



BUILD ELECTRONICS BETTER

# The Current Sentiment of the Global Electronics Manufacturing Supply Chain

*Monitoring the Pulse of the Global Electronics Industry*

June 2024

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# Executive Summary



- > **Electronics Industry Sentiment Fell in June, Driven by Weaker Demand and Stronger Cost Pressures**
  - Despite this month's decline, industry sentiment remains above its long-term average.
- > **Industry demand fell to its lowest level this year**
  - Demand fundamentals weakened for the third consecutive month, falling to the lowest level in 2024.
  - The Demand Index slipped 3.1% this month, after falling 3% last month.
  - All four components of demand slipped this month. The Shipments Index fell 1 point, while both the New Orders Index and the Backlog Index dropped 2 points. The biggest drop came from the Capacity Utilization Index which fell 8 points and dropped into contractionary territory.
- > **Cost pressures rose for a second consecutive month, but after a record low in April**
  - The Labor Costs Index dropped 2 points this month but the Material Costs Index increased 6 points.
  - The Material Costs Index is at its highest level since August 2023.
- > **Industry outlook declined in June, dropping to the lowest level since October 2024**
  - The industry outlook remains strongly positive, though it has slightly softened over the two months from a record high in March.
- > **This month's special question asked how concerned executives were that Chinese manufacturers may oversupply inputs and components, including PCB boards, at artificially low prices over the next year to stimulate its economy.**

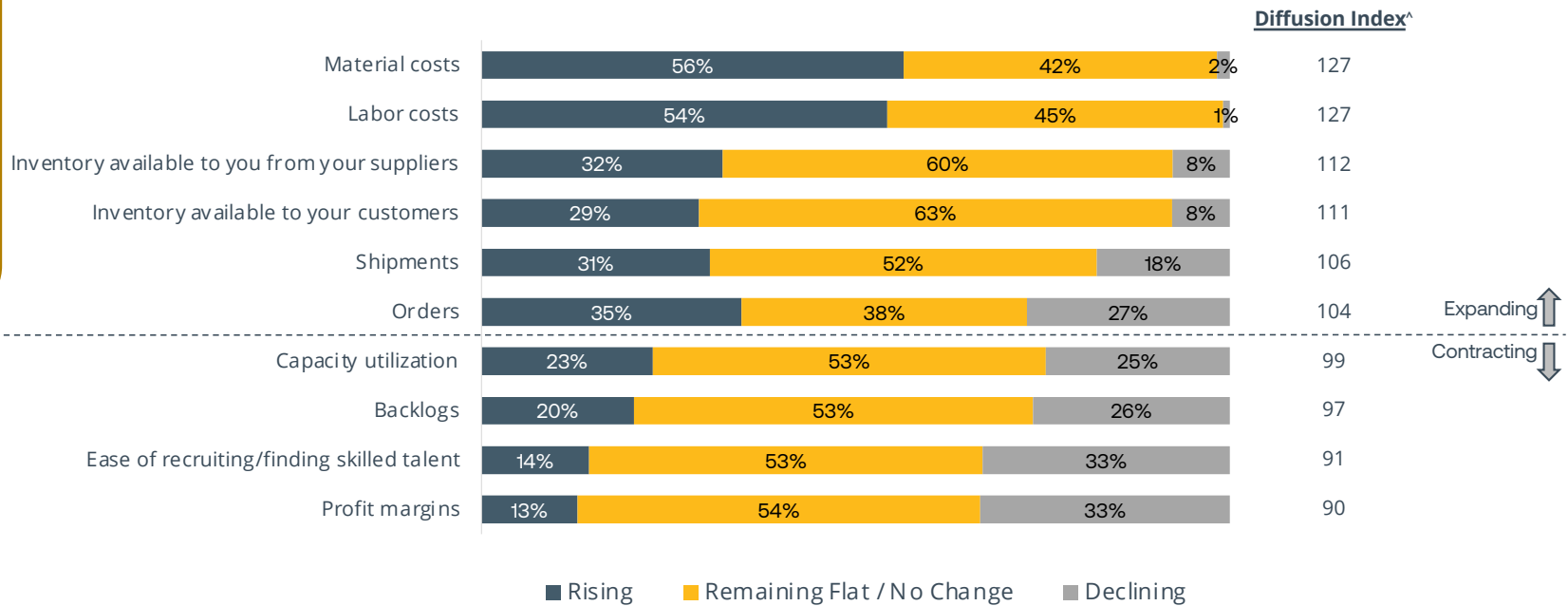
# Current Conditions for the Electronics Supply Chain



More than half of electronics manufacturers are currently experiencing rising material (56%) and labor (54%) costs. At the same time, profit margins, ease of recruitment, backlogs, and capacity utilization are presently declining.

## Current Direction of Key Business Indicators

-- Total --



<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# Regional Differences in Current Conditions



