The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

February 2025

ipc.org

Executive Summary

> Electronics Industry Demand Rises in February

- Orders, capacity utilization, and backlogs all grew in the past month, pushing demand higher. The Demand Index is at its highest level since May 2024.Profit margins remain under pressure, but the Profit Margin Index has risen for the second consecutive month.
- Labor and material costs remain elevated across all regions, with the highest diffusion index in North America.
- The ease of recruiting skilled labor remains a persistent challenge across all markets and has worsened in the past month.

> Outlook Strengths Further

- Outlook for shipments, orders, backlogs, and capacity utilization is expected to improve, reflecting strong optimism.
- Labor and material costs will continue rising, creating margin pressures.
- Recruitment challenges will persist as labor markets remain tight.

> Electronics Manufacturers Not Largely Pulling Shipments Forward and Not Seeing Shipping Surcharges

- About 65% of manufacturers report they are not pulling forward shipments due to tariff risks, though 18% are adjusting less than 10% of shipments.
- Some 72% of respondents have not experienced shipping surcharges beyond expectations, and 70% do not anticipate new surcharges in the next 60 days.

Current Conditions for the Electronics Supply Chain

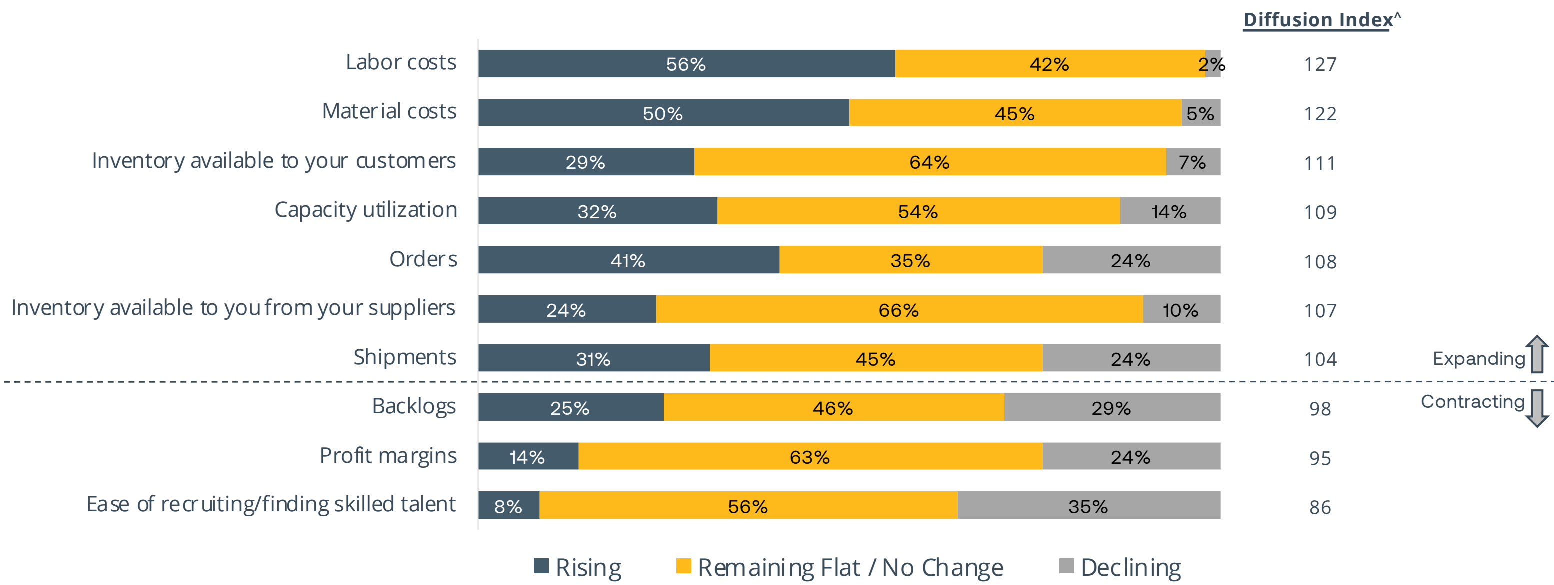
Notably, there are no significant differences in current conditions across all geographic regions.

Nearly three-fifths (56%) of electronics manufacturers are currently experiencing rising labor costs, with half (50%) reporting rising material costs.

At the same time, ease of recruitment, profit margins, and backlogs are presently declining.

