

## **Electronics Manufacturing Services Market - Growth, Trends, Covid-19 Impact and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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### **Report description:**

The Electronics Manufacturing Services Market is expected to register a CAGR of 9% over the forecast period. Due to the ever-growing popularity of products, such as smartphones, smart TVs, laptops, ovens, refrigerators, ACs, and tablets, and the increasing need for faster and more efficient production processes driving the market growth.

#### Key Highlights

With increasing miniaturization and adoption of emerging technologies in the Industrial Internet of Things (IIoT) and enhanced communication posed by 5G, electronic component design and assembly have been revolutionized. For instance, the communication base stations for 5G developed a superior antenna technology, such as MIMO, leading to a rise in the number and performance of radiating elements.

Additionally, the demand for electronic devices, such as smartphones, smartwatches, and other devices, has boosted the market's growth. According to IBEF, the Indian appliances and consumer electronics industry stood at USD 9.84 billion recently, and it is anticipated to more than double to achieve INR 1.48 lakh crore (USD 21.18 billion) by 2025.

Further, many companies seek to lower their inventory, facilities, and equipment in their manufacturing activities, shifting the focus of their capital investments toward sales and marketing, and R&D. This has increased the demand for outsourcing to third-party manufacturing service providers. For instance, an avionics company decided to transfer its PCBA production to an EMS partner to broaden its product and service offerings and not make an additional investment in manufacturing. The primary requirements were compliance with AS9100 standards and multiple BGAs on the PCBAs, with up to 16 layers on some PCBs.

The rising government initiatives in several geographies are driving the growth of the market studied. For instance, according to IBEF, the government approved 14 companies under the production-linked incentive (PLI) scheme for IT hardware. Over the next four years, these companies are expected to fuel total production of USD 21.64 billion. The project will bring additional investment in electronics manufacturing in India. Furthermore, The Government of India authorized 100% FDI under the automatic route in

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the electronics systems design and manufacturing sector. FDI into single-brand retail has been increased from 51% to 100%; the government is planning to hike the FDI limit in multi-brand retail to 51%. Such developments would likely drive market's growth. Around the world, SMEs and MSMEs are adopting more and more third-party manufacturing services, so they can avoid huge capital investments in the production lines and take advantage of the service providers' design expertise and manufacturing capabilities. As per the International Finance Corporation (IFC) estimates, 65 million firms (approx.), or about 40% of formal micro, small and medium enterprises in developing countries, have unfulfilled financial needs. The majority of businesses across the globe are small and medium enterprises, specifically in developing countries. This dependency on manufacturing service providers will solidify the future growth of the EMS market.

Moreover, the COVID-19 outbreak severely impacted many end-user industries, including electronics manufacturing. According to the IPCs survey, consumer electronics were expected to be the most impacted because of their more substantial reliance on the manufacturing capacity of China and supply chains that rely more heavily on China. But many electronics manufacturing and related services have been classified as essential service providers, as they carry out many critical tasks from product assembly to circuit board designs that power necessary medical equipment; electronics manufacturing has been an integral part of the economy and the healthcare space during this COVID-19 outbreak.

## Electronics Manufacturing Services Market Trends

### Industrial Applications are Expected to Use EMS Significantly

With the rising trend of the environmental revolution, electric motor controls are demanding higher efficiency for industrial motors. Furthermore, increased integration at the lowest cost is required to support the market penetration of new technologies and improve safety and reliability. This further drives the demand for electronic products used in smart motors' digital signal controllers for voltage control operations. According to IBEF, India's electric vehicle (EV) market is estimated to reach INR 50,000 crores (USD 7.09 billion) by 2025. Further, a study by CEEW Centre for Energy Finance recognized a USD 206 billion opportunity for electric vehicles in India by 2030.

Furthermore, Industry 4.0 assures huge gains in factory data automation efficiency and productivity. The parallel advancements in industrial IoT and artificial intelligence (AI) drive growth to some extent. Even though the electronics industry is far from achieving the same level of intelligence and automation, the evolution toward Industry 4.0 is paving the way, as evident by recent trends in the electronics manufacturing services market.

