

WIRED FOR A COMEBACK?

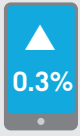
OCTOBER 2016



Against a backdrop of slowing global economic growth, the technology sector ebbed in the first half of 2016 from both lackluster consumer demand and flat IT spending. However, emerging categories—from 4K Ultra HD and wearables to smart home, drones, and VR—offer hope that the much-vaunted “Internet of Things” could help spur a recovery by year-end.

SEEKING DIFFERENT CONNECTIONS

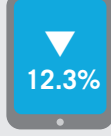
Consumer hunger waned for key personal electronics, reflected in year-on-year data for global shipments across four of the largest categories.



Smartphones

Q2 2015 – Q2 2016

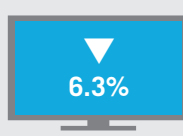
(Source: IDC)



Tablets

Q2 2015 – Q2 2016

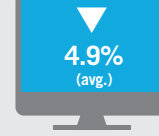
(Source: IDC)



LCD TVs

Q1 2015 – Q1 2016

(Source: TrendForce)



PCs

Q2 2015 – Q2 2016

(Sources: Gartner, IDC)

SENDING MIXED SIGNALS

While devices and communications are forecast to drop, data center, software, and IT services are expected to rise. In summary, global IT spending is projected to remain flat at \$3.4 trillion as a range of new digital alternatives take the place of traditional IT across a variety of segments.

(Source: Gartner)

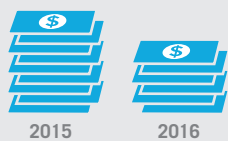
2016 Projected Spending



(Source: Gartner)

RACKING UP SERVERS

Server shipments grew amid continued demand for low-end servers, but server revenues fell due to lower demand for high-end servers.



▼ **0.6% (avg.)**

Server Revenue
Q2 2015 – Q2 2016

(Source: Gartner, IDC)



▲ **2.3% (avg.)**

Server Shipments
Q2 2015 – Q2 2016

IMF GLOBAL GROWTH FORECAST



3.4%

January 2016

3.2%

April 2016

3.1%

July 2016

The IMF cut global growth forecasts every quarter from late 2014 through mid-2016, and even projections of modest growth made in January were revised downward every quarter.

(Source: IMF)

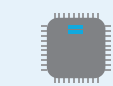
TAKING THE NEAREST BREXIT?

Adjustments related to the Brexit outcome resulted in the IMF's eighth consecutive cut in forecasted growth. If Brexit erodes business confidence, IT spending could be negatively impacted.



PLUGGING INTO A TREND

Tech components were impacted by slower economic growth and lower downstream demand from electronic equipment.



▼ **5.8%**

Semiconductor Sales

Q2 2015 – Q2 2016

(Source: Semiconductor Industry Association)



▼ **20%**

Hard Disk Drive Shipments

Q1 2015 – Q1 2016

(Source: AnandTech)



▲ **41.2%**

Solid State Drive Shipments

Q2 2015 – Q2 2016

(Source: TrendForce)



▲ **1.2%**

Printed Circuit Board Shipments (North America)

July 2015 – July 2016

(Source: ITC)

Despite growth in shipments, the bill-to-book ratio was down four consecutive months (suggesting weak demand) before increasing to positive territory in August.

TECH REMAINS VOLATILE, BUT POISED FOR RECOVERY

While the IT segment remains weak, the consumer tech segment is expected to strengthen in the second half of 2016, aided by an anticipated recovery in PC shipments and holiday excitement surrounding emerging tech. In addition, NAND flash and DRAM chip prices are on the rise, which could boost pricing for downstream electronic products.

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