Current Direction of Key Business Indicators

-- Total --

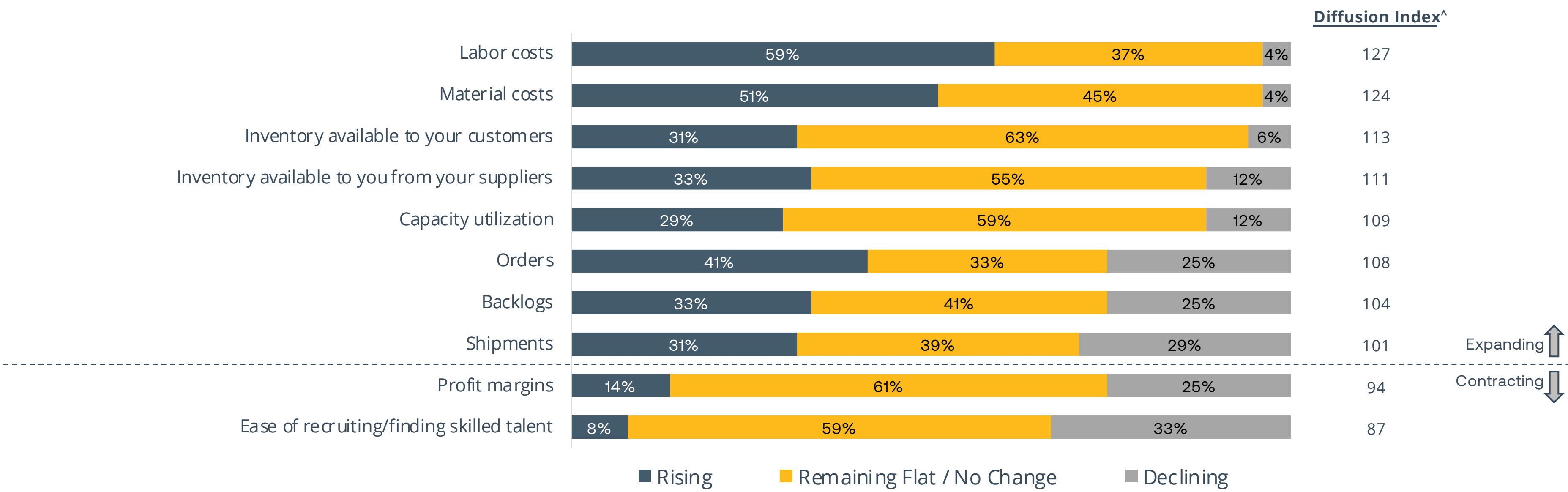


^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in North America

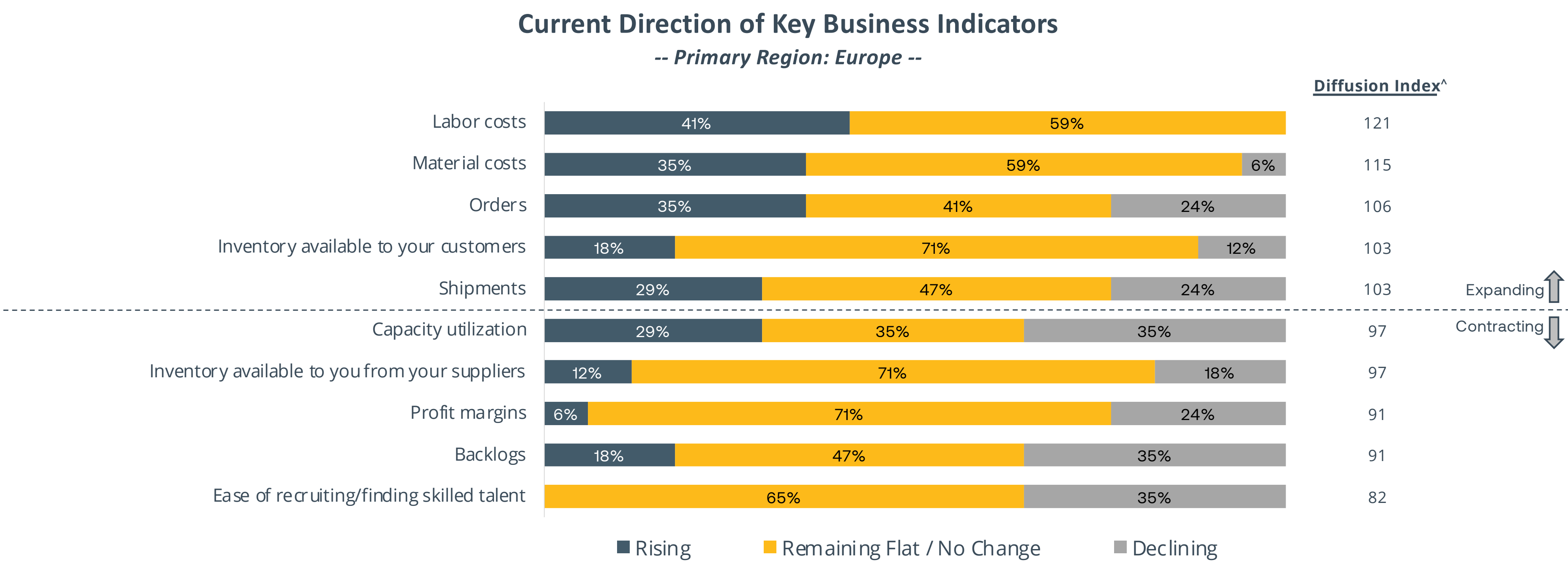
Current Direction of Key Business Indicators

-- Primary Region: North America --



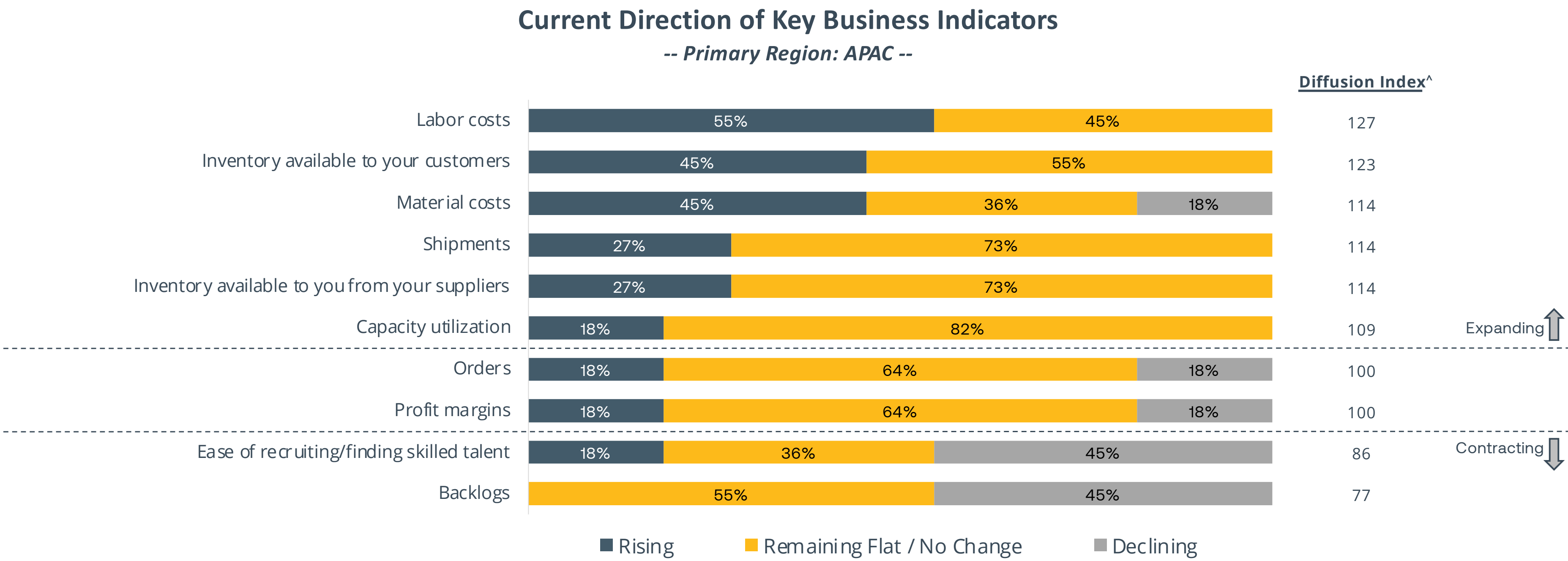
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in Europe