For instance, in October 2022, Rockwell Automation Inc. announced that it had signed a definitive contract to acquire CUBIC, a company specializing in modular systems for constructing electrical panels. The collaboration will benefit a company by offering faster time to market, enabling broader plant-wide applications for intelligent motor control, and generating smart data to increase sustainability and productivity for a wide range of customers.

The manufacturing of electronics for industrial automation is fueling the growth of this segment. The players in the industrial automation segment need consistent access to all the data generated on the system. However, because of the scope of many operational utility applications, this level of data acquisition is complicated. Regions like Europe and North America are increasingly deploying Supervisory Control and Data Acquisition (SCADA) for accurate data collection.

Further, in October 2022, DYNICS, a creator of quality hardware and software solutions for the industrial marketplace, announced a unique system integrator partnership with SINCI, one of Mexico's premier technology organizations dedicated to implementing technological solutions for digital transformation. Through this partnership, the company will continue working with SINCI to provide customers across multiple industries with the tools that enhance access to the benefits of automation.

Most SCADA systems consist of single-board remote terminal units (RTUs), compact, ruggedized products that locate all input/output (I/O) modules on a single printed circuit board. Hence, the increasing deployment of SCADA in the utility sector further drives the demand for EMS.

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## Asia Pacific Expected to Hold Significant Market Share.

The Asia-Pacific region is expected to grow significantly during the forecast period. India and China have strong based markets for EMS worldwide, owing to their strong position in the consumer electronics, semiconductor, and other telecommunications devices and equipment manufacturing industries. For instance, Tata Group recently announced plans to enter the semiconductor manufacturing business, seeking a proportion of the USD 1 trillion high-tech electronics manufacturing sector.

Moreover, technology changes, such as the rollout of 5G networks and IoT, are driving the accelerated adoption of electronic products. Initiatives such as 'Digital India' and 'Smart City' projects have increased the demand for IoT in electronic devices. Additionally, according to the Electronic Industries Association Of India, The country's electronic contract manufacturing sector is expected to more than sixfold to around USD 152 billion by 2025. The country has also set a target of approximately USD 100 billion in exports of mobiles alone by 2025, which was made possible with the support of the government's production-linked incentive (PLI) scheme. Furthermore, in May 2022, Voltas announced projects of INR 400 crores (USD 50.10 million) capex under the PLI scheme to manufacture components for white goods.

According to IBEF, about 80% of the Production-Linked Incentive scheme (PLI) to encourage manufacturing in the country, which covers 14 enterprises and has a total investment of INR 3 lakh crore (USD 38.99 billion), is concentrated in only three sectors, such as electronics, automobiles, and solar panel production. This expansion supports rapid growth for new technology products across networking, 5G, data center, automotive/LIDAR, and aerospace and defense markets.

APAC's supply chain starts with product design, semiconductor fabrication and packaging, components and subsystems, final assembly, and testing, which is also slowly moving toward low-cost countries in APAC, including India, and Indonesia, for reducing the manufacturing cost. For instance, rising costs and previous trade tensions compelled Taiwan's Pegatron to diversify production to countries, such as Vietnam and Indonesia. Such uncertainty due to trade tension led many companies in Asia to readjust investments and shift their manufacturing bases to avoid tariffs.

## Electronics Manufacturing Services Market Competitor Analysis

The electronics manufacturing services market is moving toward fragmentation, owing to the improved adoption of these services across industries and the presence of several market players globally. Market players view product developments and innovations as a lucrative path for market expansion.

April 2022, Industrial provider Rockwell Automation announced it is teaming up with CAD-IT, a Singapore-based systems integrator focused on Industry 4.0 technologies. CAD-IT is now part of Rockwell Automation's Partner Network and was carried on to support the increasing demand for industrial automation in Southeast Asia.

March 2022, Linear Labs launched Electric Motor Production At New Advanced Manufacturing Facility, the company raises USD 17 million Series A Funding Round. The production launch included two models: HET Light 30 and HET Light 45 Series.

### Additional Benefits:

The market estimate (ME) sheet in Excel format  
3 months of analyst support

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