17 December, 2021

Component shortage expected to worsen in 2022.

In 2019, a 'perfect storm' caused an 18-month (and counting) chip shortage globally.

Wafers and other key components in short supply

- A series of devastating fires in Japan severely impacted major wafer and electronic component manufacturers, causing supplies to become scarce.
- As a result of the drought, 2 more major suppliers in Taiwan suffered a significant reduction in water supply (each supplier needed 41 million gallons of water per day to operate) resulting in a shortage of components and parts.

Car industry demand shot up

- As a result of COVID, car manufacturers predicted and prepared for a drop in car sales. They significantly cut back on their orders. The demand for chips skyrocketed 6 months later, causing a shortage.
- EV sales increased in parallel with general demand, and purchase momentum increased. An EV has around 3000 chips, compared to around 300 in a non-electric vehicle.

Electronic device demand soared

- With COVID, personal electronic device demand has grown by an average of 40% thanks to remote connectivity.

Shipping container shortage

- As consumer demand skyrocketed, shipping containers were in short supply, pushing up the price of shipping.

Electronics-dependent businesses were advised to plan ahead due to the unprecedented demand combined with the shortage of supplies that resulted in an average increase of 10% across the board by 2021.

False demand throughout 2021

Several businesses have strategically ordered parts from several distributors, then canceled the order once parts arrived from a single supplier. To eliminate false demand, distributors are now requiring non-cancelable and non-refundable orders. This not only impacts market price but also inflates demand.

2022 forecast to see prices further increase across the board

Parts manufacturers will continue to raise prices and lead times into 2022 (please see chart on the following page for current lead time and price increases).

Orders and prices are not guaranteed

Even at a higher rate, suppliers are not guaranteeing orders or prices. As market supplies shift unexpectedly, we are seeing supply orders confirmed then repriced at a higher premium. These costs are being passed on to suppliers and buyers. Due to a sudden drop in availability, we are also seeing orders scheduled, then canceled without warning.

You need to act now - order beyond your normal timeline

Product companies should look beyond their usual production lines. We are working with clients to ensure orders are in place through to 2023.

In such a volatile period, product companies must also assess cost and price to maintain profitability.
Now is the time to coordinate long-term supplies with your procurement team or electronics solution provider.

Contact us today so that you can avoid further production volatility and secure a pipeline for your product distribution.

Average lead time and price increases as at December 2021.

Current average lead time and price increases are at an unprecedented high and will continue to rise throughout 2022.

With orders and prices not guaranteed and the volatility expected to continue, product companies are urged to prepare for the shifting availability of components and plan well ahead of time.

Whilst you cannot avoid the volatility, coordinating supplies with your procurement team and electronics solution provider ASAP will position your product schedule more favorably than following your standard planning timelines.

	Average Lead Time	Average Price Increase	Trend
Analog Includes sensors, microchips etc.	36 - 52 weeks (Auto 64+ weeks)	20% - 40%	↑
Connectivity Solutions Includes RFID, WiFi, Bluetooth etc.	26 - 64 weeks	20%	↑
Crystals	16 - 52+ weeks	20%	↑
Discretes Includes diodes, transistors etc.	16 - 75 weeks	16%	↑
Electromechanical Includes fans, timing, power etc.	16 - 52+ weeks	20%	↑
High End Includes LCDs, MPU/MCU etc.	16 - 52+ weeks	20%	↑
Interconnect Includes data, FFC/FPC etc.	16 - 26 weeks (Auto 40+ weeks)	20%	→
Lighting Solutions & Opto Includes LEDs, CoB, infrared etc.	8 - 22 weeks	Nil as yet	↑
Memory Includes cards, flash etc.	20 - 54+ weeks	20% - 100%	↑
Passives Includes capacitors, transformers etc.	20 - 60+ weeks (electrolytic caps+)	10 - 20%	→
PCBs	6 - 12 weeks	18% - 40%	↑

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