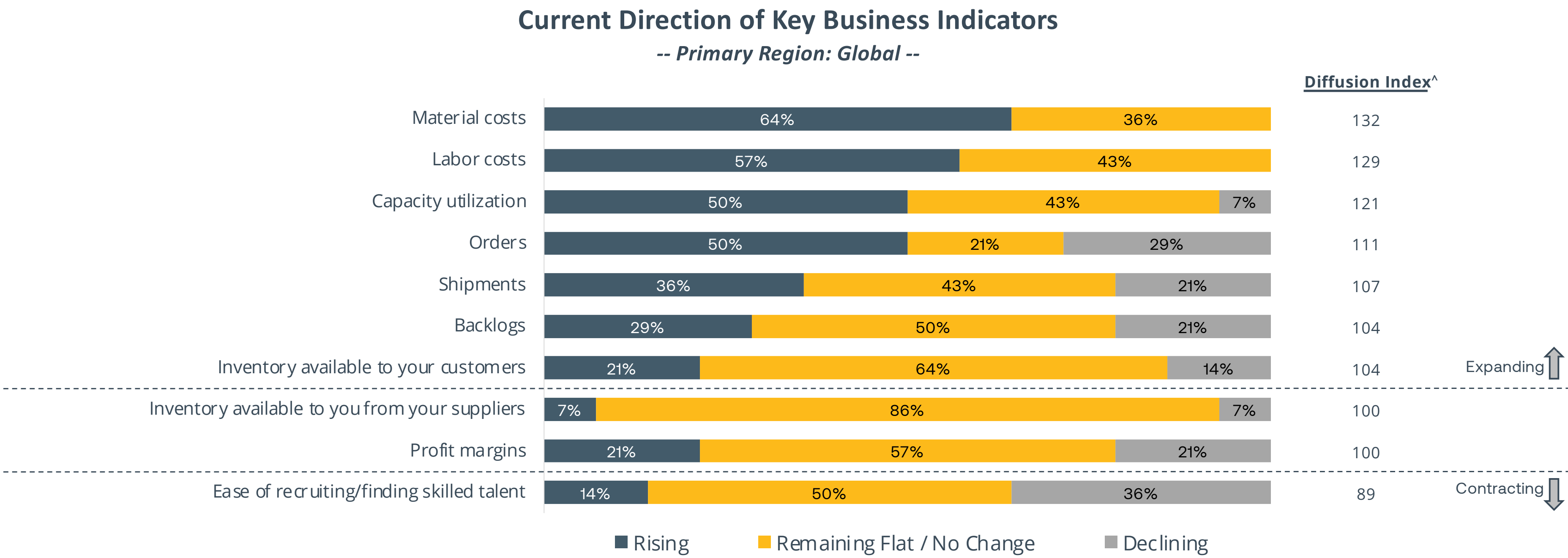
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in APAC



^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating Globally



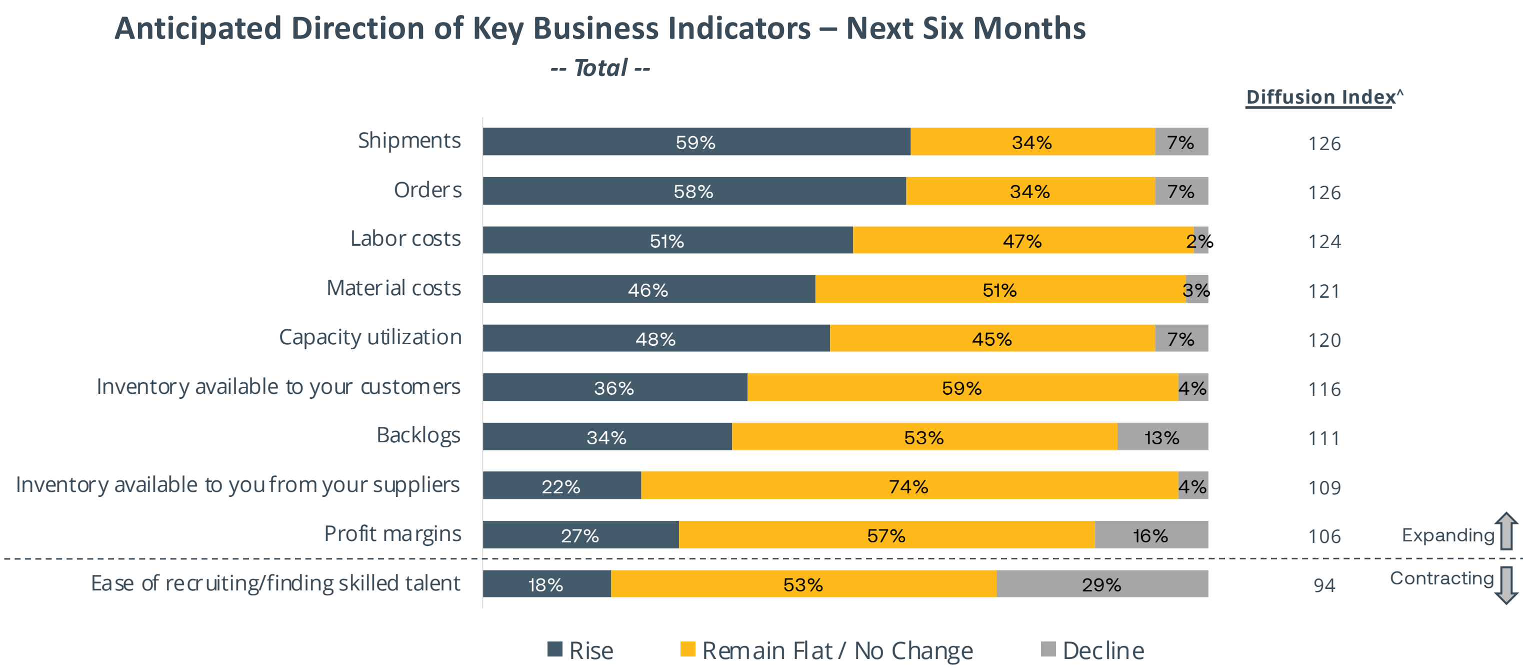
^A diffusion index is a statistical measure used to detect economic turning points.

The Outlook for the Next 6 Months

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

Over the next six months, electronics manufacturers expect labor and material costs to remain high, with a notable increase in both shipments and orders.

Concurrently, electronics manufacturers expect ease of recruitment to remain challenging.

