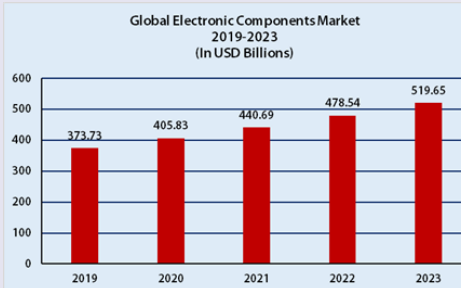


Electronic Components Market



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...Asia-Pacific dominates the global electronic components market.

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Global Outlook

According to a report by The Business Research Company, the global electronic components market was worth \$373.7 billion in 2019. It is expected to grow at a compound annual growth rate (“CAGR”) of 8.6% and reach \$519.7 billion by 2023.

The increasing use of the internet of things (“IoT”) and automotive technologies in electronic devices is expected to drive the overall growth of the market in the coming years. In addition to this, an increase in the use of IoT in factories, homes, telecommunication, and domestic and industrial electronics are some of the factors that are driving the demand for electronic components. Further, the increasing demand for electronic components by original equipment manufacturers in order to fit the smaller components to their circuit board assemblies is expected to create opportunities for market growth over the forecast period.

However, the overall market for electronic components is also being restrained by the ever changing global economic, banking and political outlook. The global economic scenario is expected to be affected by changing political environments across the globe. Policies such as mammoth tax cuts and increasing tariffs are some of the factors that are affecting global economic conditions, which can hamper market growth.



Regional Segmentation

Geographically, Asia-Pacific dominates the global electronic components market. Factors such as development of auto electronics, economic development, growing digitisation, and rapid industrialisation are driving the growth of the Asia-Pacific electronic components market. North America is the second-largest market for electronic components, followed by Europe. Active electronic components used in semiconductor, healthcare, manufacturing and consumer electronics such as in computer-aided systems, IoT, automated technologies are the major driving factors of North America’s and Europe’s electronic components market.



Type and Applicational Insights

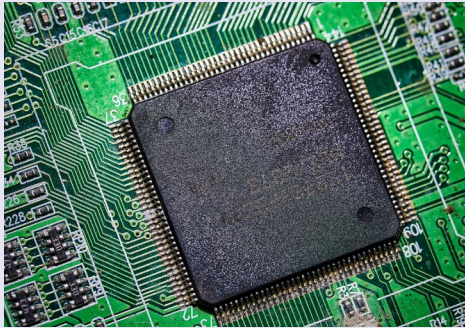
The global electronic components market is segmented based on type and application. On the basis of type, the market is segmented into active components, passive components and electromechanical. The active components segment holds over 52% market share of the global electronic components market. The growing adoption of hybrid and electric vehicles and rising adoption for renewable energy are increasing the demand for active components. Based on the application, the sub-markets include automotive, communications, computing applications, industrial and medical applications. The automotive and communications segments currently hold large shares of the market.



Consumer Electronics Segment has the Highest Revenue Share

According to Grand View Research, the consumer electronics segment led the market in 2020, accounting for the highest revenue share of over 33%. The segment is expected to expand further at a CAGR of more than 10.0% over the forecast period of 2021-2028. The growth is primarily attributed to the increasing demand for semiconductor devices for various consumer devices, such as mobile phones, digital cameras, Set-Top Boxes (STB), wearable devices,

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gaming devices, and others. Furthermore, the demand for networking devices, such as routers, modems, gateways, and repeaters, is increasing, especially in office automation and residential application segments. Thus, with the growing demand for network devices and other IT hardware, the adoption of active electronics components will increase over the forecast period.



Demand in Automotive Sector and Manufacturing Industry

The on-going trend towards automation in the automotive sector has increased the demand for various electronic devices, such as driver assistance systems, DC to AC converters, controllers, power integrated devices, telematics, and global positioning systems, among others. These devices are widely used in electric vehicles and autonomous vehicles. Hence, the growing demand for electric cars given reducing global carbon emission is estimated to spur the adoption of these electronic devices over the forecast period. As a result, it is further anticipated to increase overall market growth

With the advent of connected technologies, the manufacturing industry is fast transforming. These connected devices help manufacturing facilities to increase the overall productivity and operational efficiency by delivering ease of operability and reducing the overall downtime.

Moreover, with the evolution of industry 4.0, various manufacturing companies are embracing digitalisation to streamline the operational processes through remote monitoring. Hence, rising deployment of connected devices across manufacturing facilities is also expected to boost the electronic components market in the coming years.



Volatility in Raw Materials Prices

Managing the cost of raw materials remains a top priority for electronic components manufacturers. Although the cost of raw materials used in manufacturing has eased somewhat since hitting a historic, mid-recession peak in 2015, the raw materials market remains volatile both in the United States and Europe. Manufacturers continue to be concerned about coping with these pricing fluctuations, and many firms are seeking new ways to mitigate risks associated with raw materials instability.

-Economic Impact of Coronavirus-

Undoubtedly, coronavirus is a black swan event – something that happens once in a century. Its spread has left businesses around the world counting costs, with many investors fearing the spread of coronavirus will pose an insurmountable challenge to the economic growth of all major countries across the globe. Almost every industry has been affected, with governments scrambling to somehow arrest the economic decline. Central banks in more than 50 countries, including the US Federal Reserve and the Bank of England have cut interest rates to try to strengthen their economies. Furthermore, most countries have announced unprecedented stimulus packages in the hopes of reviving their economy.

