

Actual Electronic Component Sales Sentiment Wallops December Expectations / Strengthening January Outlook

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

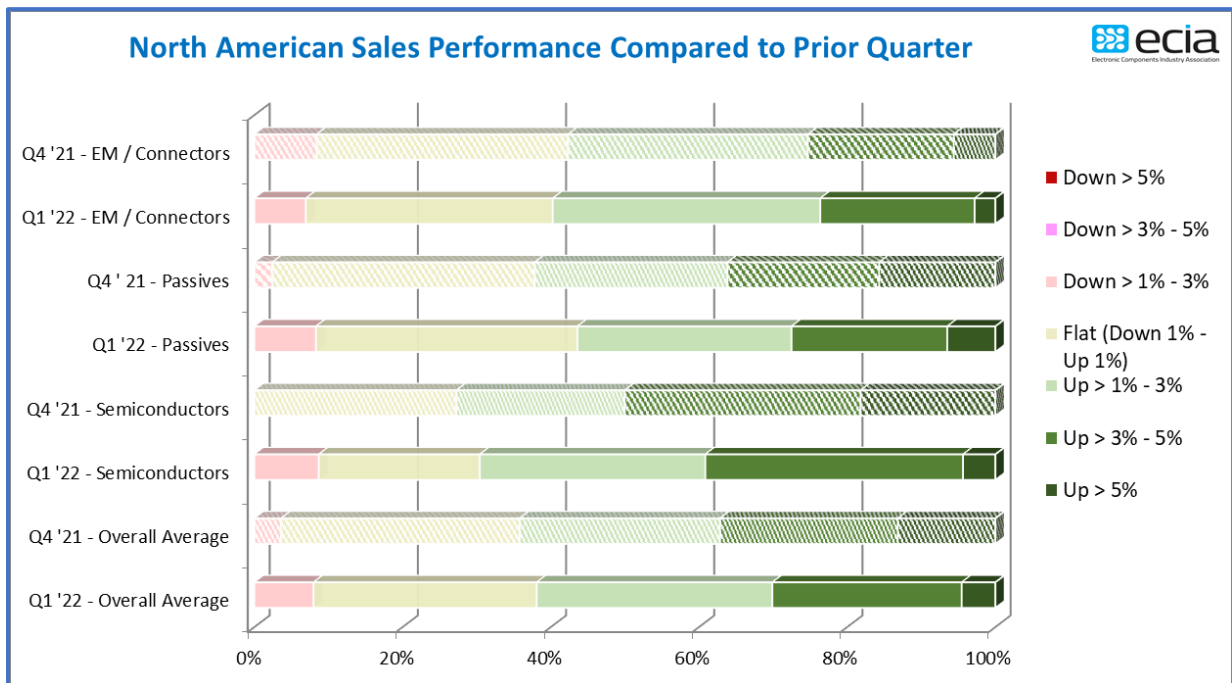
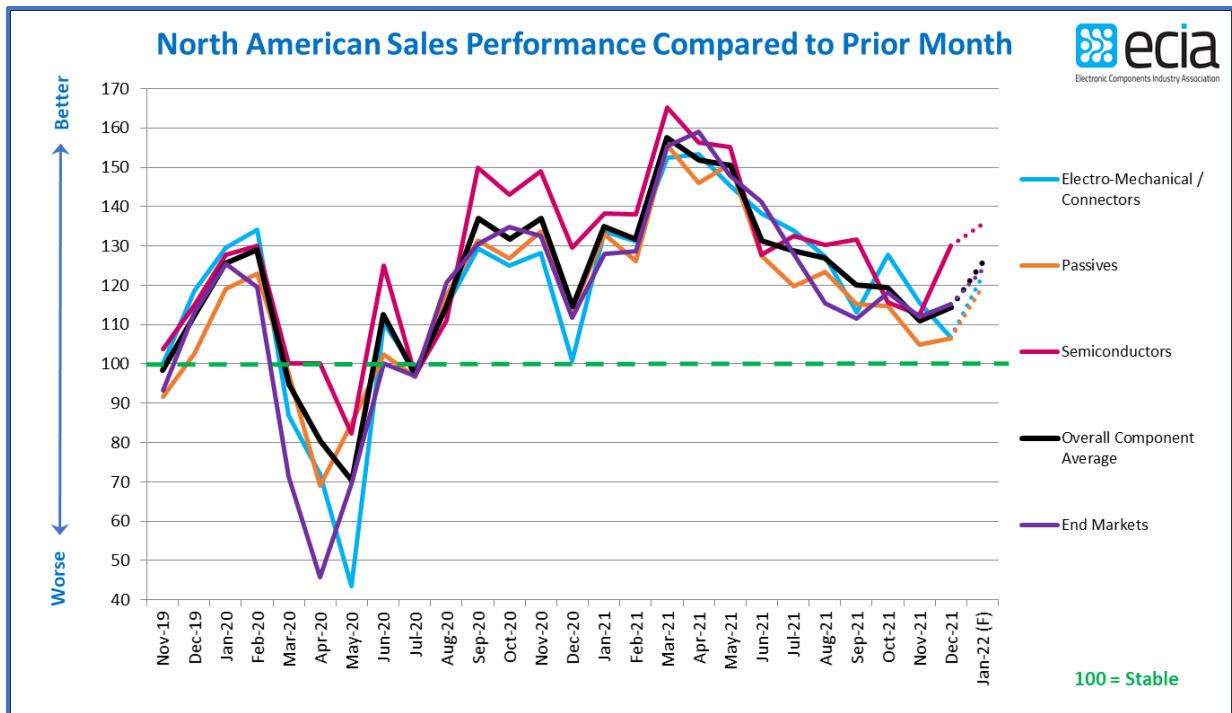
Dale Ford, Chief Analyst

