

## A/V Humming

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

	% Change			
	June	July	Aug.*	YTD
Computers and electronics products	0.2	3.0	1.3	14.1
Computers	-3.3	7.7	-3.3	17.1
Storage devices	18.0	1.1	-0.4	12.0
Other peripheral equipment	-7.2	7.6	5.9	7.2
Nondefense communications equipment	-2.8	3.8	7.9	12.5
Defense communications equipment	5.7	-2.9	5.2	21.9
A/V equipment	0.7	3.6	7.7	0.1
Semiconductors	-1.9	5.1	-1.8	21.9
Components <sup>1</sup>	2.4	1.2	-0.2	9.2
Nondefense search and navigation equipment	-1.1	-13.4	4.3	6.6
Defense search and navigation equipment	-6.1	6.3	-0.8	8.7
Medical, measurement and control	7.2	-1.3	2.0	15.7

\* Preliminary. <sup>1</sup>Includes semiconductors. Seasonally adjusted. Source: U.S. Department of Commerce Census Bureau, October 2004.

## Sept. Manufacturing Slightly Slower

Tempe, AZ – The rate of growth in the manufacturing sector ticked down in September as customers shed inventories ahead of the holiday buying season. New orders slipped, but production increased as manufacturer inventory levels rose.

Manufacturing grew for the 16th consecutive month, said the Institute for Supply Management (ism.ws), based on its monthly poll of the supply chain. In a statement ISM downplayed overinventory concerns, saying the growth in inventories appeared voluntary as companies built inventories for stocking of finished goods for resale and hedged against price increases.

The PMI measure of economic activity was down 0.5 point to 58.5%, but remained above the benchmark 50% level for the 16th straight month. New orders fell 3.1 points and production was up 2.1 points.

Significant upward pressure on prices remains, ISM said. Customer inventories are "too low" versus historical measures. Order backlog increased.

"September was surprisingly strong given the recent slowing of growth in new orders," ISM chairman Norbert Ore said. "Production and employment were particularly encouraging as both indexes increased when compared to August. Any concern over inventory growth would seem to be offset by the decline in customer inventories."

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

	May	June	July	August	Sept.
PMI	62.8	61.1	62.0	59.0	58.5
New orders	62.8	60.0	64.7	61.2	58.1
Production	64.8	63.2	66.1	59.5	61.6
Inventories	49.3	51.1	49.9	51.7	51.0
Customer inventories	37.0	39.0	37.5	45.5	41.4
Backlogs	63.0	58.5	58.0	55.0	55.0

Source: Institute for Supply Management, October 2004

## Report: Chinese EMS, ODM to Surge

El Segundo, CA – Contract electronics manufacturing and ODM work will surge in China in the coming years, according to new research conducted by iSuppli Corp.

Compounded annual growth will top 21% between 2003 and 2008 for each of the two sectors, the firm found. EMS revenue in China is predicted to reach \$45.5 billion in 2008, while ODM sales are forecast to hit \$108 billion.

iSuppli predicted Chinese OEMs will begin to outsource production during the next five years. The firm also anticipates domestic Chinese EMS companies will more aggressively seek overseas customers.

## Smart Cars Ahead?

The Intelligent Vehicle Highway Safety Act of 2004, a recently proposed law introduced in the U.S. House of Representatives, could help stimulate adoption of intelligent vehicle technology sensing and control systems in U.S.-sold vehicles, says a new study.

The law would provide significant tax incentives for individuals and businesses who purchase vehicles with IVT equipment installed, says ABI Research (abiresearch.com).

According to senior analyst Robert LaGuerra, such government support will likely spur adoption of IVT systems, because of their generally high cost. "There is one caveat in that the proposed bill is unclear in fully-defining what an IVT system is," he says. "Systems falling into this category could include not only safety systems, but also GPS-based navigation and telematics devices."

The cost of advanced technologies such as radar, lidar and optics is currently too high for anything but a premium luxury vehicle. This is expected to change with increasing volumes and further system integration.

## Industry Market Snapshot

Book-to-bills of various components/equipment.

	April	May	June	July
Semiconductor equipment <sup>1</sup>	1.10	1.07	1.04	1.0
Semiconductors <sup>2</sup>	36.9%	40.3%	1.0%	1.1%
Rigid PCBs <sup>3</sup> (North America)	0.95	0.95	0.99	1.05
Flexible PCBs <sup>3</sup> (North America)	1.87	1.57	1.57	0.98

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