The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

January 2025

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Executive Summary

> Electronics Industry Demand Reaches Neutral Ground

- Demand in the electronics industry recovered to 100 in December, marking the threshold between contraction and expansion after four consecutive months below this level. Of the four demand components, the **Backlog Index** remained below 100 and was the only component unchanged over the past month. The **New Orders Index** rose by 4 points to 102, moving marginally into expansion territory. Similarly, the **Shipment Index** increased by 4 points, reflecting broader improvements in volume indicators.

> Cost Pressures Continue to Challenge Operations

- The Labor Costs Index held steady this month, while the Material Costs Index climbed 3 points, recovering slightly from its all-time low. However, aggregated cost indicators reached a four-month high, signaling persistent cost pressures on operations.

> Minimal Changes Expected in 2025 Work Arrangements

- Factory floor policies remain rooted in traditional on-site requirements, reflecting the operational challenges and technical demands of these roles. Europe stands out with the largest flexibility increase, as hybrid arrangements are projected to grow by 5%.
- While 2025 work-from-home policies suggest incremental shifts toward flexibility, particularly in APAC and Europe, these changes are more pronounced for non-factory employees. For factory floor employees, minor increases in hybrid work are anticipated, but on-site roles remain the overwhelming standard, underscoring the rigidity of these positions.

Current Conditions for the Electronics Supply Chain

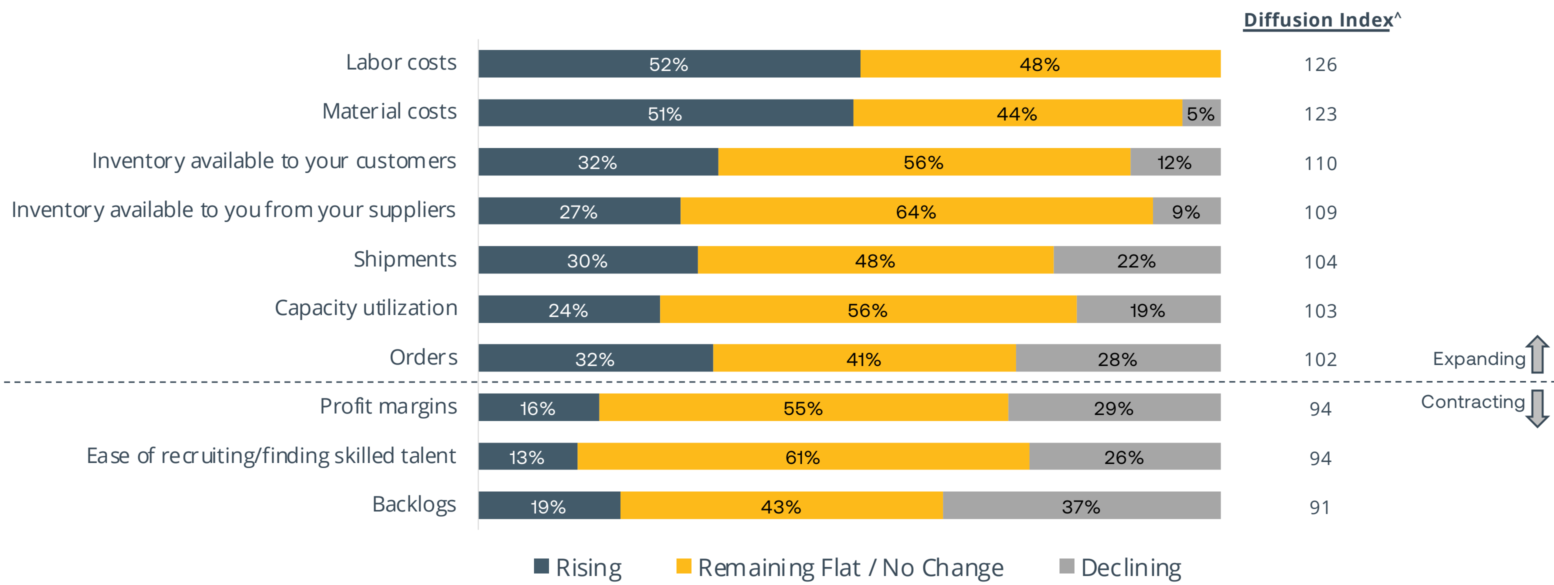
Notably, there are no significant differences in current conditions across all geographic regions.

Half of electronics manufacturers are currently experiencing rising labor (52%) and material (51%) costs.