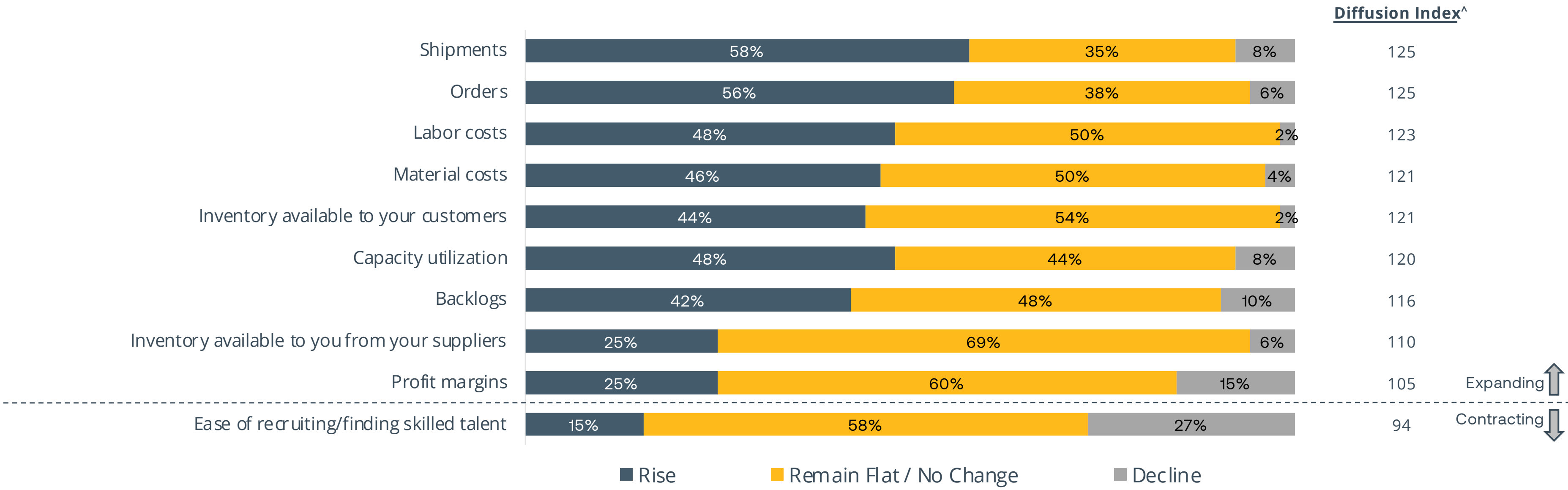


^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in North America

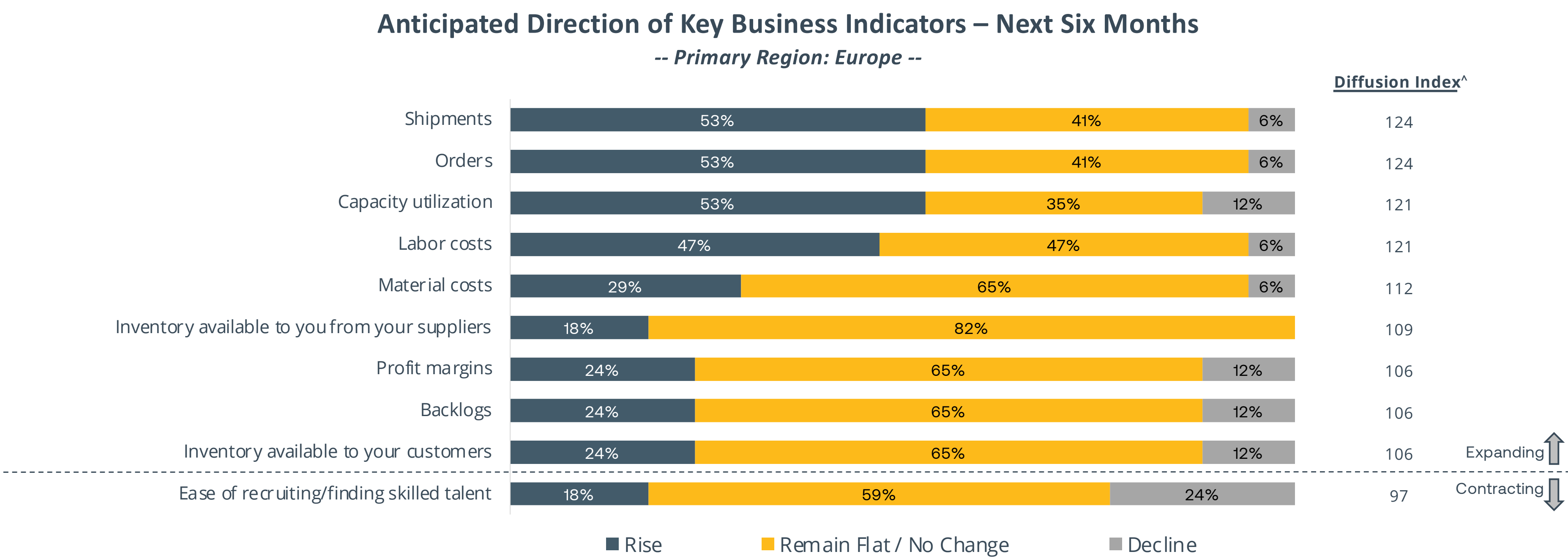
Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --



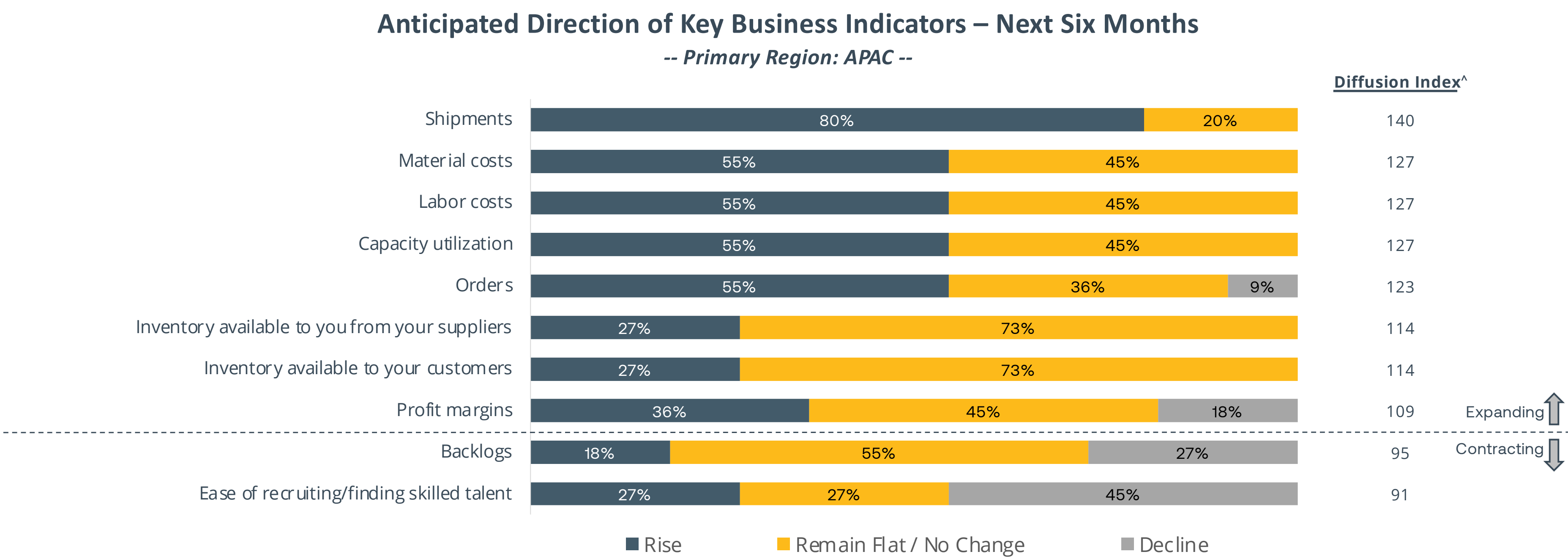
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in Europe