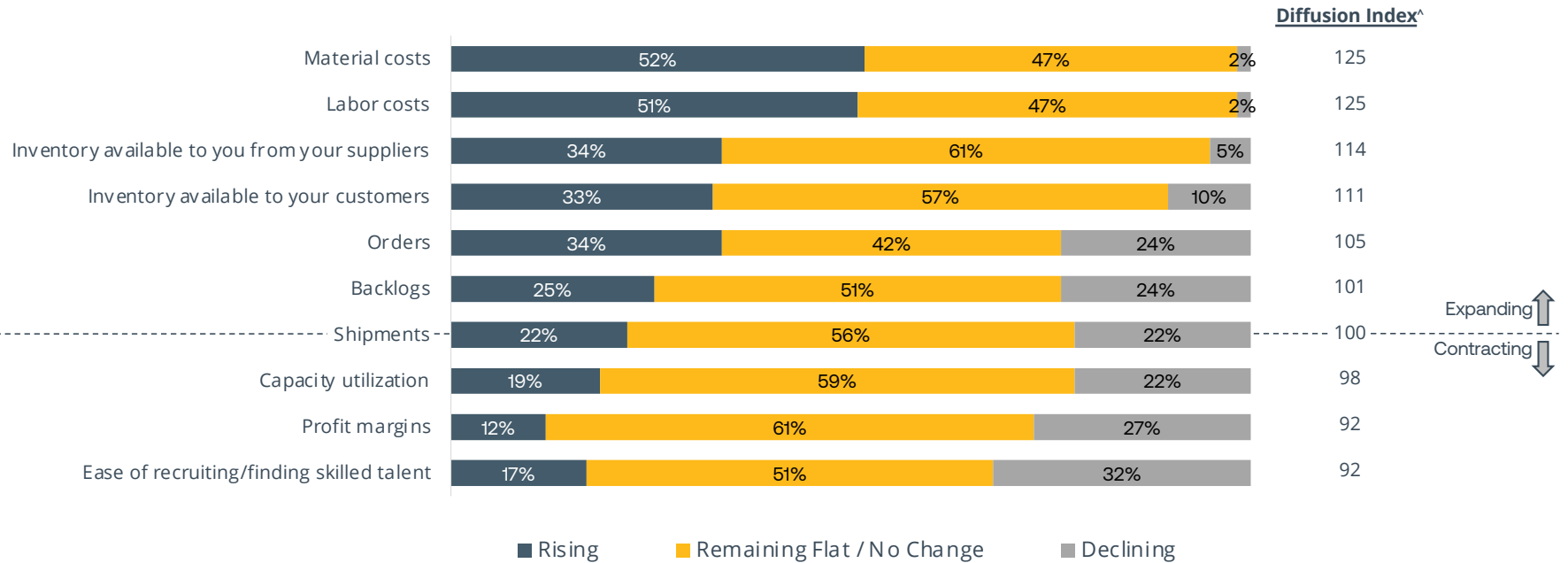
- Capacity utilization is declining more so among firms in Europe, while remaining flat in North America and among those operating Globally.
  - More than two-fifths (44%) of firms in Europe indicate capacity utilization is currently declining, while firms in North America (59%) and those operating Globally (71%) are more likely to indicate capacity utilization is holding steady.

# The View From Companies Primarily Operating in North America



## Current Direction of Key Business Indicators

-- Primary Region: North America --



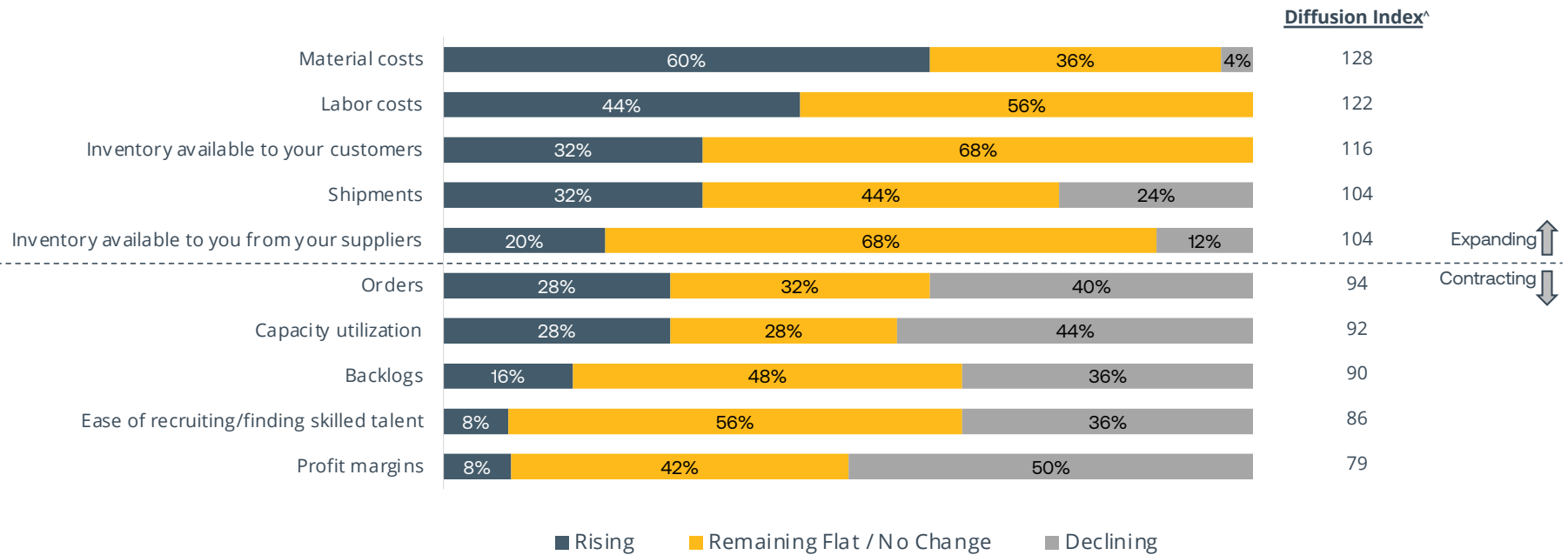
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in Europe



