MATERIAL INCREASES HERE
Copper prices rising; Pollution Controls Begin

In mid-December, 2016, Stan Bentley and I visited six of our major suppliers in China to get a first-hand account from the owners about the notices we were seeing from their sales and marketing departments. Across the board, every Chinese supplier we visited had the same warning. Prices are going to increase on existing part numbers, and the lead time is already moving out.

The 2015 energy policy from the Chinese government offering large incentives to stimulate production of green vehicles is fueling the demand for lithium-ion batteries. Batteries that use the same copper foil that is required for printed circuit board laminate. Copper is on allocation to the laminate suppliers, which in turn, results in increased pricing and lead time to the fabricators. Our suppliers are being allocated only a certain number of square meters of laminate per month. Fabricators have consumed their reserve inventory, and frequently must wait for a laminate shipment before an order can start. This is hurting the smaller fabricators, who have minimal inventory. They do not have the buying power to pay in cash for preferential treatment, nor the volume to guarantee that they receive a larger share of the allocation. In addition to material issues pushing pricing, the Chinese government has begun enforcement of environmental controls on manufacturing companies. Startups are seeing a new barrier to entry into the market with the pollution controls and regulations that must be met. Existing manufacturing facilities are being given timelines and goals for pollution controls, but the cost of these measures is already having an impact on their bottom line. The prediction is that many will not survive. The remaining shops will pass these additional costs on to the customer. Our strategy is to work closely with our fabricators on possible alternative laminates, to pay them inside their standard terms (without taking discounts), and to pay in US dollars. DIVSYS will explore every avenue to mitigate the impact of the current laminate situation as much as possible, but we are bracing for increased standard lead time, and double digit price increases.

DIVSYS IS BRACING FOR INCREASED STANDARD LEAD TIME, AND DOUBLE DIGIT PRICE INCREASES.

DIVSYS INTERNATIONAL, LLC

CHINESE NEW YEAR IS COMING!
Approximate closure dates for Chinese New Year are January 24th through February 3rd. Some PCB fabricators are taking additional days to install new equipment, and perform preventative maintenance. Standard turn orders placed now will not be shipping before the middle to end of February. Plan on (at least) 7 week delivery for your orders.

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