

Temperature Sensors and Switches: Shifts in Global Economics will Roil Markets, According to VDC

The plunge in oil prices and the subsequent collapse of new project starts for oil & gas will greatly affect the outlook for temperature instrumentation manufacturers.

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The oil & gas and petrochemical vertical markets are among the largest for temperature instrumentation. The revaluation of oil and oil-based assets will act as a significant headwind to growth within the temperature sensor and switch market, according to a new report from VDC Research ([click here](#) for more information). After years of significant growth in Brazil, China, India, Russia, and other emerging markets, the global macroeconomic outlook has significantly deteriorated. Sharp fluctuations in currencies will impact international temperature instrumentation manufacturers as many of the lower-end commodity products are sold at low-margin and high volume.

“As we move into 2015, the outlook for virtually every country besides the United States has turned negative,” says Frank Bertini, lead analyst in VDC’s Industrial Automation & Sensors practice. “This temperature market is heavily exposed to oil, but there are other underlying concerns including slowing global growth, which affects everything from automotive to HVAC systems on buildings.” Bertini states that the temperature instrumentation market correlates heavily with the energy markets as heat fluctuation is largely a function of energy manipulation. “What you will see over the forecast period is a dramatic slowdown in this aspect of the temperature sensor business; I don’t think everyone is quite as prepared as they should be,” says Bertini. “Many suppliers, especially those with exposure to the BRICs, are sitting on their hands; they need to start planning for a dramatic slowdown.” The decreased demand will have less of an effect on the food & beverage and semiconductor temperature instrumentation suppliers. Manufacturers on this higher price point will fare better as their products have many value-added features such as auto calibration.

As part of its research, VDC interviewed suppliers as well as included other factors into the model such as currency and commodity dynamics, GDP forecasts, and industry specific growth rates. “We are very happy with how the model performed,” says Bertini. “The industry needs this level of granularity, every company is different and the research reflects that.” While the impending downturn will favor larger, diversified conglomerates, smaller temperature suppliers can work with their partners to develop customer-specific solutions especially in the aerospace and alternative energy markets.

About VDC Research Group

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