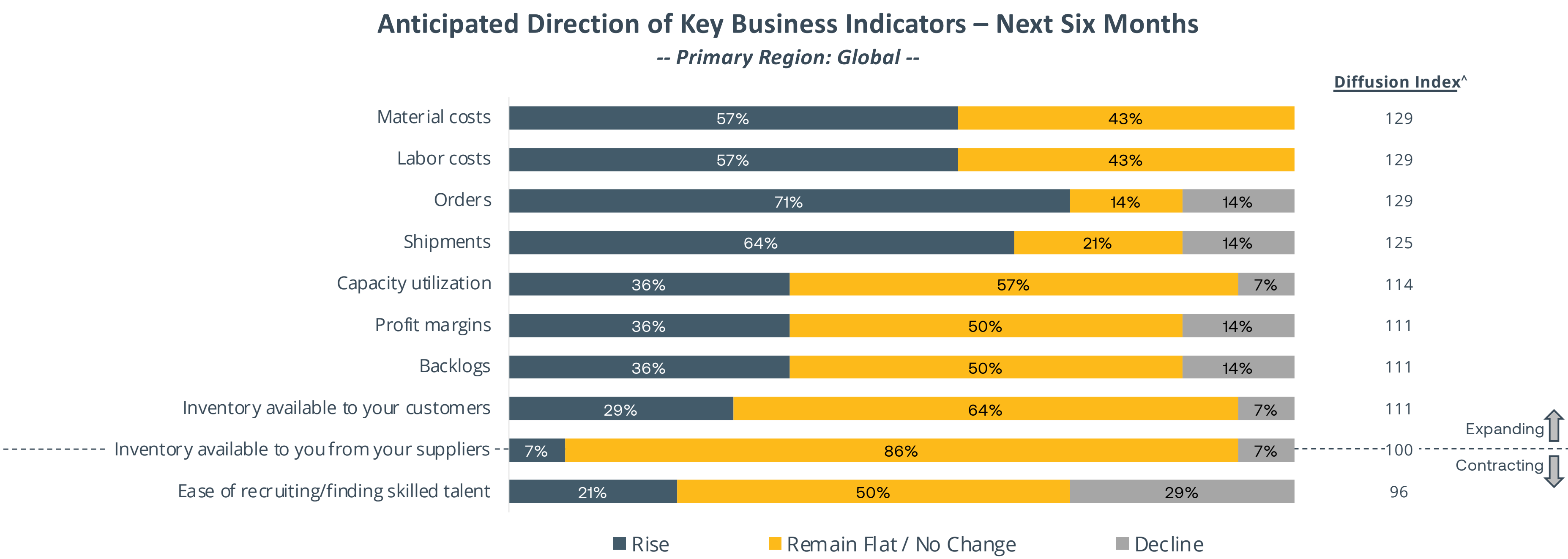
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in APAC



^A diffusion index is a statistical measure used to detect economic turning points.

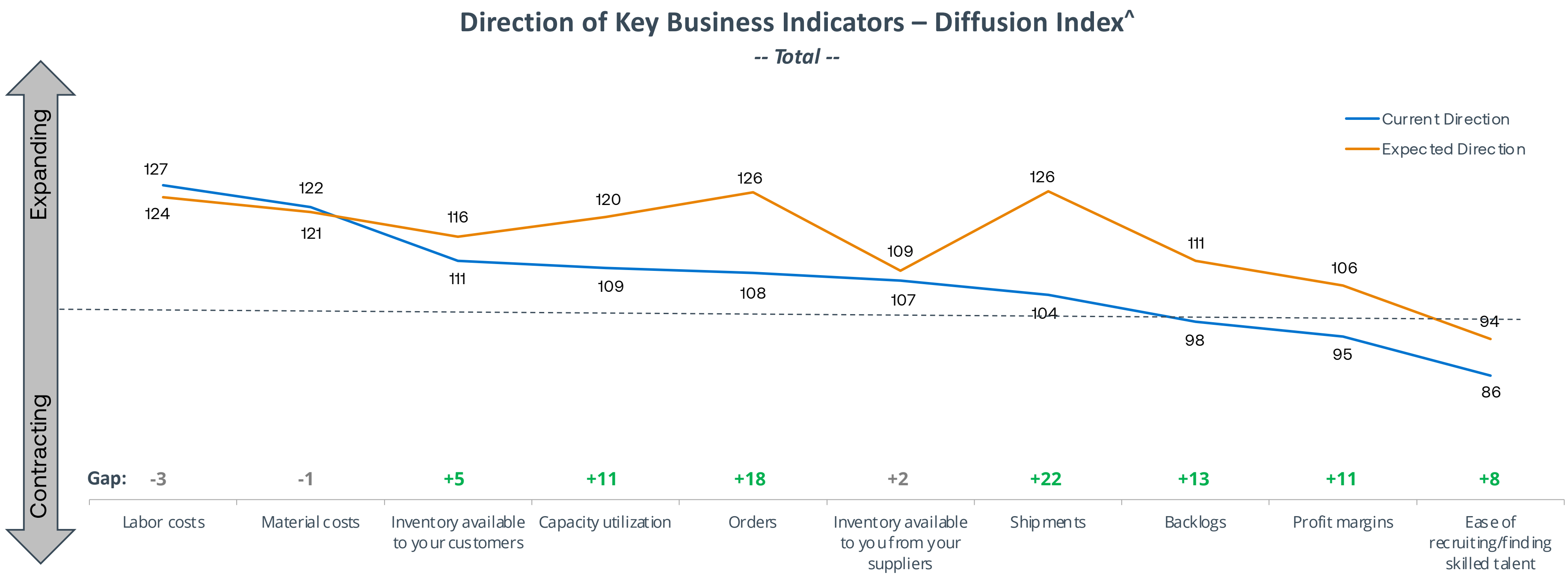
The View From Companies Primarily Operating Globally



^A diffusion index is a statistical measure used to detect economic turning points.