## Current Direction of Key Business Indicators

-- Primary Region: Europe --



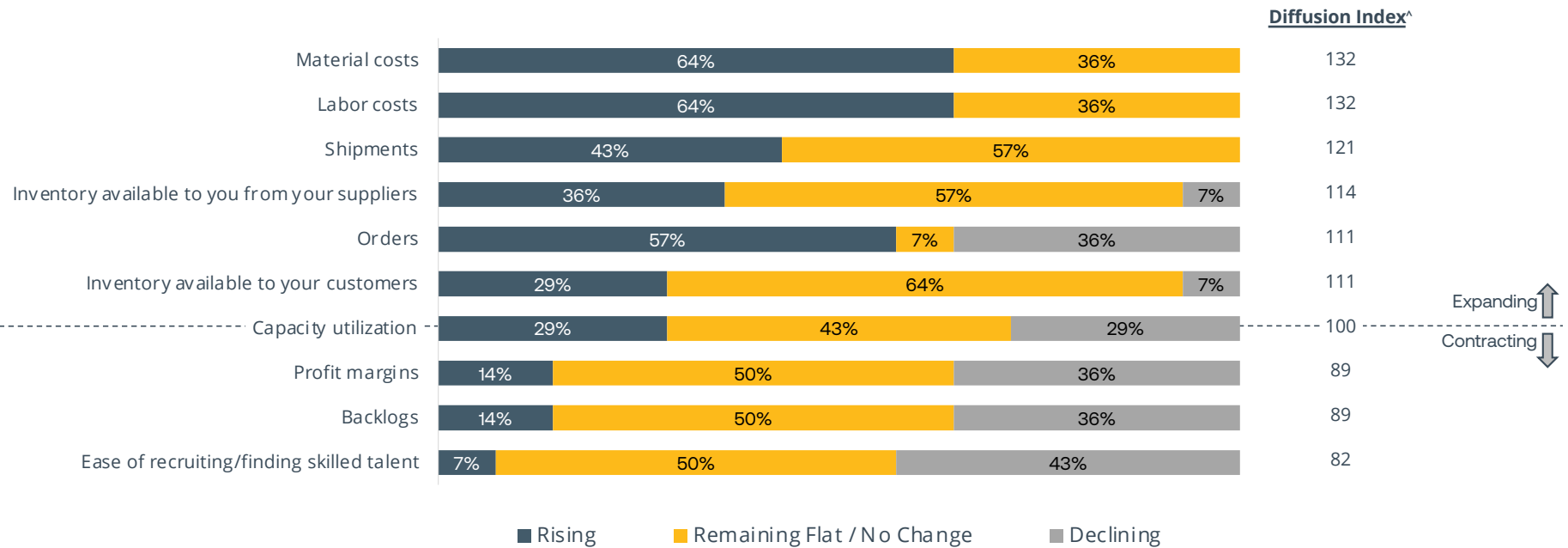
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# The View From Companies Primarily Operating in APAC



## Current Direction of Key Business Indicators

-- Primary Region: APAC --



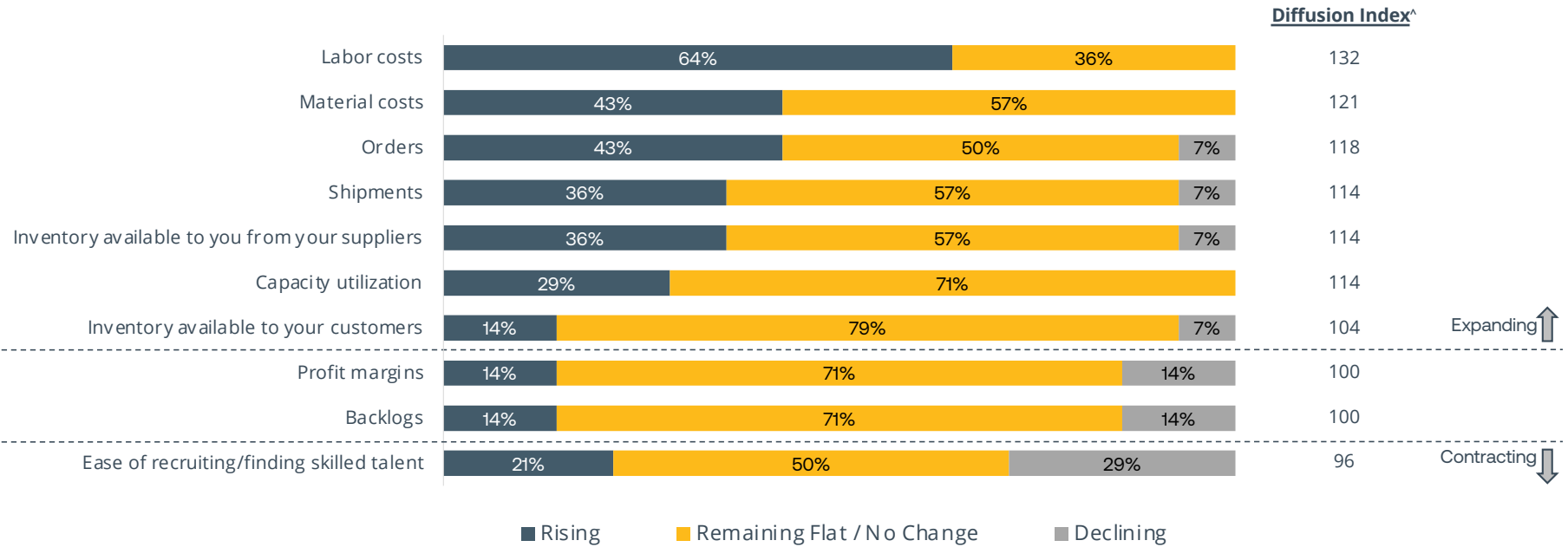
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# The View From Companies Primarily Operating Globally



## Current Direction of Key Business Indicators

-- Primary Region: Global --



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# The Outlook for the Next 6 Months



Notably, there are no significant differences in the outlook across all geographic regions.

