

### European Market for Passives Expectation 2004 and Outlook 2005

During its meeting in Selb, Germany, on July 6, 2004, the EECA - European Passive Components Industry Association (EPCIA) discussed the latest expectation 2004 and the Outlook for 2005.

EECA-EPCIA President, Pier Sacchi, commented:

*After a good Q1, and even if Q2 showed some slowing down of order entry, most suppliers are optimistic about the growth possibilities in 2004. Some dare to think that +10% is realistically achievable. Most manufacturers have increased their production capacity, but the risk of overproduction is considered to be far lower than in the year 2000.*

*The current expectation for total Passives for 2004 is clearly better than a couple of months ago, all product families show a positive growth (ranging from 2% to 14%) with the exception of HF Filters (SAW and Microwave ceramics), resulting in a 2% overall growth.*

*Fixed Resistors expect a good growth, but the Varistors, Thermistors & Sensors seem to be 'on hold'.*

*For most Capacitor families the forecasts are higher than in March. Tantalums, recovering from the bad years, now showing a positive growth of 8 %, thus contributing to an overall +4% for Capacitors.*

*In the "Rest Passives", the EMC filters will grow (+14%), but HF Filters will face a higher decline (-16%), resulting for the whole group in a small negative growth of -2%.*

*In the current outlook for 2005, although still early, EPCIA expects a further growth of some 4%.*

#### Situation per country

Most countries perform better than budgeted. But the growing overall economy in the UK is not at all reflected in the Passives sales. Due to transfer of quite some set making industry to outside the UK, the Passives market left seems rather small. This trend is seen in France (Telecom) as well, although lower. Germany continues to be a strong and stable market. Nordic is still weak.

#### Main European markets for passive components

The **Automotive** sector is the major driver, stable with a slight growth. The number of electronic functions in the car is approaching more and more the point of saturation. Integration of the many "islands" is needed, but at this moment in time that road map is still unclear.

In **Telecom**, already for along time a very important, the mobile phones seem to go through a revival process. There is serious concern that the sum of the production plans of cell phones by the different players is simply too high to be realistic.

**Industrial**, significant in several countries, has grown during last year and this trend is carrying on.

Good growth of **Audio/Video** in East Europe is taking place. Also Turkey is growing further. Almost all low-end TV is made in Turkey now.

**Sub-contracting (EMS)** tends to get more and more demanding: short lead-times, free cancellation and no commitment.

**Distribution** is a good and steady type of business.