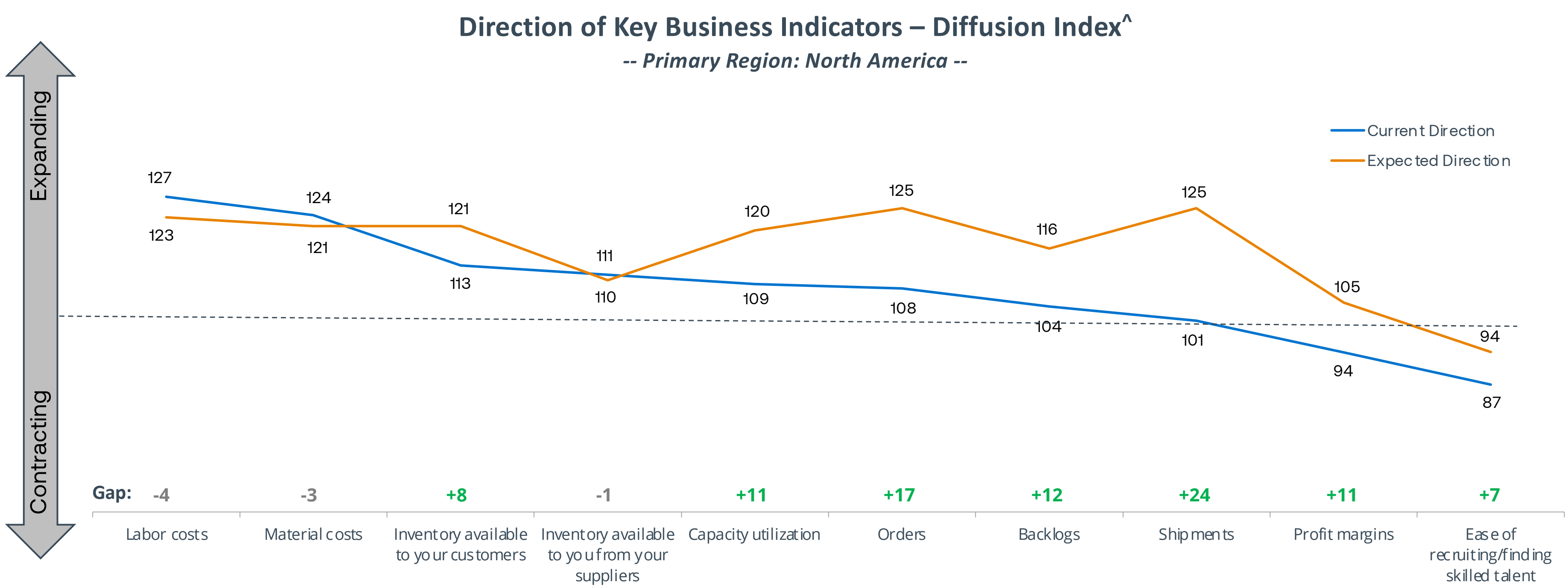
Shipments, Orders, Backlogs, Profit Margins, Capacity Utilization, Ease of Recruitment, and Customer Inventory are Expected to Rise Over the Next Six Months

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



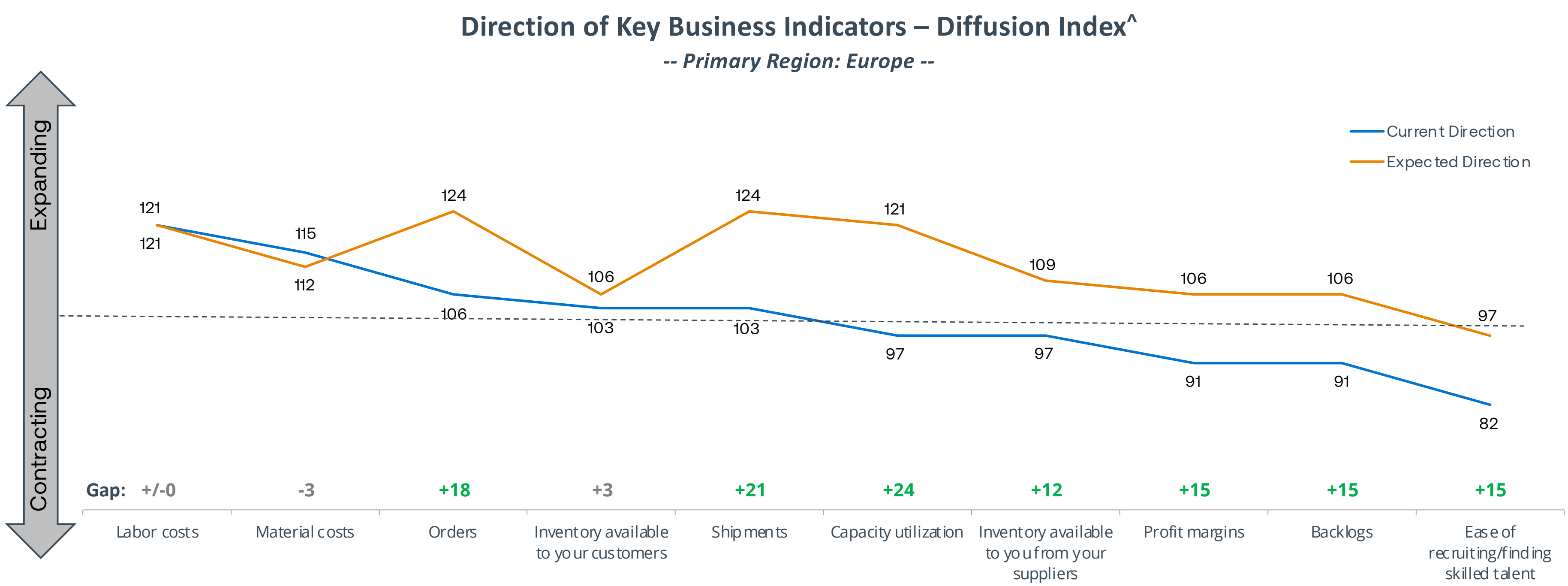
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in North America



