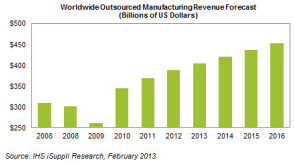
NEW YORK -- Despite lingering weakness in the global economy and continuing uncertainty in technology markets, the outsourced manufacturing industry is expected to post moderate revenue growth this year as original equipment manufacturers increase their outsourcing activities to capitalize on opportunities for expansion across multiple industries including consumer electronics, industrial electronics and automotive electronics.

Revenue in 2013 for the worldwide outsourced manufacturing industry is forecast to reach $404.5 billion, up 4.5% from $387 billion last year, according to **IHS**.

While this year's growth is slightly down from the estimated 5% percent rise that the contract printed circuit board industry enjoyed in 2012, the next few years ahead appear on track for solidly reliable if unspectacular rates of increases, provided the global economy cooperates. By 2016, revenue will amount to $451.9 billion, following the industry's recovery from the declines seen in 2008-09.



"Outsourced manufacturing is giving OEMs across multiple industries the capability to expand into new, fast-growing markets, including smartphones, tablets and industrial electronics," said Thomas J. Dinges, CFA, senior principal analyst, IHS. "Because of this, the OEMs will continue to take advantage of the flexibility provided by outsourced manufacturing. However, the largest risk at this point is the potential for a major economic dislocation, which could easily derail market growth this year." Potential economic troubles that could undermine market growth include the sovereign debt crisis in Europe and the US response to realigning its long-term spending trajectory.

This year will also see the industry attempt to balance two key trends, each likely to pull in the opposite direction: OEM customers wishing to lower their costs on one hand, versus outsourced manufacturing suppliers hoping to see improved cash flow on the other.

From their end, customers will want to know what price is considered fair to pay an outsourced supplier in order to make their product — forming part of the client's effort to reduce overall manufacturing costs. For suppliers, on the other hand, concerns will revolve around how to reduce inventory in order to achieve a stronger balance sheet; how to do more with less, especially in the area of capital expenditures; and how to bring down operating costs as a whole.

In essence, how both themes play out — an intricate interplay between hard-nosed customer wanting lower prices but faster supply chain responsiveness and cash-generation focused manufacturing partner — will prove of great interest this year to observers and participants alike, IHS believes.

One issue of paramount interest to the entire industry revolves on which entity will become the next big player to drive the space. However, that answer is unknown at the moment, even in an industry where perceptible trends and key movers have left their mark.

In the past decade, for instance, particular customers or end markets fueled growth, only to be superseded by other actors and variables. First came growth via the consolidation of assets spun out of original equipment manufacturers. This was followed by a massive asset shift to China as it became the hub of outsourced manufacturing. Ultimately, this led to the rise of consumer electronic products such as smartphones and tablets, which served as palpable tickets to success for both clients and their manufacturing partners alike. The industry has shifted somewhat the past few years as it then turned its attention to industrial and higher mix customers as a means to drive growth, with consumer-focused companies becoming the somewhat less favored entities afterward.

Now the bet is being made on an alliance of sorts between those last two forces. Growth remains with consumer-oriented companies that make the gadgets desired by the purchasing

public everywhere, but those companies in turn are spurring enterprises to help companies capitalize on new ways to grow. These new highways to growth include consumer traffic, commerce and data — avenues that can be exploited by devices like smartphones, tablets, and other interactive “smart” devices. All these devices, for their part, are well within the purview of brands and their choice of outsourced manufacturers to build.