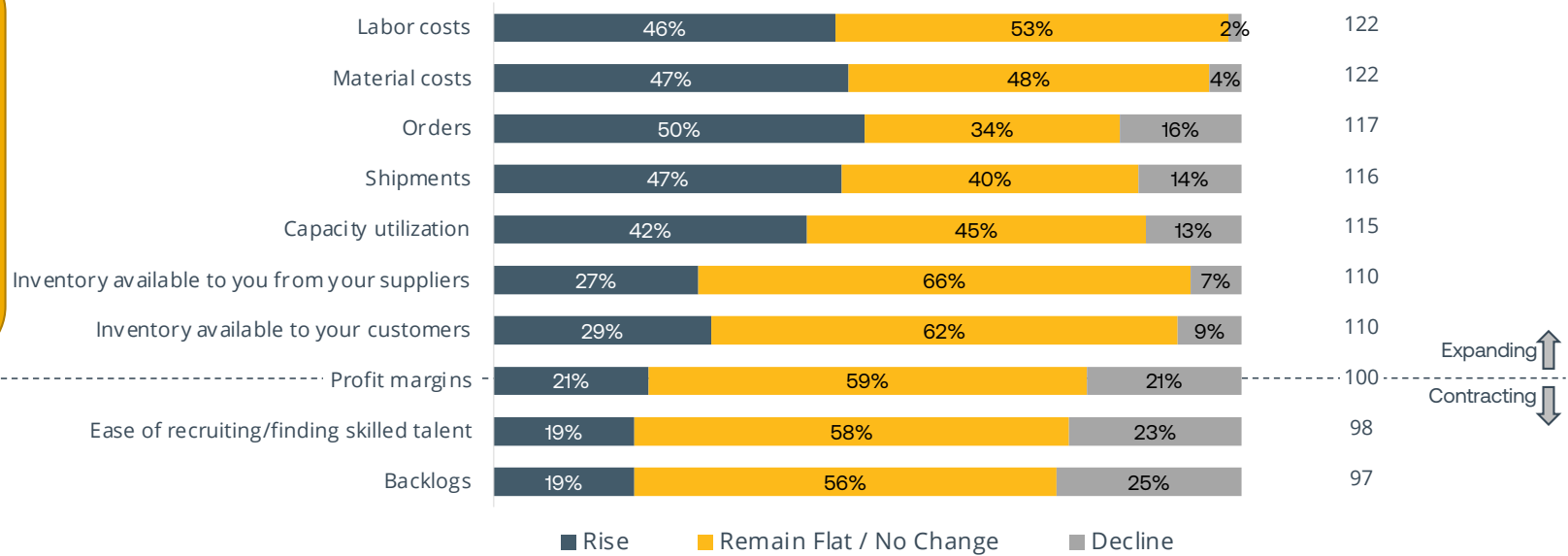
## Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --

Diffusion Index<sup>^</sup>

Over the next six months, electronics manufacturers expect both labor and material costs to come down slightly.

Although backlogs and ease of recruitment are likely to remain challenging, manufacturers expect profit margins and capacity utilization to rise.



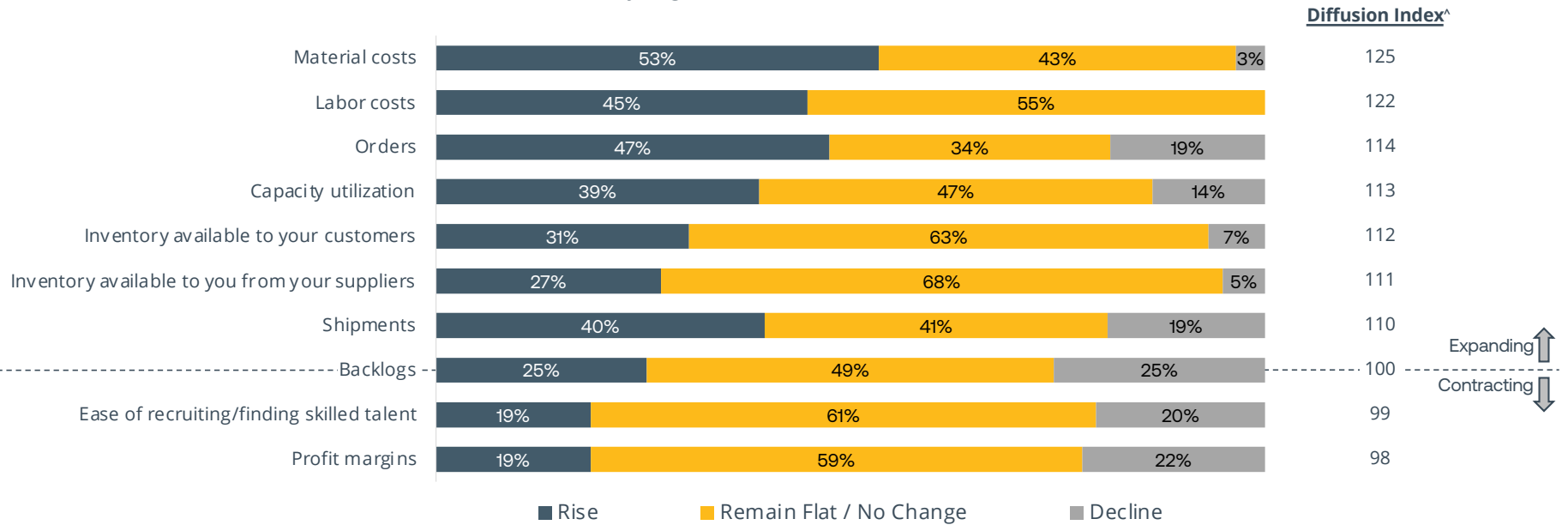
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# The View From Companies Primarily Operating in North America



## Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --



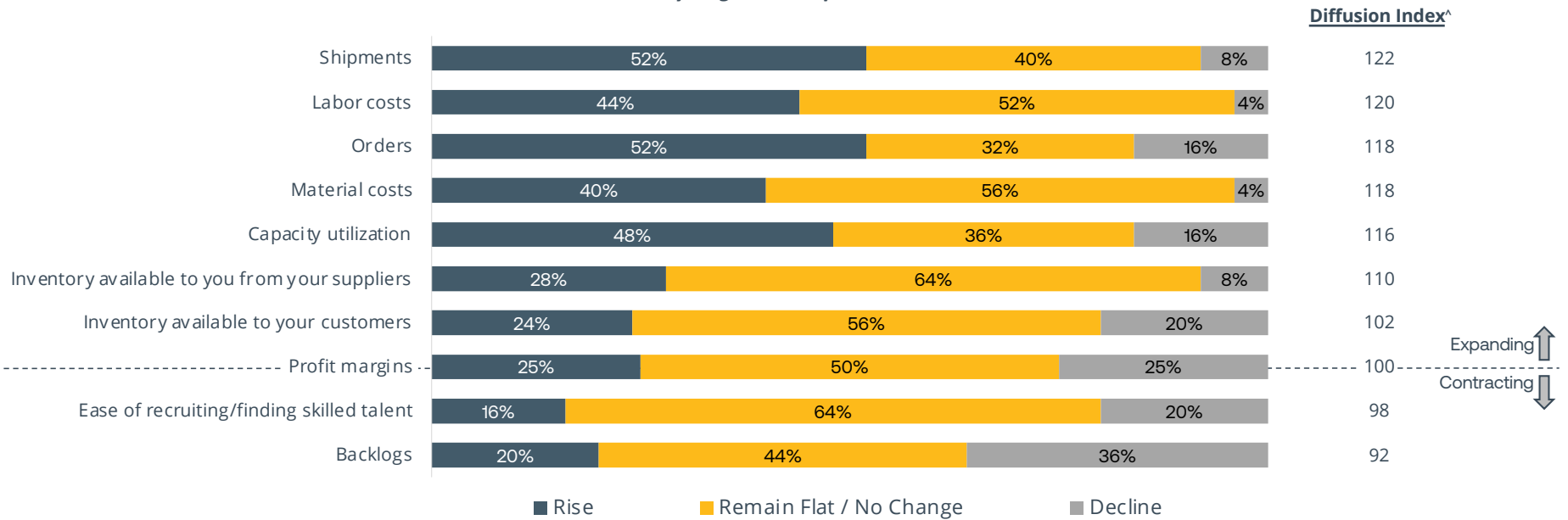
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# The View From Companies Primarily Operating in Europe



## Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Europe --



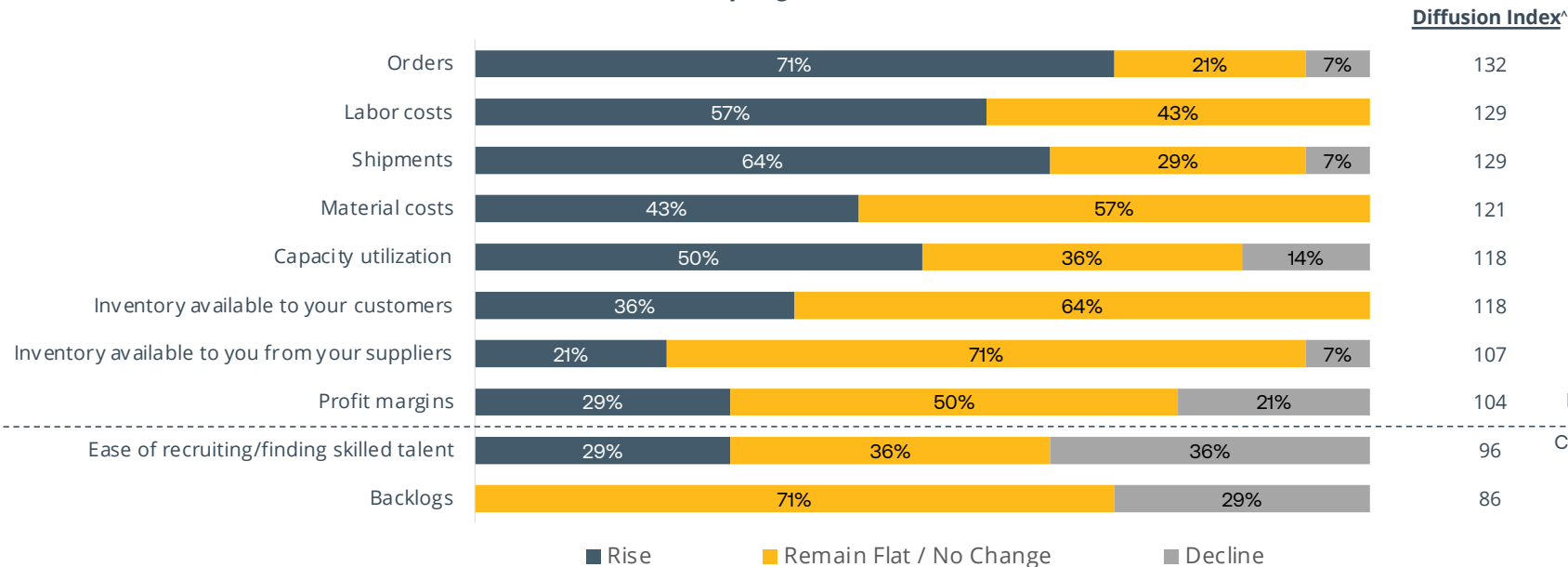
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# The View From Companies Primarily Operating in APAC



## Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: APAC --



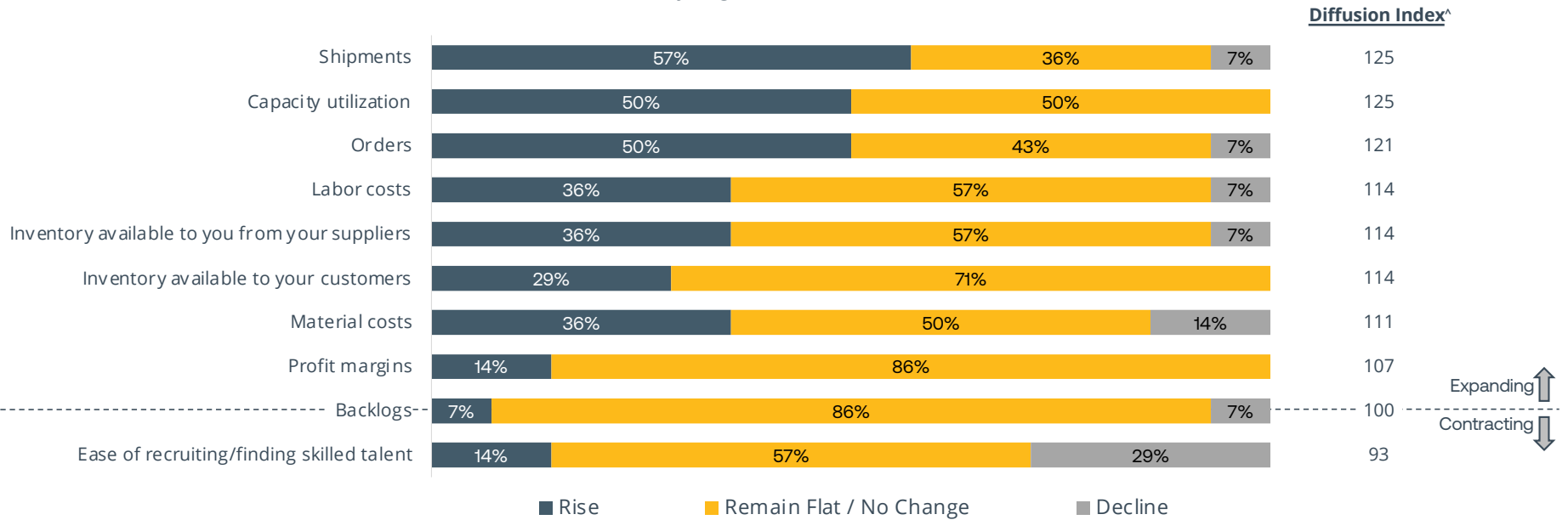
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# The View From Companies Primarily Operating Globally



## Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Global --



<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# Capacity Utilization, Orders, Shipments, Profit Margins, and Ease of Recruitment are Expected to Rise Over the Next Six Months, While Both Material and Labor Costs are Expected to Decline



All other key business indicators are expected to remain relatively stable.

