

Recovery will not be linear

ECIA's president & CEO, David Loftus reminds readers that distribution demonstrates its highest value at inflection points in the economy

Covid has impacted the electronic component supply chain in 2020, how do you envisage the market will perform in 2021?

The timing of the worldwide pandemic has been particularly troubling for our ECIA members and the entire electronics industry. After a nearly two-year downturn, Covid stalled the nascent electronics rebound that had begun December/January and significantly disrupted the supply chain through Q2 2020. The good news is that demand is bouncing back strongly in late Q3 and Q4, and prospects for 2021 are looking highly favorable.

US consumer spending, durable goods and new home sales continue their strong recovery and the Fed is likely to keep interest rates near zero to

further stimulate the economy. Worldwide, 2021 semiconductor growth is projected at five per cent. The IP&E markets tend to lag the semiconductor market by a couple of months, so 2021 looks favorable across the board for electronic components.

With the result of the election now in, what are your thoughts on the US economic climate?

With the presidential election of Biden/Harris, the US economic outlook is mixed. On the plus side, Biden is highly likely to roll back Trump's China trade war by eliminating tariffs and lifting restrictions against Huawei and other major Chinese manufacturers. This move will immediately improve short term growth, longer term will depend on China's well-

publicized initiative to become more self-sufficient for electronics technology.

But Biden's promise to reverse the Trump era corporate tax reductions could reduce US corporate earnings, likely dampening growth and investment prospects for most US companies. Control of the Senate will be a key pivot point. If the remaining runoff maintains Republican control, a divided government will likely slow radical tax changes that could derail the recovery. Recovery will be sustained with Q4 GDP growth projected at three per cent annualized, with four per cent growth expected for the whole of 2021.

What are the positive forces that will push the electronic component



Electronic Components Industry Association's president & CEO, **David Loftus**

distribution industry forward over the next 12 months?

Worldwide economic recovery will not be linear. There will certainly be fits and starts as countries continue to struggle with additional Covid outbreaks and partial lockdowns. Customers already suffering from the economic carnage of the last three years will need strong partnerships with their distributors to access inventory and assist with value-added services. Distribution demonstrates its highest value at inflection points in the economy, and the continued volatility due to Covid and political change will reinforce the importance of component distributors.

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