



#22014  
**INFOCUS:**

# Looking ahead with NCAB's Market Watch



The NCAB Group continuously maps events on the PCB market. Its findings are compiled and presented in the quarterly NCAB Group Market Watch report, used both internally, within the organisation and also made available to NCAB's customers.

Keeping a close eye on the status of the PCB market is vital for the NCAB Group. With the acute crisis in Ukraine, it is impossible for anyone to predict exactly what's waiting round the corner and when it will arrive. Events can erupt out of the blue and suddenly hold the world economy to ransom. Despite this, Chris Nuttall, NCAB Group Quality and Technical Manager, underlines the importance of analysing available data that can be used as 'barometers' to help predict developments moving forward.

"If we don't know where the market is heading, we are unable to act proactively to ensure the best production conditions for our customers, with regard to managing material costs, securing capacity and other factors. Combine this with NCAB's considerable purchasing power and our close relations with the factories, we are able to maintain an efficient supply chain for our customers. However, we do at the same time need plenty of facts and figures to help us set an appropriate course," says Chris Nuttall.

Chris heads NCAB's Market Watch project, in which a great many other NCAB group employees are involved, not least those working in China. The team pieces together and analyses vast amounts of data from different credible sources which together serve as indicators of which direction the market is going - and how fast.

**"What's really hard is knowing what to bring into the equation and evaluating the factors involved."**

**CHRIS NUTTALL, NCAB GROUP**

### **ANALYSIS IS KEY**

The Market Watch team examines growth forecasts from such sources as the International Monetary Fund, global GDP and country specific forecasts, Purchasing Managers Index for both country and industry specifics as well as qualified forecasts for logistics and PCB markets. They also specifically look at developments in China in the light of the latest five-year plan and the situation as regards labour costs, foreign exchange and regional policies.



Chris Nuttall, Group Quality & Technical Manager.

"What's really hard is knowing what to bring into the equation and evaluating the factors involved. It's a matter of both finding the right source of information and weighing everything up in the right way. The analysis is far and away the most crucial factor and if you want barometers that really tell you something, you should never content yourself with just one source," says Chris Nuttall.

The results are then used both internally and shared with NCAB's customers, who often use them as a back up for their own market investigations.

### **FOCUS ON A NEW CHINA**

When it comes to developments in China, NCAB's analysis suggests that it's high time we update our old view of that huge country. The truths of a decade ago no longer apply. Gone are the days when China was just about labour-intensive manufacturing at the lower end of the value chain.

"The days are long gone when China was the place where all problems were solved by 'throwing in' more cheap labour. The government's latest five-year plan prioritizes new innovative industries such as biotechnology, sustainable energy production and energy enhancing technology," says Chris Nuttall, while adding that China is increasingly catching up within traditional industries such as the automotive, building and petrochemical industries.

China has now also joined the ranks of the World's highest consuming countries. The Chinese government's focus on greater socio-economic balance will continue to drive up incomes, while

the domestic market will grow in importance as a driving force for the economy. Further signs of maturity are the growing demands for sustainability and energy efficiency within the manufacturing industry.

"All this has a real bearing on our activities," says Chris. "We need to keep a careful eye on such issues as income levels and environmental regulations. NCAB has set its sights high with regard to CSR and environmental issues, which is right in line with what's happening in China," concludes Chris.

## EXPORTING REQUIRES MORE THAN JUST A FACTORY

Yet another interesting development to keep an eye on in China is the shift of industrial operations inland and away from the coastal provinces, although Chris Nuttall points out that the Pearl River Delta region (Hong Kong, Shenzhen, Macau and surrounding areas in Guangdong) is still a very important manufacturing centre for consumer electronics.

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**CHRIS NUTTALL, NCAB GROUP**

"As exporters from China, our concern stretches beyond the standard of the factories in the new centres. The whole infrastructure package – logistics, transport and travel – has to be in place and function reliably. Only then, can we consider moving parts of our production base in land," he says.

Embedded in NCAB's analysis is an ambition to measure and assess the effects of the long-term trends in short-term predictions as well. As a preview of the upcoming Market Watch report, we present below a selection of indicators with comments from Chris Nuttall. The latest report will be published a few weeks after this newsletter.