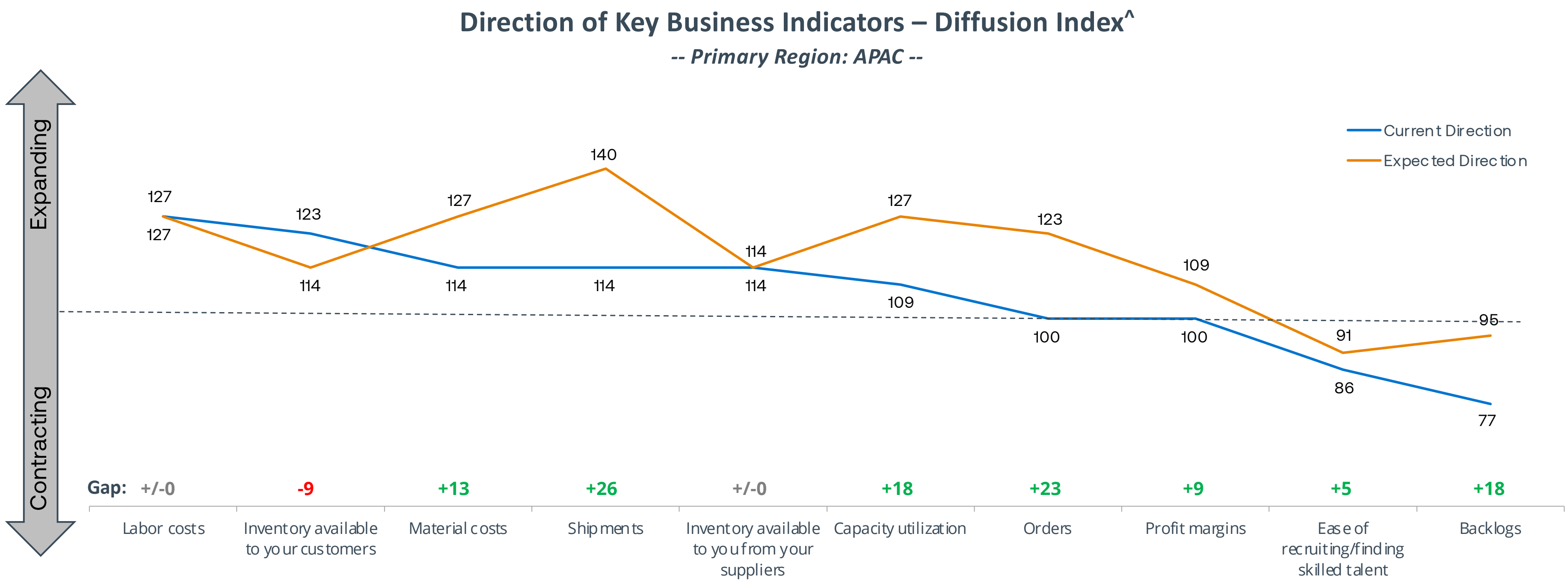
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in Europe



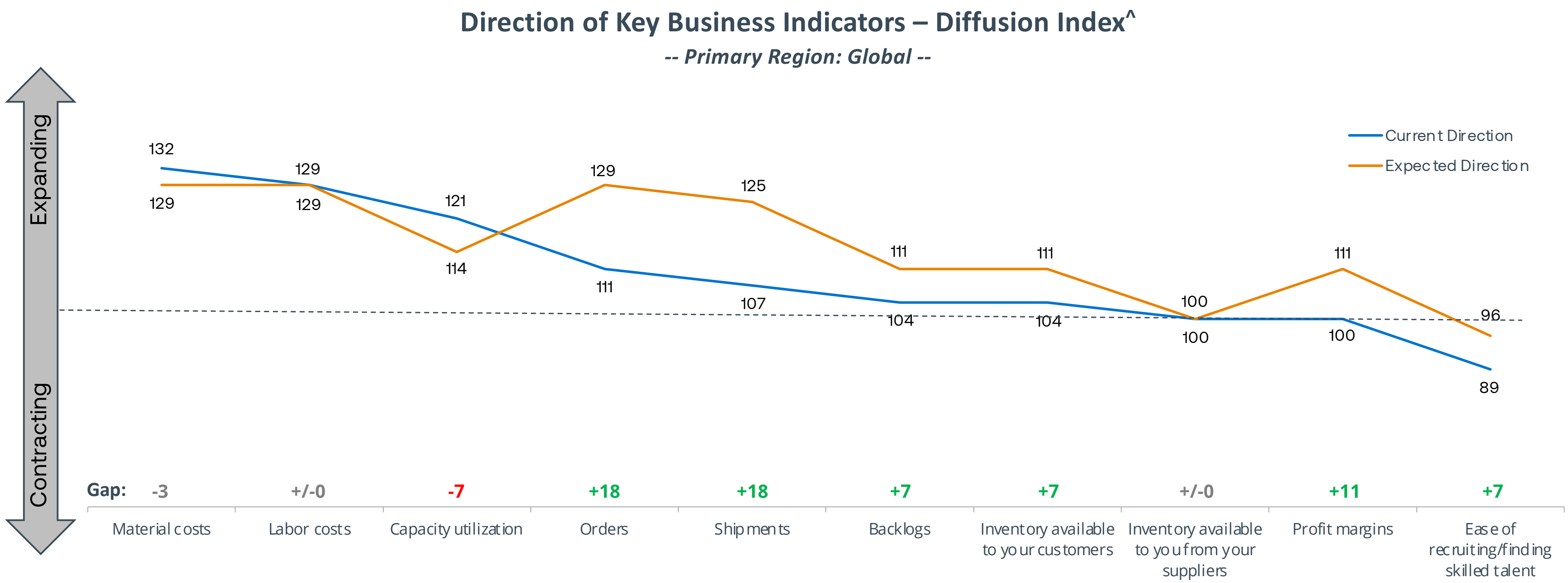
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in APAC



^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating Globally



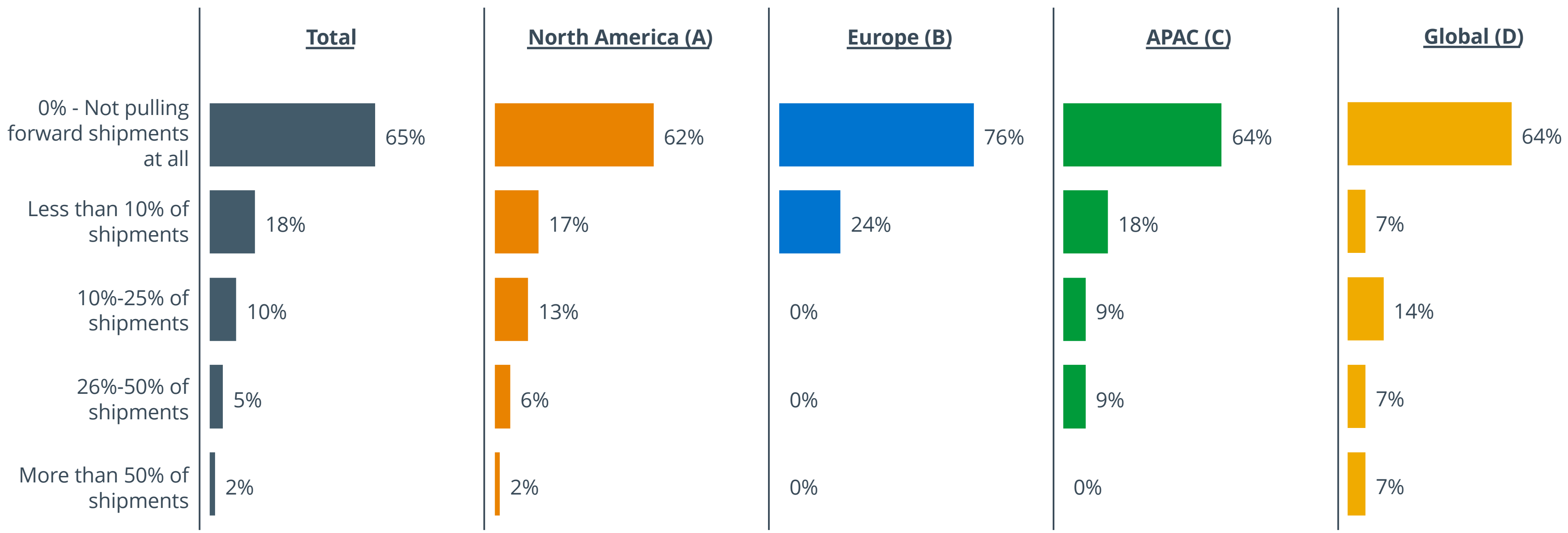
^A diffusion index is a statistical measure used to detect economic turning points.

