



Technical Advisory March 2018

Component shortages cause power supply lead time issues and possible supply interruptions

Tight supplies of capacitors and resistors are expected to last into mid-2018—longer than industry experts expected. There's no short-term relief ahead for electronics manufacturers that are scrambling for components. The dreaded words "allocation" and "double-ordering" are coming up more frequently, meaning OEMs and EMS providers are facing long-term sourcing challenges.

What components are affected?

Thick- and thin-film chip resistor lead times are out as far as 52 weeks on some parts, according to an industry update. In general, passives suppliers are quoting 20-week (or more) lead times. There is a particularly significant shortage of automotive-grade parts, the analyst said, which is resulting in auto subcontractors scrambling for supply. This additional demand certainly trickles into components demanded by other industries including medical and industrial. There is not a visible solution to date, and these extended lead times and supply constraints may last well into 2018. We have seen several GMI customers affected by the current shortages, and many of the specific products we manufacture are integrated into life-saving capital equipment.

Component suppliers typically ramp up capacity when shortages hit; however, that's not generally happening in this instance. Some resistor and capacitor manufacturers were/are planning to add capacity in 2018, but that's unlikely to alleviate pressure on lead times to the levels needed. Some suppliers are also using this as an opportunity to discontinue product lines that have not been profitable. "Strategically, in this cycle we are seeing suppliers using the opportunity to back out of products where the margins have not been acceptable," according to an industry executive. "Suppliers have been under constant pressure to take costs out of manufacturing, but eventually those efforts hit a wall," the executive said. Component makers are using existing capacity to turn out newer, more profitable products.

Is your product affected?

Since power supplies of one sort or another are critical components for a large percentage of the products GMI manufactures for OEMs, we have a significant number of programs that are at risk. You may not have been aware of this issue, since we generally act as a shield for our customers on these types of issues. It is unclear, however, how much disruption these shortages will cause through 2018 and we want to work with you to make sure we continue to supply you with the best products, delivered on time.

What can you do?

We encourage you to review the list of products at potential risk and then reach out to your GMI Program Manager to discuss the best options for your specific products or programs. We have decades of experience working on supply side issues, and our global locations allows us additional flexibility. The most important thing is to engage the GMI team in conversations if you have concerns.

