

Materials & Supply Chain Bulletin November 2018

Component Lead Times Still Lengthy; But Stabilizing

In general, it appears that lead times have stabilized on many commodities. This month, we saw some changes in the specific commodity types like converters and amplifiers. Although these are still longer than desired lead times, there is some stability now.

As you know, Materials are still a challenge that is not going away. Lead-times and allocation situations on widespread commodity items are ongoing. MLCC's (multi-layer Ceramic Chip) capacitors are still extremely constrained and has spread to nearly all case sizes. As an example, Panasonic is quoting 99 weeks on out of stock chip capacitors and Kemet in excess of 52 weeks. Murata has issued last time buy notices for a large proportion of legacy MLCC's for March 2019 (legacy MLCC's is defined as case sizes 0603 and up). The good news is Murata has begun construction to increase their capacity and they expect that capacity to be online by the end of 2019.

The combination of the tariff charges and widespread cost increases from manufacturers has created uncertainty related to actual market pricing on components. To attempt to mitigate the cost increases as much as possible, it is still recommended to keep the supply chain working with long-term distribution partners.

Tariff Mitigation Actions:

- We are working with suppliers to bring products directly from overseas into either our Mexico facility or into their Mexico warehouse (if they have one) to avoid the US tariff completely. This option is only viable for product being manufactured in our Mexico facility
- For commodity product coming to our US locations, we do not have many options available to us, but we have options on custom products. For these products we are doing the following analysis:
- In cases where we are buying domestically but our source is building in China, we are having them compare costs to determine if their offshore solution is still the most cost effective
- For cases where we are buying offshore direct, we are quoting alternate sources both domestically and where possible alternate non-China offshore sources

We will continue to monitor this situation and look for options to reduce or mitigate tariffs wherever possible.