February 2025 Special Questions

Two-thirds (65%) of Electronics Manufacturers Say They Are Not Pulling Forward Shipments as a Result of the Potential Risk of Tariffs, With One-fifth (18%) Pulling Forward Less than 10% of Shipments

European manufacturers are generally pulling forward less shipments due to tariff risk when compared to firms in other regions, although the difference is not significant.

% of Shipments Being Pulled Forward as a Result of Potential Tariff Risk



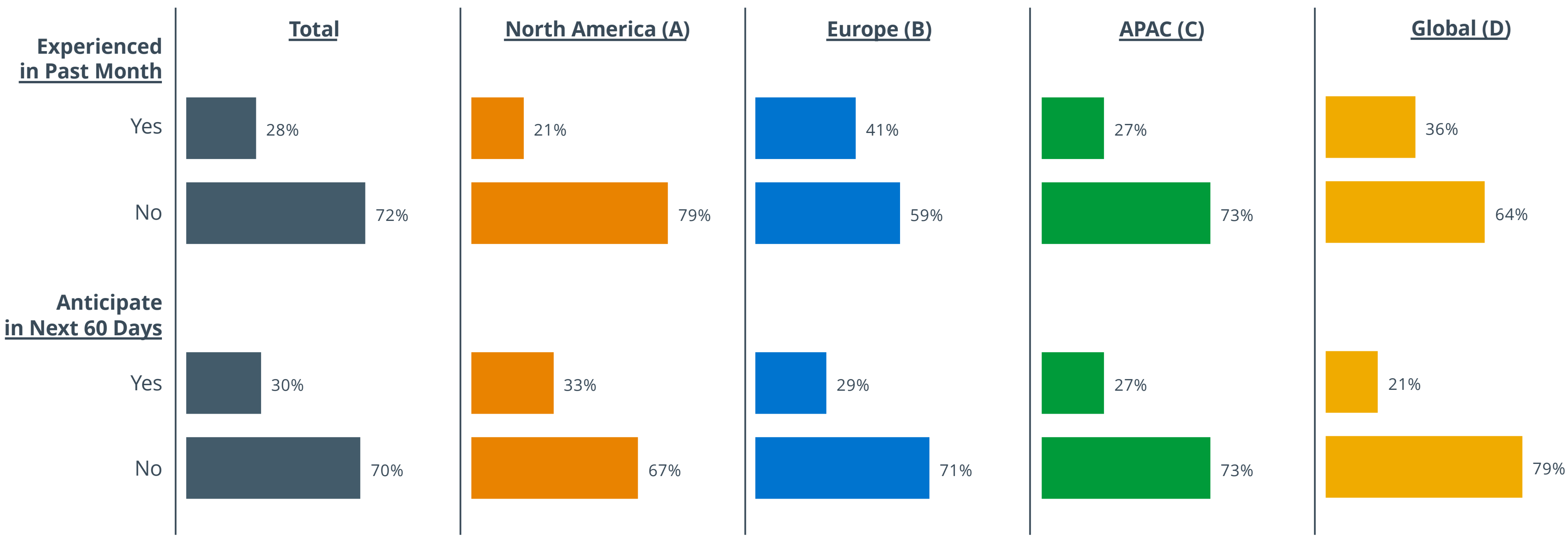
Q: To what degree are you pulling forward shipments as a result of the potential risk of tariffs?

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

Seven in Ten (72%) Electronics Manufacturers Say They Have Not Experienced Shipping Surcharges in the Past Month Beyond What is Normally Expected, With an Equal Proportion (70%) Not Anticipating Added Shipping Surcharges Over the Next 60 Days

Notably, there are no significant differences in having experienced or expecting additional shipping surcharges across all geographic regions, nor are there any significant differences within region between past month and next 60 days.

Experienced/Anticipate Shipping Surcharges Beyond What is Normally Expected



Q: Have you experienced shipping surcharges in the past month beyond what you would normally expect?
Q: Are you anticipating shipping surcharges in the next 60 days beyond what you would normally expect?

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

Appendix

Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)

	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025	February 2025
Shipments	105	113	112	107	106	105	108	95	102	105	100	104	104
Orders	105	113	111	106	104	102	105	95	96	99	98	102	108
Profit margins	95	96	97	89	90	95	95	89	84	92	90	94	95
Backlogs	94	98	101	99	97	93	96	93	91	89	91	91	98
Ease of recruiting/finding skilled talent	89	90	92	92	91	92	91	91	91	88	89	94	86
Material costs	118	121	117	121	127	122	121	120	115	124	120	123	122
Labor costs	133	130	126	129	127	125	124	129	124	124	126	126	127
Capacity utilization	104	109	108	107	99	99	104	100	99	105	102	103	109
Inventory available to you from your suppliers	113	108	116	112	112	103	108	107	108	105	104	109	107
Inventory available to your customers	110	113	114	115	111	108	108	110	109	111	108	110	111

△+5 points or more vs. previous month

△-5 points or more vs. previous month

Outlook Diffusion Indices

Past 12 Month Comparisons (TOTAL)

	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025	February 2025
Shipments	123	124	121	122	116	115	119	113	114	117	116	119	126
Orders	121	127	122	125	117	117	119	114	114	118	117	118	126
Profit margins	103	106	101	101	100	96	100	96	97	102	100	103	106
Backlogs	102	106	104	101	97	98	106	100	95	100	102	104	111
Ease of recruiting/finding skilled talent	95	92	93	90	98	92	95	93	93	95	91	96	94
Material costs	116	119	119	118	122	120	119	114	114	122	117	121	121
Labor costs	129	127	128	124	122	121	125	119	123	127	125	128	124
Capacity utilization	116	124	117	117	115	113	113	114	113	117	115	116	120
Inventory available to you from your suppliers	113	111	110	112	110	106	107	107	109	110	106	107	109
Inventory available to your customers	114	114	115	112	110	106	113	110	112	111	109	112	116

△+5 points or more vs. previous month

△-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 January 16 and January 31, 2025.

Questions? Please contact:

Shawn DuBravac,
IPC Chief Economist

ShawnDuBravac@ipc.org