

Winning Defense

Trends in the U.S. electronics equipment market (shipments only).

	% Change			YTD
	Oct.	Nov. ^r	Dec.*	
Computers and electronics products	3.4	0.2	0.0	12.2
Computers	11.3	-5.5	1.7	16.2
Storage devices	-2.5	2.7	8.9	10.4
Other peripheral equipment	9.3	1.9	-5.7	5.5
Nondefense communications equipment	-0.4	1.1	-5.6	7.3
Defense communications equipment	46.2	-37.9	56.6	24.9
AV equipment	8.5	6.3	3.5	3.8
Semiconductors	5.9	1.0	4.5	20.1
Components ¹	0.2	6.9	1.8	10.3
Nondefense search and navigation equipment	0.2	0.1	-0.8	7.8
Defense search and navigation equipment	-0.4	3.0	-2.3	9.3
Medical, measurement and control	-1.8	0.6	3.3	11.8

^rRevised. ^{*}Preliminary. ¹Includes semiconductors. Seasonally adjusted. Source: U.S. Department of Commerce Census Bureau, January 2005.

Production Ends 3-Month Lag

Tempe, AZ – The manufacturing sector grew in January for the 20th consecutive month, despite a drop in new orders and backlogs. Production reversed a three-month slide, said the Institute for Supply Management (ism.ws).

Calling the inventory growth "significant," ISM chairman Norbert Ore said the PMI reflects "continuing strength in manufacturing. However, manufacturers continue to struggle with prices, particularly for energy."

The PMI measure of economic activity fell 0.9 points sequentially from the revised December number, to 56.4%. New orders fell 5.1 points to 56.5%. However, production rose 1.1 points to 57.8%. Employment was up 4.8 points, to 58.1%.

Electronic Components and Equipment, and Industrial and Commercial Equipment and Computers were among the sectors reporting growth.

	Sept.	Oct.	Nov.	Dec.	Jan.
PMI	58.5	56.8	57.8	57.3	56.4
New orders	58.1	58.3	61.5	61.6	56.5
Production	61.6	58.9	57.0	56.7	57.8
Inventories	51.0	48.2	50.7	52.8	52.8
Customer inventories	41.4	43.5	43.5	44.0	44.5
Backlogs	55.0	49.0	47.5	54.0	50.5

Source: Institute for Supply Management, January 2005

PC Market Up 14% in Q4, Says IDC

Framingham, MA – The worldwide PC market grew 13.7% in the fourth quarter, driven by smaller businesses and holiday consumer demand, according to IDC (idc.com). Shipments rose to 51.5 million units, the seventh consecutive quarter of double-digit growth. Shipments for 2004 rose 14.7% to 177.5 million units.

IDC forecasts growth of 10% in 2005 followed by declining growth in the single digits.

Industry Market Snapshot

Book-to-bills of various components/equipment.

	Sept.	Oct.	Nov.	Dec.
Semiconductor equipment ¹	0.94	0.96	1.0	0.95
Semiconductors ²	1.0%	1.5%	1.3%	-3.5%
Rigid PCBs ³ (North America)	1.01	0.94	0.88	0.93
Flexible PCBs ³ (North America)	1.38	1.48	1.28	1.41

Sources: ¹SEMI, ²SIA (3-month moving average growth), ³IPC

EMS, ODMs to Grow 15% AGR through 2009

Alameda, CA – Technology Forecasters predicts that last year's double-digit growth for the EMS and ODM industry will continue into 2005. The research group (techforecasters.com) forecasts average growth rates over the next five years of 15% for EMS, 20% for ODMs and 16% for all outsourcing.

Overall drivers for healthier growth include the fact that EMS companies, led by Flextronics, are making a major commitment to the ODM model to maintain customers. "There are more opportunities for cooperation between ODM and EMS companies," said vice president Eric Miscoll. "As ODMs brand their products and push into the OEM space, there's less competition between the ODM and EMS business models, because they send their manufacturing to EMS."

Consumer Goods Peaking

Arlington, VA – Manufacturer-to-dealer sales of consumer electronics will reach a record-high of \$125.7 billion in 2005, according to the Consumer Electronics Association (ce.org), an 11% climb year-on-year. Meanwhile, the trade group estimates 2004 was up 11%, to \$113.5 billion.

Digital TV sales rose 78% to \$10.7 billion. MP3 player unit sales more than doubled, to 6.9 million units, and are forecast to hit 10 million units in 2005. Mobile navigation devices sales topped \$782 million, up 35%, and will reach \$935 million in 2005, CEA said. Also, the electronic storage market will reach \$6 billion this year.