Newsletter

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European Market for Passives 2006 and Outlook 2007

During its meeting in Frankfurt (Germany) at ZVEI, on March 28, 2007, the EECA - European Passive Components Industry Association (EPCIA) discussed the year 2006 and the outlook for 2007. EECA-EPCIA President, Cees de Wit, commented:

The European Passives market developed well in 2006 and the members are in general also expecting a good year 2007.

*For **Capacitors** 2006 finished with a growth of around **+2%**, the **Resistors** market increased by **+5%** and the **Electro-magnetic Components** and **Filters** ended with a growth of **+9%**.*
Except Tantalum Capacitors (-13% mobile phone market shifting production to Asia) all passives show growth or stable market..
*HF-Filters which includes SAW/Microwave and since 2005 also Filter modules, made a big step in 2006 of **+25%** increase. Standard EMC-filters, Aluminium Electrolytic Capacitors, Ceramic Caps, Fixed Variable Resistors and Chokes range between **+5%** and **+8%. As a result the total passives Market** for 2006 increased with **+6%.***

*For **2007** a slight softening is forecasted. Different product categories expect slightly diverging developments, ranging from **-9%** for EMC Filters (Feed Thru), Tantalum Caps with -2% decrease and with the HF-Filters expecting continued growth of **+23%**.*
*This leads to the overall outlook that 2007 will be **+5%** over 2006 for **Total Passives**.*

Overall situation

The market development as reported above is shown in most Western European countries. The highest growth expectations are for Central Eastern Europe. France is suffering most from the production to low labour cost areas (automotive and EMS).

Growth in the Eastern European countries continues; absolute market size is still modest and further growth requires high investments. Business in Asia was good and USA showed a small positive growth.

Main European markets for passive components

The **Automotive** sector, of major importance for Passives, has grown further. The number of electronic functions in the car is still expanding in applications as tire pressure systems and key-less entry.

Telecom is still the second largest segment for Passives, but is weakened due to ongoing shifts to the Far East for mobile phone production.

Industrial is getting increasingly significant with stable continued growth. In this segment the 'Industrial Production Equipment' is growing most !

Audio/Video has shifted to East Europe and Turkey in the last 10 years. Now the market for CRT-TVs is suffering severely from the fast growth of LCD-TVs. LCD-TVs are currently only assembled in Europe, but in future it will move to full fledged production for every part beyond the LCD screen. It will have a positive impact on passive sales due to higher "passives" content in LCD-TV compared to CRT.

Sub-contracting (EMS) Indications are, that OEMs are taking back the responsibility for purchasing components themselves taking over price cost quality responsibility again from their EMS sub-contractor.

Distribution was doing well in 2006. In the first months of 2007 there were some negative book-to-bill ratios recorded. Whether this is an early warning is yet unclear.

Further inquiries to:
EECA - EPCIA Chairman - Cees de Wit:
Email: Cees.Dewit@vishay.com

EECA - EPCIA Secretary: Dr. Marcus Dietrich
Email: dietrich@zvei.org