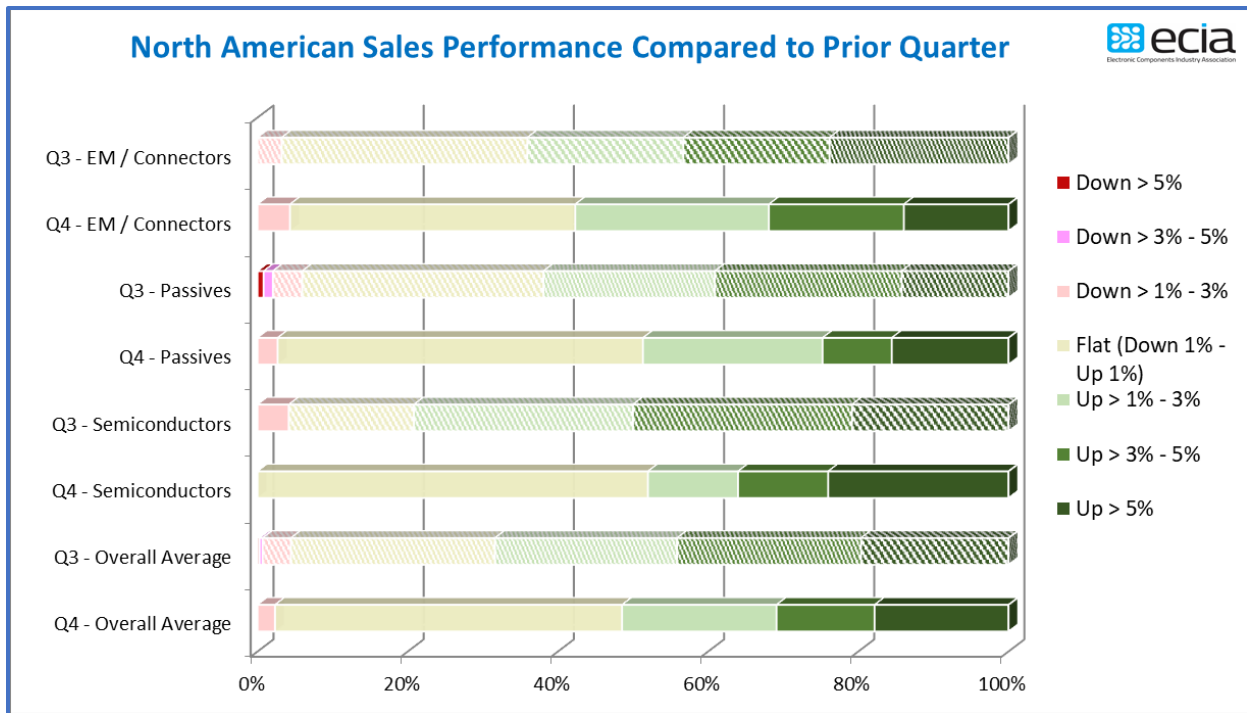
ECIA's Electronic Component Sales Trend (ECST) September and Q3 2021 Surveys

The latest results from ECIA's Electronic Component Sales Trend (ECST) surveys for September and Q3 2021 point to an apparent stabilization of growth in recent months following wide swings in growth expectations over the past 20 months. The index average for growth expectations for overall components ranged between 120.0 and 127.0 between September and the October outlook. Similarly, expectations for overall end-market growth fell within a range of 111.4 and 115.4 in the same period. By comparison, the overall component index fell from 157.7 to 127.0 between March and August 2021 with the end-market index following a similar profile.

While the detailed Electronic Component Sales Trend (ECST) report shows a significant difference in variability/volatility between various component sub-categories and end-markets, the overall picture of a more stable growth profile is encouraging for supply chain participants working to manage in a very challenging environment. We continue to point out that any score above 100 indicates growth expectations. So, while the level of the index has fallen it continues to point to ongoing growth.