### Direction of Key Business Indicators – Diffusion Index<sup>^</sup>

-- Total --

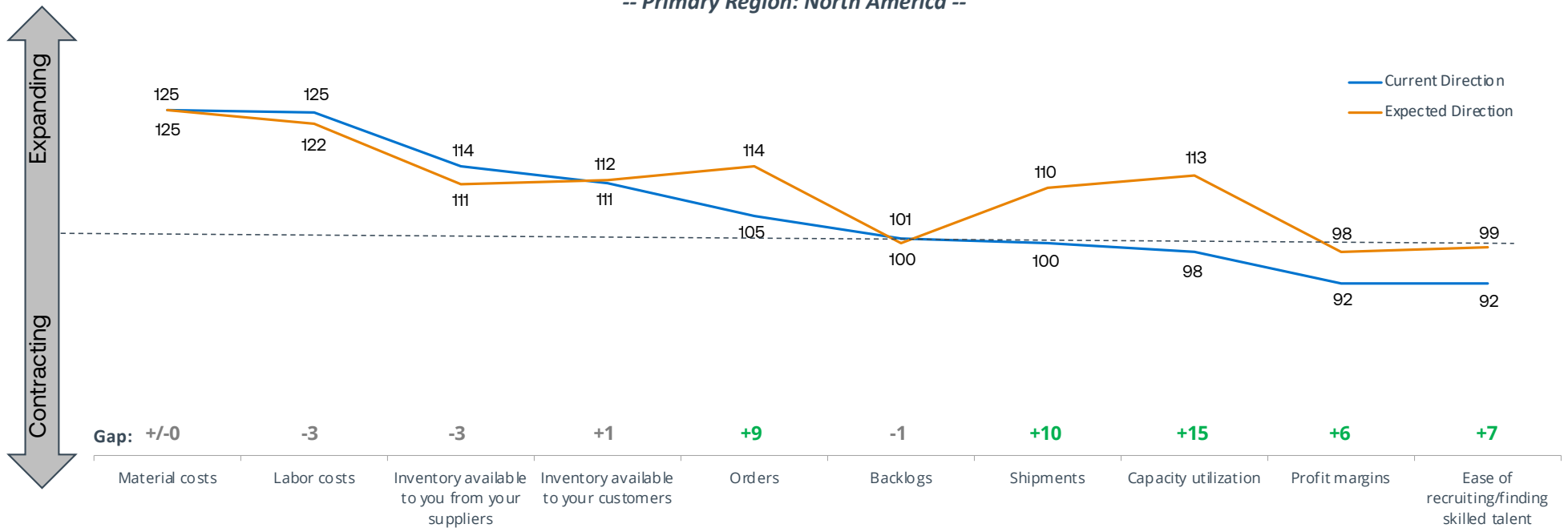


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# The View From Companies Primarily Operating in North America



Direction of Key Business Indicators – Diffusion Index<sup>^</sup>  
 -- Primary Region: North America --

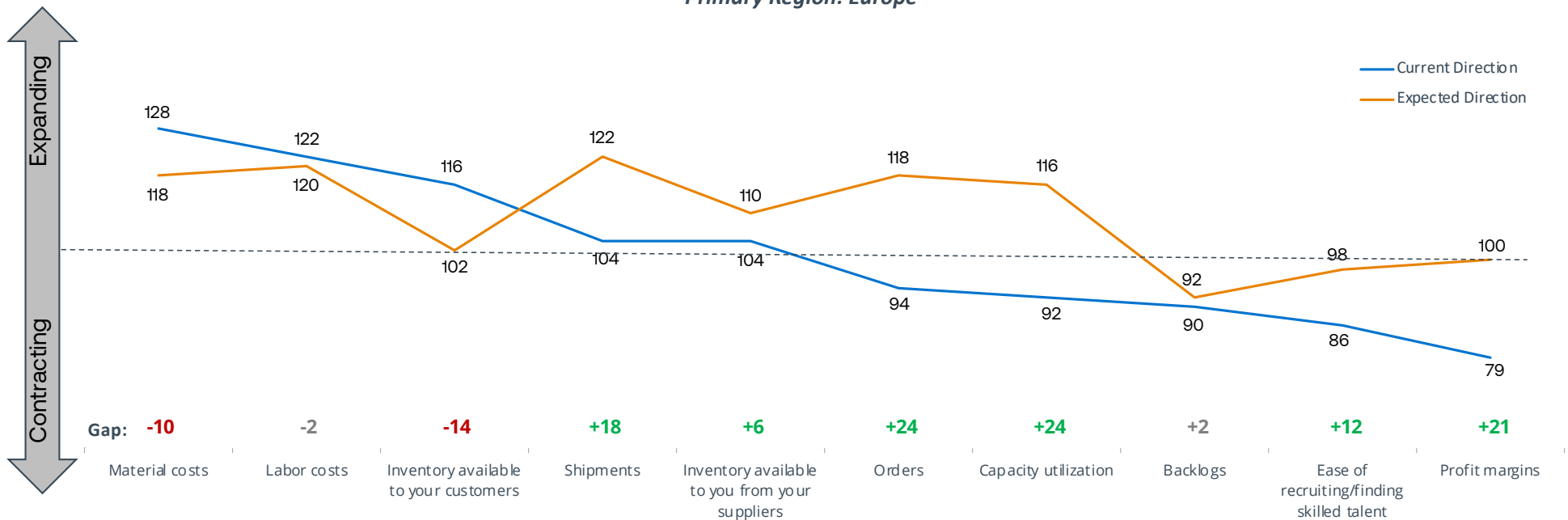


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# The View From Companies Primarily Operating in Europe