The results of the December 2021 ECST survey delivered a pleasant surprise as the measurement of actual sales sentiment for December outperformed the sales outlook for December from the prior survey by a wide margin. The overall component sales sentiment outlook for December published in the November report was 95.2, an indication of expectation of a month-to-month sales decline. The actual sentiment measured for December in the latest survey is 114.4, a difference of 19.2 points and an indication of sales growth. This was also an improvement over the November actual sales sentiment of 111.0. Even more encouraging is the jump in the index in expectations looking forward to January 2022. The sentiment forecast for January jumped to 125.8, the highest level since August 2021. The overall end-market sentiment index mirrors the product index closely.

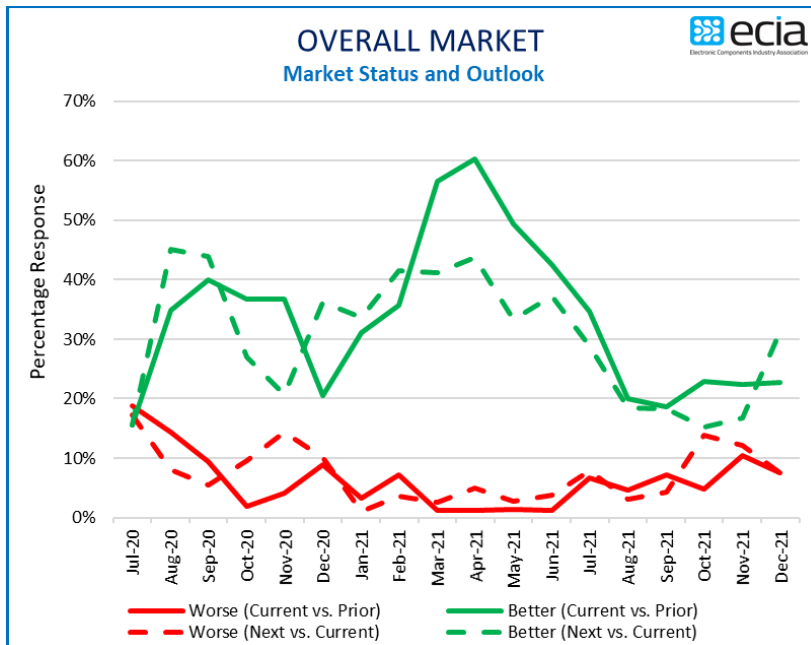
Semiconductors lead the upward swing in sentiment at 130.0, a dramatic difference from the outlook of 100.0 for December. Passive components and Electro-Mechanical/Connector components also far outperformed expectations with actual sentiment compared to forecast sentiment coming in 15.3 and 12.2 points higher respectively. Looking toward January from December all product index measures are forecasting a robust month-to-month sales growth between 119.6 for Passive Components up to 135.5 for Semiconductors.

