



Here is Your Supply Chain Bulletin

May 2022

Electronic Component Market Review

As we head into the second quarter of 2022, there is very little change in the global electronics, electrical and mechanical market. Unfortunately, the continuing supply chain issues are still prevalent with no end in sight for many commodities. Global car giant Volkswagen Group is even predicting the semiconductor shortage will continue into 2024! VW has been forced to halt production at some plants on several separate occasions due to the chip shortage, showing how much of an impact these supply chain bottlenecks are having on global industries.

The ongoing tension between Ukraine and Russia continues, further constraining some raw materials, such as neon gas, used in chip production and steel. With the continued and unexpected disruptions to supply chains, manufacturers are unable to 'catch up' to achieve normal levels of sales, with many continually running in backlog making efforts to reduce lead-times seem futile.

Further afield, China has been battling an increase in positive COVID-19 cases, and has put many regions through 'local lockdowns' under their 'zero COVID' approach to managing and containing new outbreaks, specifically this time, the emergence of Omicron.

Capacity and lead-time issues

Infinion lead-times are stable, but lengthy – up to 52 weeks for some product lines, expedites are only considered after lead-time has elapsed and even then, capacity for escalations is tight.

Renesas halted operations at three plants in Japan following a 7.3 magnitude earthquake on 16th March 2022. Losses equated to approximately two weeks' worth of 200mm and 3 weeks of 300mm production.

Panasonic and Vishay resistor lead-times have been observed to be as long as 59 weeks and 99 weeks respectively; some stock is available within distribution.

Texas Instruments are still quoting lengthy lead-times, with orders fulfilled strictly on a 'FIFO' basis. Some catalogue stock and direct stock is becoming available.

Electrical products are still struggling with lead-times – **Harting, Siemens, Schneider, and Murr** are continuing to closely monitor and manage capacity.

Three Murata plants in Japan suffered disruption due to the earthquake earlier in March. All facilities were back to fully operational status within six days.

Toshiba confirmed production was back up and running at full capacity on 28th February following a 6.6 magnitude earthquake off the coast of Kyushu on January 22nd.

Intel plans to invest up to \$88b in European Semiconductor manufacturing – with facilities in Germany, France, and Italy being considered. The aim is for Intel to create a chip ecosystem for a more balanced and resilient supply chain, as reposted by Forbes.

Pricing Uncertainty

On 8th March 2022, the London Metal Exchange suspended trading of nickel and cancelled trades that were made after midnight on this day. This is the first time since 1985 that LME have suspended trading, and it is reported that the trades cancelled were valued at \$3.9B. This was a result of the ongoing conflict between Russia and Ukraine and the sanctions in place globally, as well as the recent low-stock environment and high pricing volatility in various base metals.

Bulgin, Harwin, Schaeffler, Lapp, PowerSonic, Leuze, and Rittal have all reviewed and applied portfolio price increases, or surcharges during that last quarter. These continued and rapid increases are in relation to the ongoing increase in raw materials, energy pricing, transportation costs, and

manufacturing cost increases and these costs are being pushed by all suppliers across any EMS company supplier portfolio.

Texas Instruments is expected to announce a price increase for July 1st that could be up to 30% on some components.

WE ARE HERE TO HELP.

During times like this, it is highly recommended to extend order coverage as much as possible to identify supply chain issues early on, when mitigation is still possible.

We may recommend changes in purchasing volumes and forecasts to mitigate risk.

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