Direction of Key Business Indicators – Diffusion Index<sup>^</sup>  
 -- Primary Region: Europe --



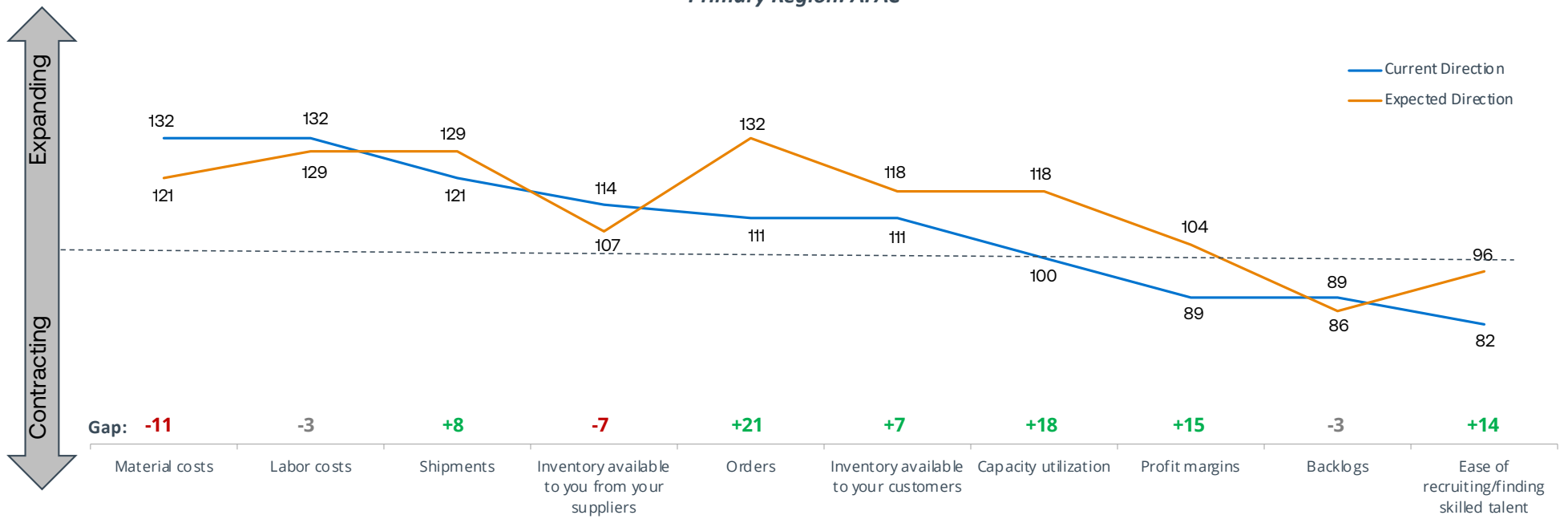
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# The View From Companies Primarily Operating in APAC



Direction of Key Business Indicators – Diffusion Index<sup>^</sup>  
 -- Primary Region: APAC --

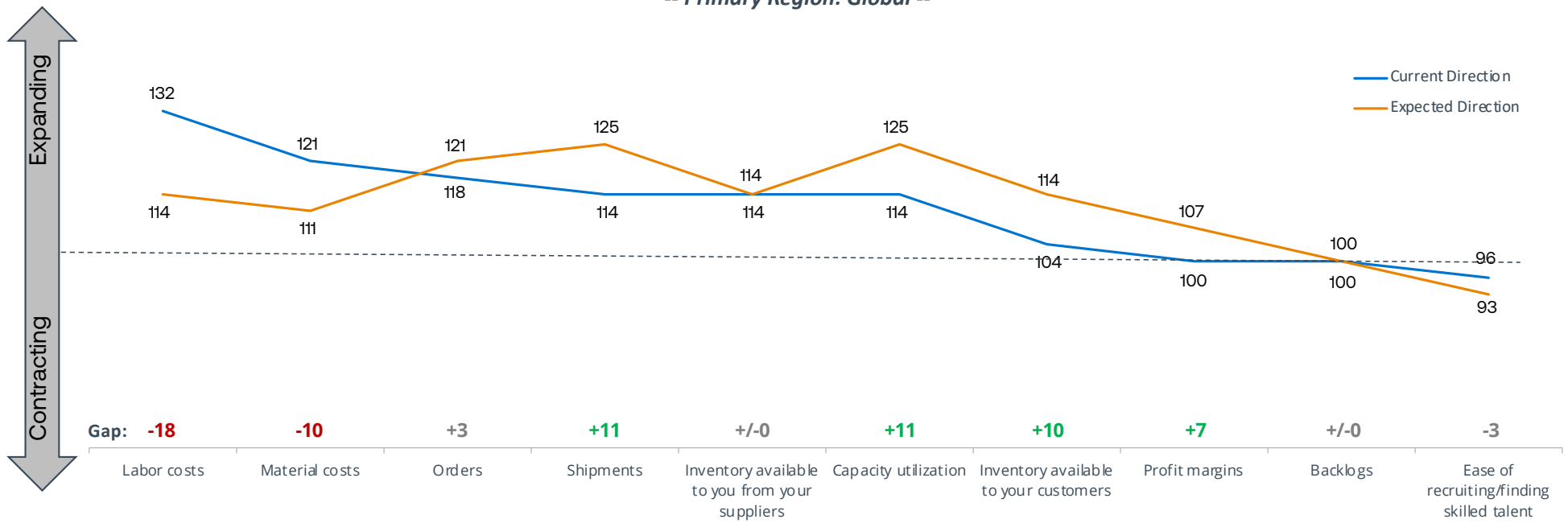


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# The View From Companies Primarily Operating Globally



Direction of Key Business Indicators – Diffusion Index<sup>^</sup>  
 -- Primary Region: Global --