Among the various component sub-categories, Discrete components, Analog ICs and MCU/MPUs show the greatest optimism looking toward January. However, even the lowest sales outlook index is still well above the threshold of 100 as Inductors come in at 111.4. In contrast to the concern that the index would fall below 100 in December, the overall actual component sales sentiment index has now register above 100 for 17 straight months dating back to August 2020. Comparing between the three groups surveyed, there is a major reversal in expectations between Manufacturer Representatives and the other two groups. In their outlook for December Manufacturer Representatives were significantly higher than the others in their expectations. This has reversed in the January outlook as Manufacturers and Distributors have much higher expectations compared to Manufacturer Representatives. However, the overall sentiment outlook for January for all three groups is well above 100.

From the longer-term perspective, the Quarterly ECST results deliver a similar 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.

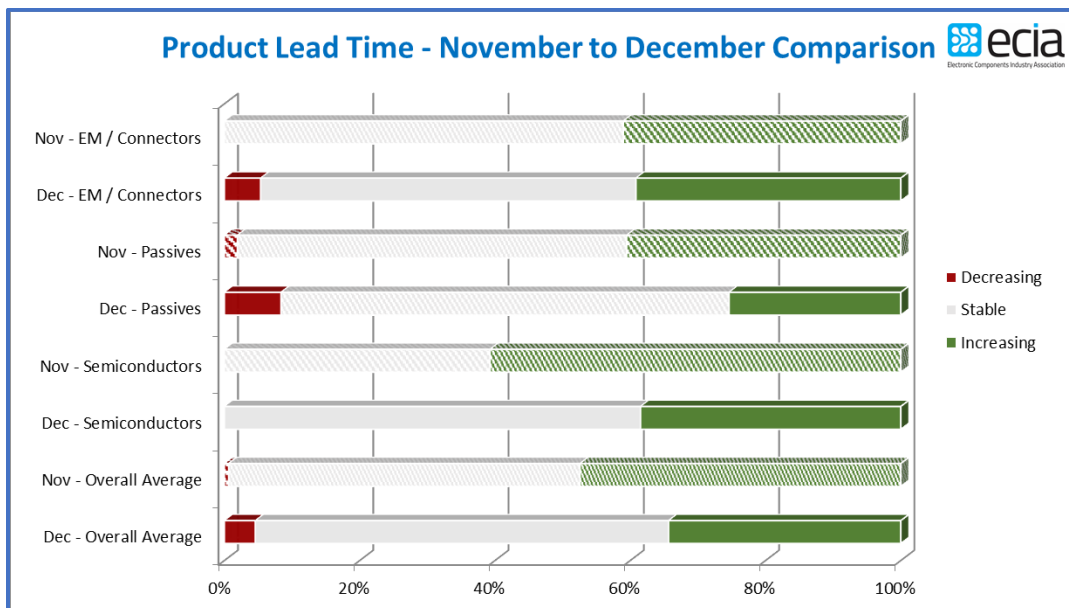


The detailed monthly survey measurement of sentiment for end-market demand shows every market sustaining a sentiment above 100 for December. Only three end markets report an expectation of sales sentiment below 100 for January – Computer, Consumer and Mobile Phones. However, all three are only slightly below 100 in January expectations. The greatest optimism looking toward January is found in Avionics/Military/Space, Industrial Electronics and Medical Equipment. As noted previously, the market and component indices exhibit an element of seasonality in the month-to-month growth expectations. 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. Fortunately, it appears the seasonal impact has still not resulted in a month-to-month decline in expectations of sales growth in the later months of 2021 and first month of 2022.



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 continuing 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 November and December surveys shows a notable easing in lead time pressure for Semiconductors and Passive components as those reporting increasing lead times declined substantially. Electro-Mechanical components maintained a fairly steady level. However, even this category saw a meaningful share reporting decreasing lead time. All of the component subcategories reported a decline in lead time pressure. Hopefully, this sentiment will manifest itself in actual measured lead times as we move forward!



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.