# Barometers

## GDP GLOBAL

April IMF (International monetary fund) figures show that global growth is projected to be mainly unchanged from the 2013 outlook with 3.6% being the latest GDP figure for 2014. Global recovery remains somewhat fragile even with the improved outlooks being reported.

The outlook for 2015 remains unchanged at 3.9%.

## GDP CHINA

China's GDP is reported to be 7.5% for 2014, however with China's economy growing at its slowest rate for the last two years, some believe that this will be a tough target to reach which suggests Q1 targets might be below the 7.5% target. Key to achieving this will be the balanced transition to sustainable domestic growth along side export.

## PMI GLOBAL

The global manufacturing sector showed a slight slow-down in the rate of expansion at the end of Q1 with a global PMI (Purchasing Managers Index) of 52.4 in March - down almost 1% compared to February figures. Even though manufacturing showed its seventeenth month of continued growth, this is the lowest figure for almost half a year and is seen as a result of an Asian downturn.

Growing competition and resulting pricing pressures are reflected in average input costs slowing to 51.5 (still positive) which is the first decline in pace since 2013.

## PMI CHINA MANUFACTURING

HSBC have reported that China has listed its sharpest fall of output since 2011. The PMI for China's manufacturing showed 48 in March which was 0.5 down compared to February. This fall is based on weakness of domestic demand,

as export orders have returned to growth in March - suggesting that the balance of domestic and export business remains some way off.

## EXCHANGE RATES

USD/CNY exchange rates have increased since February and are now sitting at 6.20, this equates to almost a 2.5% gain and puts the rates back at the level last seen during April last year.

## PCB CAPACITY FORECASTS

The factories remain very busy, with available capacity falling and factories under increasing pressure to maintain lead times.

We are seeing double digit increases in China. Behind this we see the continued 4G smart phone product driving the increase - HDI and flex rigid are posting the biggest increases, with some of the key players in this field predicting 50% increases.

## Chris Nuttall's comments:

"The global barometers might be signalling a slowing of the global market, but the challenge we face is the dissemination of the factors pertinent to the PCB industry from the top level global factors. Also, whilst economic factors are real, their impact in our supply chain will see a time lag.

"Even with the China PMI figures (see above) posting an overall down turn, China remains the PCB manufacturing engine for the world and it is expected that growth will continue into the summer months. This is reflected by the increasing Q1 equipment sales we are seeing both in China and world wide."

# Is it worthwhile to study future trends?

HANS STÄHL  
CEO NCAB GROUP



I would definitely say yes! Look, for example, at the transition of the PCB production to Asia. In the Western part of the world we all knew that this would happen. Yet we fought to keep our own production of PCBs going instead of closing our factories in a systematic and controlled way. What happened was that bankruptcy forced 95% of the factories to close, at considerable cost to the companies affected, society and customers.

If we had at the time possessed a better tool for predicting and

analysing future trends, we could have avoided the massive losses that the bankruptcies led to.

A trend today, that we are well aware of, is the growing demand for measures to protect our environment. So we all need to actively respond to this and make sure we buy PCBs from companies that have proven they are able to appropriately handle substances that adversely affect the environment.



## NCAB Group in Social Media

For a few months now, customers and other interested parties have been able to follow us on Twitter and

LinkedIn. We have also started a blog where we immerse ourselves in the versatile world of circuit boards! Follow us on:

[» Twitter](#) [» LinkedIn](#) [» Blog](#)

## Subjects we have covered earlier

Do read our earlier newsletters. You will find them all on our website, [www.ncabgroup.com/newsroom/](http://www.ncabgroup.com/newsroom/)

### » NCAB Group Production Insight Trips

2014 02 14 | NEWSLETTER 1 2014

### » The Components Industry

2013 11 18 | NEWSLETTER 4 2013

### » High product mix

2013 09 24 | NEWSLETTER 3 2013

### » Prototype manufacturing

2013 06 11 | NEWSLETTER 2 2013

### » Russia in from the cold

2013 03 26 | NEWSLETTER 1 2013

### » Looking to the future: Western Europe

2012 12 19 | NEWSLETTER 4 2012

## Are we taking up the wrong subjects?

We are always looking for interesting subjects that we could take a more in depth look at.

If there is something you would like to learn more about, or perhaps you would like to comment on anything we have written, do get in touch with us and tell us more.

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