The quarterly ECST survey results which remain the same as presented last month present a similar picture looking through the end of 2021. A comparison between growth expectations for Q3 2021 and Q4 2021 shows continued optimism for sales growth in both Q3 and Q4. The share of participants expecting growth in Q3 is 68% followed by continued optimism in Q4 but lower at 51% of participants. Only between 2% and 4% of participants expect a decline of between -1% and -3% in Q3 and Q4. The remaining survey participants expect stable revenues for the second half of 2021. This slightly longer-term outlook signals a continuation through the end of the year of the trends expected in September. The more modest growth picture for the remainder of 2021 should offer some relief to suppliers and supply chain managers as they have been challenged by demand that has outstripped supply in many areas and resulted in inventory shortages and significantly extended lead times.



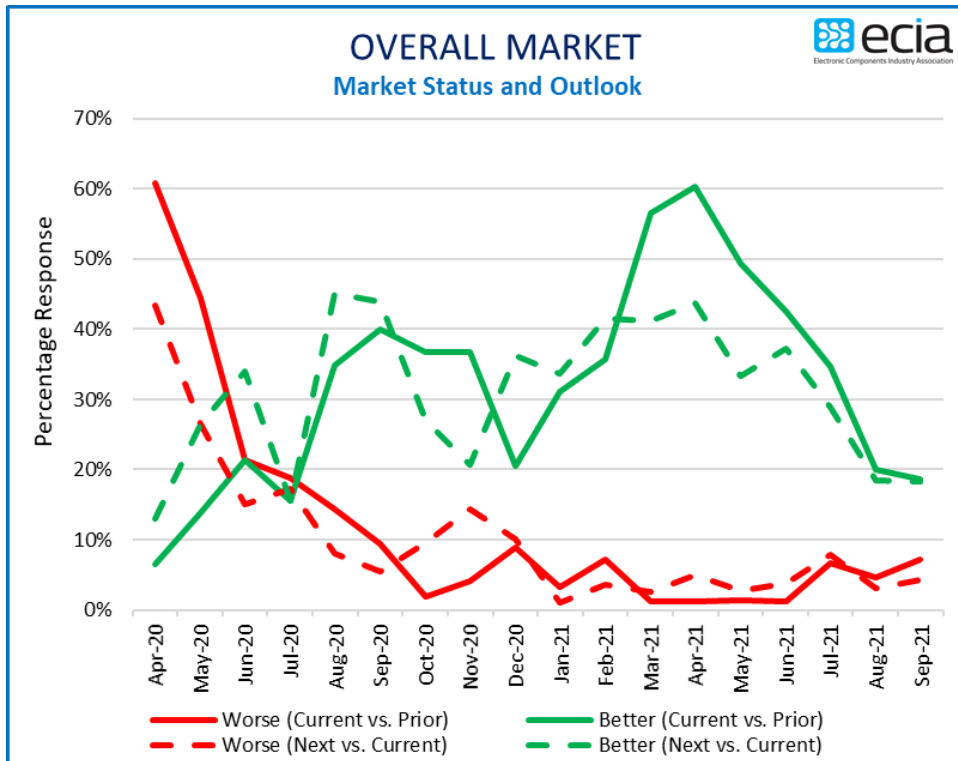


The monthly survey measurement of expectations for end-market demand shows a more consistent level of expectations between August and September compared to the significant decline in those anticipating better growth between April and August. Those expecting a decline in growth have remained below 10% since September 2020, a full year. The difference in better vs worse in the current month compared to the next month in August and September remained within a close range. Once again, this points to a more stable, yet positive, overall sales expectation for end market demand.

