

Electronic component market review - January 2023

Main Highlights

This quarter celebrates Lunar New Year, with a farewell to the Tiger and celebrations welcoming the year of the Rabbit. Many countries in Asia are now observing the Lunar holiday and taking time to celebrate with friends and family – with the return to work after the Lantern Festival falling on Sunday 5th February 2023.

Globally, a recession in 2023 still seems likely, however the economy has not seen the worst of the predicted downturn in Q4 2022 with [UK GDP growing](#) 0.5% in October, and 0.2% in November 2022.

UK inflation reached 10.5% in December 2022, with several base rate hikes in short succession throughout the second half of 2022. Although high, the December rate is lower than 11.1% recorded in October 2022 – [a 41 year high](#). The Pound has strengthened and stabilised against the Dollar after a rocky Q2+3 in 2022, fuelling international confidence in the UK economy. This is following Political and Government stability with newly appointed [Prime Minister](#) Rishi Sunak and his Cabinet re-shuffle.

The world appears to have adapted to living with COVID-19, with some reports it could become endemic this year. China lifted its strict '[Zero Covid](#)' policy in December which saw the scrapping of lockdowns and the ending of quarantine.

Capacity and lead-time issues

- Reports of a catastrophic fire at a plating subcontractor on 6th Jan - used by Vishay Siliconix and Infineon - have emerged over the last few days. Information at this time is limited, but it is expected that distribution will manage communications regarding effected product lines (MOSFETS) in the coming days and weeks. Both Vishay Siliconix and Infineon are working independently on recovery plans to ensure minimum disruption to their respective customer bases.
- Lead times are still lengthy for many semiconductor manufacturers, but some allocation constraints in certain product groups are improving.
- Texas Instruments supply is still not easing, with regular de-commits and a struggle to obtain product on some product groups. Lead times are still being quoted at 88 weeks and beyond.
- It is critical that all 2024 demand and forecasting is made visible to your EMS partners asap, so that collaboratively, we can get ahead of the chip shortage and secure future supply chains.

Manufacturer Mergers/Acquisitions

- Cambridge-based [Bulgin](#) have been acquired by Infinite Electronics to further strengthen and accelerate business growth globally.
- [Melexis](#) is set to double its test capacity with a new building and €70m investment in Kuching, Malaysia, over the next five years.
- The transfer of all shares from Phoenix Mecano to Swiss-based [Cicor](#) group has completed.

PCB Technology

Chinese factories are on shutdown for two weeks from 20th January 2023 – 6th February 2023 to celebrate Lunar New Year. With the shutdowns and widespread travel, there is a potential risk with COVID-19 that factories may

take longer to come back online after the two-week national holiday if staff fall sick during this time. Lunar New Year can ordinarily bring up to 40 days of supply chain disruption.

Pricing Uncertainty

- Price rises are still very visible in the supply chain and regularly being pushed down from the manufacturers across all commodities.
- Xilinx have increased pricing by between 8% and 25% on some product groups, this pricing structure came into place on 9th January 2023.
- ABB prices have increased, effective 1st February 2023.
- Molex pricing increased on some lines with increases of at least 20% seen taking effect on 13th January 2023.
- Leuze issued a new price list with prices averaging a 7% increase from 1st January 2023 due to the current challenging economic climate.
- Penn Engineering have adjusted pricing upwards by 6% on all parts applicable from 1st January 2023.

Global Economy

- [Oil](#) pricing is relatively stable and showing a gradual downward trend and is now \$87.63 per barrel at time of writing.
- [Gold](#) has increased and is now trading at £1,557.22 per ounce which is a 6% 3 month increase.
- [Silver](#) has risen again, and is now £18.78 per ounce, which is a 9.83% quarterly increase.
- Steel [rebar](#) is stable, 2-month contracts are now \$677.00 per tonne.
- Bitcoin is now valued at \$22,786.00 per coin having climbed slightly over the past three months.
- [Copper](#) pricing is continuing to rise, with bids at time of writing at \$9,232 per tonne. Copper has continued to climb since lows in July last year.