Massive Hit to Manufacturing and Services

In China, where the coronavirus first appeared, industrial production, sales and investment all fell in the first two months of 2020, compared with the same period in 2019. China makes up a third of manufacturing globally and is the world's largest exporter of goods. Like China, factories in many other economic powerhouses including the US, UK and Germany were shut, resulting in a

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While some market conditions have improved as compared to some months ago, industries and their supply chains are still recovering from the disruption caused by COVID-19 and the toll it has taken on global market demand.

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decline in manufacturing output at perhaps unprecedented levels. Likewise, services sectors around the world including IT, IT enabled Services (“ITeS”) and banking have also taken a hit, and perhaps the biggest hit has been the travel sector, with many companies in this sector now facing an existential crisis.

Effect on Global Demand

Owing to the pandemic, in the first half of 2020, restaurants, cinemas and shops around the world emptied, while flights, road traffic and energy use also fell steeply. Now more than one year later, consumer demand is still much below pre pandemic levels.

The retail industry has been hit hard. Lockdowns in many major economies until the middle of May 2020 and then again at the end of 2020 and the beginning of 2021 with only essential shops being allowed to open has meant huge losses for retailers, leading to many retailers shutting up shop.

It is clear now that the spread of coronavirus has led to a decline in global consumer spending, the heart of global economic activity. Moreover, employee layoffs in various industries are becoming increasingly common, in many cases on a large scale. This might lead to further pullback in consumer spending, at least in the near future, exacerbating the economic impact of coronavirus.

Electronic Components Industry

While some market conditions have improved as compared to some months ago, industries and their supply chains are still recovering from the disruption caused by COVID-19 and the toll it has taken on global market demand. According to Wakefield Research, revenue for the semiconductor industry is expected to drop by 5-20% worldwide this year as a result of the pandemic. That being said, demand for semiconductors will vary greatly based on the application. For example, while demand for consumer devices like smartphones has decreased since the beginning of the year, demand for industrial semiconductors used in medical devices has been steadily increasing. Wakefield Research forecasts that as economic activity recovers, the demand for semiconductors will recover quickly.

According to recent market research from Yole Développement, demand within the mobility sector, including automotive and civil aviation, has dropped significantly due to COVID-19. Demand for electronics components used in sensing and computing devices, such as those used in advanced driver-assistance systems (“ADAS”) has slowed to a halt.

Yole warns that electronics devices in these markets have been majorly impacted and overall market recovery in these sectors could take years. As the current situation is still unpredictable and unprecedented, it is hard to make market forecasts and the total impact of this pandemic cannot be determined until it is over.

Decline in Optimism

After sounding a note of optimism at the end of 2020, respondents to a recent McKinsey Global Survey are thinking about 2021 with high hopes for economy’s prospects. Majorities of executives continue to believe that conditions in their home economies and in the global economy will improve over the next six months. Yet their positivity has moderated since the previous survey; compared with December, smaller shares of respondents now predict that economic conditions will get better.

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...a contraction in UK GDP of 9.9% in 2020, the biggest fall for any G7 country.

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Within regions, there are a few changes of note. In India, respondents are now nearly as positive about their own economy's future as are those in Greater China (who, since March, have been the most optimistic about economic conditions at home)—and those in India are also the most upbeat about the global economy's prospects. But in several other regions, sentiment has taken a negative turn. In Asia-Pacific and in Europe, the shares of executives expecting their home economies to improve decreased by 15 and 11 percentage points, respectively, since December. The decline in optimism is most acute in Latin America, where 30 percent of respondents now expect improvements in their home economies. In the previous survey, 56 percent of executives there said the same.

UK Economic Forecast

The International Monetary Fund has downgraded forecasts for the UK's recovery this year while the expansion of the global economy, aided by accelerating vaccine rollouts, is expected to gather pace. Illustrating the severe impact of the pandemic on the UK economy, the IMF said in its latest forecast that the UK's national income, or GDP, would expand by 4.5% this year, down 1.4 percentage points from the 5.9% growth forecast made last October.

This follows a contraction in UK GDP of 9.9% in 2020, the biggest fall for any G7 country. The UK's acceleration of its vaccination program is not expected to give an extra boost to UK growth until 2022, when its growth rate is upgraded by 1.8 percentage points to 5%.

The report further adds that the strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers and structural characteristics entering the crisis. The recovery will be driven primarily by countries such as India and China, forecast to grow by 8.8% and 8.2%, respectively. Recovery in large services-reliant economies that have been hit hard by the outbreak, such as the UK or Italy, is expected to be slow.

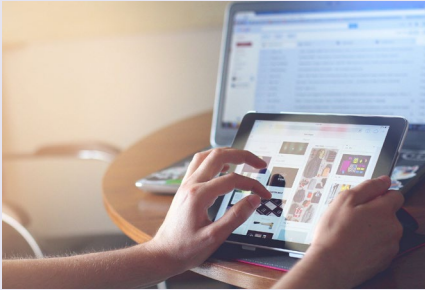
Global Economic Forecast

According to a report by the IMF, although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. Amid exceptional uncertainty, the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022. The 2021 forecast is revised up 0.3 percentage points relative to the previous forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.

The projected growth recovery this year follows a severe collapse in 2020 that has had acute adverse impacts on women, youth, the poor, the informally employed and those who work in contact-intensive sectors. The global growth contraction for 2020 is estimated at -3.5 percent, nearly one percentage point higher than projected in the previous forecast (reflecting stronger-than-expected momentum in the second half of 2020).

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A valuable strategic partner through every stage of the business lifecycle.

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