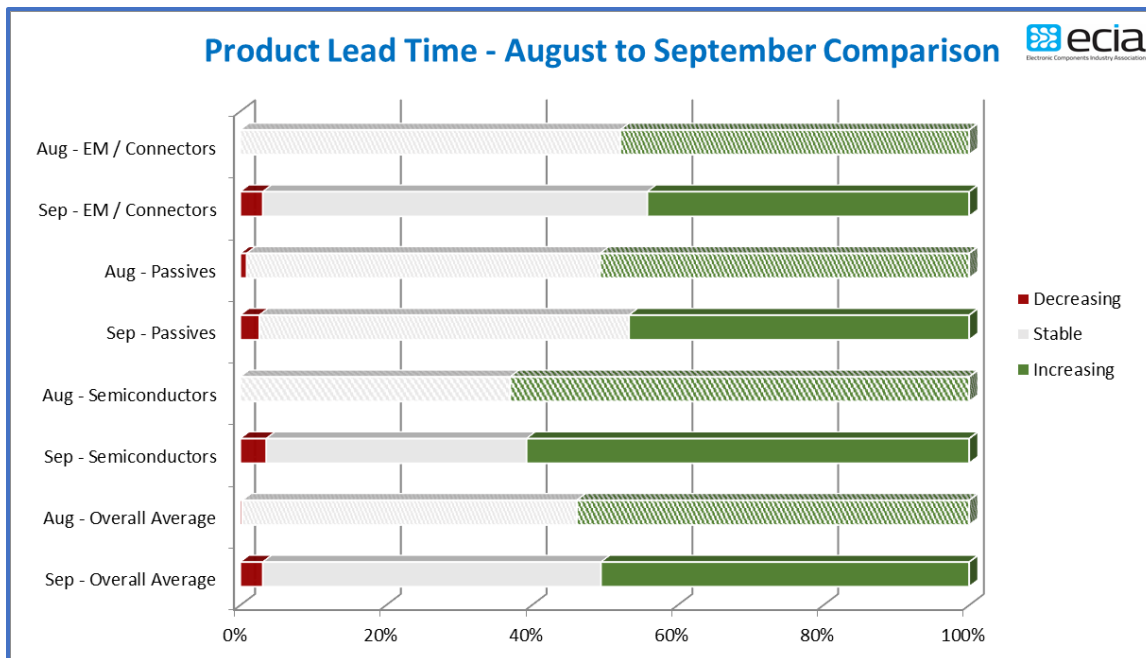
The recent stable, yet positive, expectations measured by the index is a pleasant surprise given the growing concerns and uncertainty related to the economy, emergence of inflationary pressure, raw material supplies, the resurgence of COVID-19 with potential shutdowns, national and geopolitical instability, and increasing supply chain disruptions and lead times. It seems that every stage and dimension of the supply chain presents a crisis: Constrained cargo shipment capacity by sea or air; Overwhelming port congestion, Overflowing storage centers, Limited trucking availability, Lack of visibility and capacity in railroad carriers, etc. It seems that the one factor that over-rides all of these challenges is the continuing, robust end-market demand. Should this demand see a significant decline due to a collapse in the economic environment, the growth profile could not sustain its positive sentiment in the face of all of the surrounding pressures.

Looking toward October, Industrial Electronics and Automotive Electronics captured the strongest positive growth sentiment. (It is interesting to note that in September Automotive Electronics ranked near the bottom in expectations.) Medical Electronics continues to drive consistently strong expectations. After standing at the top of expectations in the last survey, Avionics/Military/Space fell into the lower range in expectations in the September survey. Computers actually fell below the 100-growth benchmark for September growth sentiment but rebounds back above 109 looking toward October.

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 new technologies should motivate both corporate and consumer demand for next-generation products over a growth cycle that appears to have legs to go an extended distance.



Comparing the results between the August and September surveys there are welcome signs that the lead time pressure may be starting to ease slightly. This seeing increasing lead time pressures shrank while the early signs of decreasing pressure in some areas is showing up. The data presented in the full report show that Discrete semiconductors, Capacitors, and Analog ICs continue to experience the strongest lead time pressure in August and September. However, between 66% and 93% of survey participants in the quarterly survey reported low to extremely low inventories across component categories. DRAM and Data Flash memory were under the greatest pressure.



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.