

### European Market for Passives Expectation 2006 and Outlook 2007

During its meeting in Brussels, Belgium, on October 30, 2006, the EECA - European Passive Components Industry Association (EPCIA) discussed the expectation 2006 and the outlook for 2007.

EECA-EPCIA President, Pier Sacchi, commented:

*The European Passives market during the 1<sup>st</sup> half of 2006 was developing very satisfactorily.*

*The 2<sup>nd</sup> half of 2006 is showing a slight drop in proportion to the first 6 months, but in general all companies are expecting a good year.*

*For total **Capacitors** the growth will be around **+4%**, **Resistors** expect **+6%** and the **electro-magnetic components** and filters foresee to realise **+1%**.*

*Except for HF filters (-3%), all passive families show a growth.*

*Fixed & variable resistors, ceramic capacitors and EMC filters are the 'leaders' with +7%! The remaining families range between +2% and +4%.*

*This results in an expectation for the whole year of **+3 %** for **total Passives**.*

*For 2007 a slight softening is forecasted. The different product families expect slightly diverging developments, ranging from -1% for aluminium electrolytic and film capacitors to +9% for HF filters.*

*This leads to the overall outlook that 2007 will be **+2%** over 2006 for **Total Passives**.*

#### Overall situation

The market development as reported in the adjacent column is shown in most Western European countries. The highest growth expectations are for Central Europe and

France is suffering most from the production off-shore trend (automotive and EMS).

The growth in the Eastern European countries continues, but the numbers are still modest, due to the high investments.

The business in Asia and the USA was good.

#### Main European markets for passive components

The **Automotive** sector, of mayor importance for Passives, is showing highest share, which has grown further. The number of electronic functions in the car is growing, such as tyre pressure systems and key-less cars

**Telecom** is still the second largest segment for Passives, but the mobile phone business is not healthy, due to further shifts to the Far East.

**Industrial**, very significant (getting a more and more important application sector for Passives) and stable in many countries, is growing further. In this segment the 'Machinery' is growing the most.

**Audio/Video** has shifted to East Europe and Turkey during the last years. But the market for CRT-TVs is suffering severely from the speedy advance of LCD-TVs. These LCD-TVs are currently only assembled in Europe, but in future also the panels will be built here and this will have great impact on passive sales, due to the far higher passive content than in CRT-TVs

**Sub-contracting (EMS)** A first trend is observed, that OEMs turn the clock back to purchasing components themselves again and stop the purchase price delegation.

**Distribution** was doing well, but here and there a negative book-to-bill ratio is recorded. Is not (yet) clear whether this is an early warning.

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