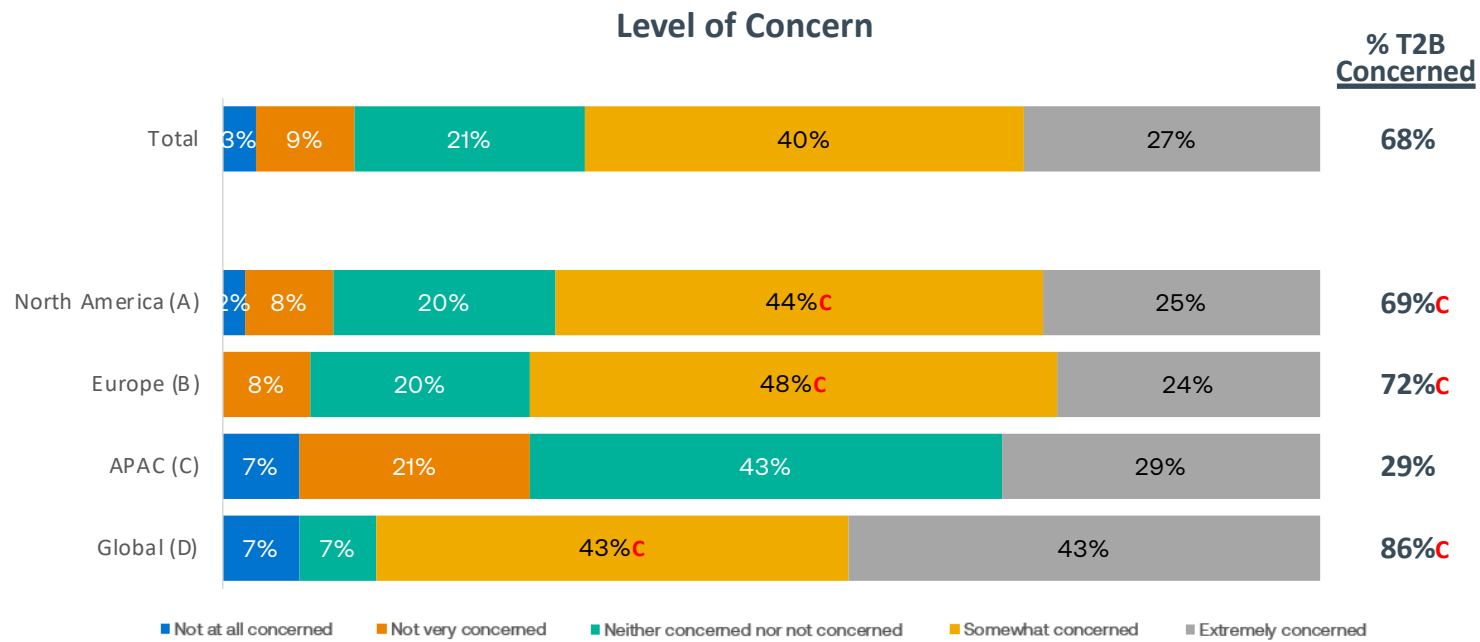
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# June 2024 Special Question

# Electronics Manufacturers are Concerned About the Potential for Chinese Manufacturers to Oversupply Inputs and Components at Artificially Low Prices



Seven in ten (68%) electronics manufacturers say they are either “somewhat” or “extremely” concerned that Chinese manufacturers may oversupply inputs and components at artificially low prices over the next year to stimulate its economy, with a significantly lower level of concern among manufacturers operating primarily in APAC (29%) when compared to other regions.



Q. How concerned are you that Chinese manufacturers may oversupply inputs and components, including PCB boards, at artificially low prices over the next year to stimulate its economy?

A/B/C/D Statistically significant at 90% confidence interval

# Appendix

# Current Conditions Diffusion Indices

## Past 12 Month Comparisons (TOTAL)



	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024
Shipments	108	103	110	106	104	107	105	110	105	113	112	107	106
Orders	107	103	104	101	100	105	101	102	105	113	111	106	104
Profit margins	96	91	96	93	92	94	95	96	95	96	97	89	90
Backlogs	95	93	98	90	91	96	94	94	94	98	101	99	97
Ease of recruiting/finding skilled talent	90	92	92	89	88	87	88	88	89	90	92	92	91
Material costs	126	123	128	124	122	118	119	119	118	121	117	121	127
Labor costs	129	129	133	131	129	130	128	128	133	130	126	129	127
Capacity utilization	108	103	108	104	102	106	106	106	104	109	108	107	99
Inventory available to you from your suppliers	112	112	110	109	111	112	111	116	113	108	116	112	112
Inventory available to your customers	115	109	109	108	108	107	110	118	110	113	114	115	111

△+5 points or more vs. previous month

△-5 points or more vs. previous month

# Outlook Diffusion Indices

## Past 12 Month Comparisons (TOTAL)



	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024
Shipments	112	115	117	110	114	116	116	117	123	124	121	122	116
Orders	111	116	117	113	114	114	116	120	121	127	122	125	117
Profit margins	99	96	104	100	100	102	100	105	103	106	101	101	100
Backlogs	92	98	100	95	97	104	97	97	102	106	104	101	97
Ease of recruiting/finding skilled talent	93	95	95	91	91	89	93	94	95	92	93	90	98
Material costs	123	120	123	122	120	116	116	116	116	119	119	118	122
Labor costs	128	126	126	129	128	132	130	129	129	127	128	124	122
Capacity utilization	111	113	115	114	111	114	114	117	116	124	117	117	115
Inventory available to you from your suppliers	113	118	113	113	113	112	114	116	113	111	110	112	110
Inventory available to your customers	111	117	112	112	112	111	115	117	114	114	115	112	110

Δ+5 points or more vs. previous month

Δ-5 points or more vs. previous month

# Methodology



- > Each month, IPC surveys executives in the electronics manufacturing sector across the globe with the goal of assessing the current state of the industry.
- > The results contained herein are based upon the findings of IPC's The Current State of Electronics Manufacturing Survey, which was fielded between the dates of May 15 and May 31, 2024.







Questions? Please contact:

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