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

Current Direction of Key Business Indicators

-- Total --

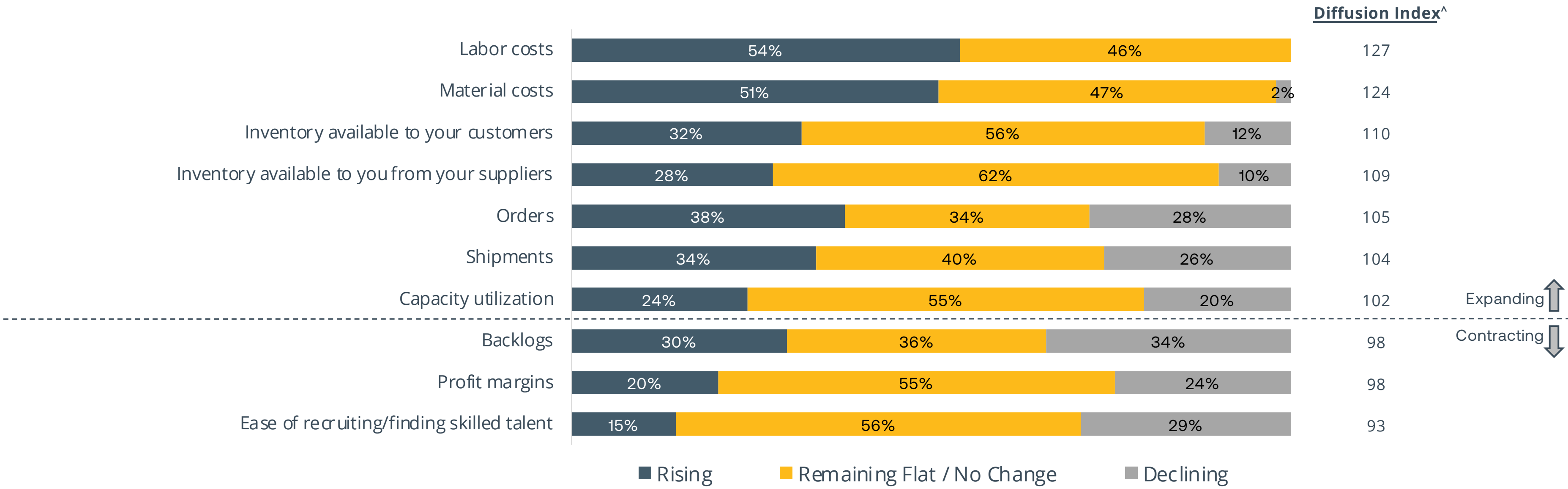


^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in North America

Current Direction of Key Business Indicators

-- Primary Region: North America --



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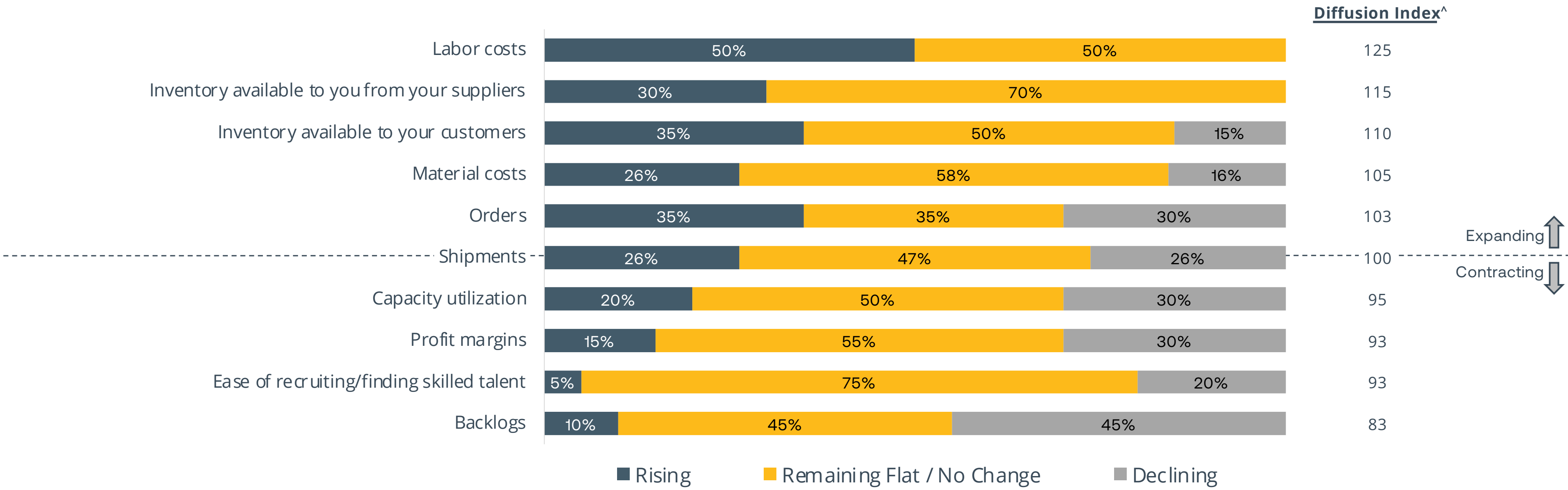
The View From Companies Primarily Operating in Europe

Current Direction of Key Business Indicators

-- Primary Region: Europe --



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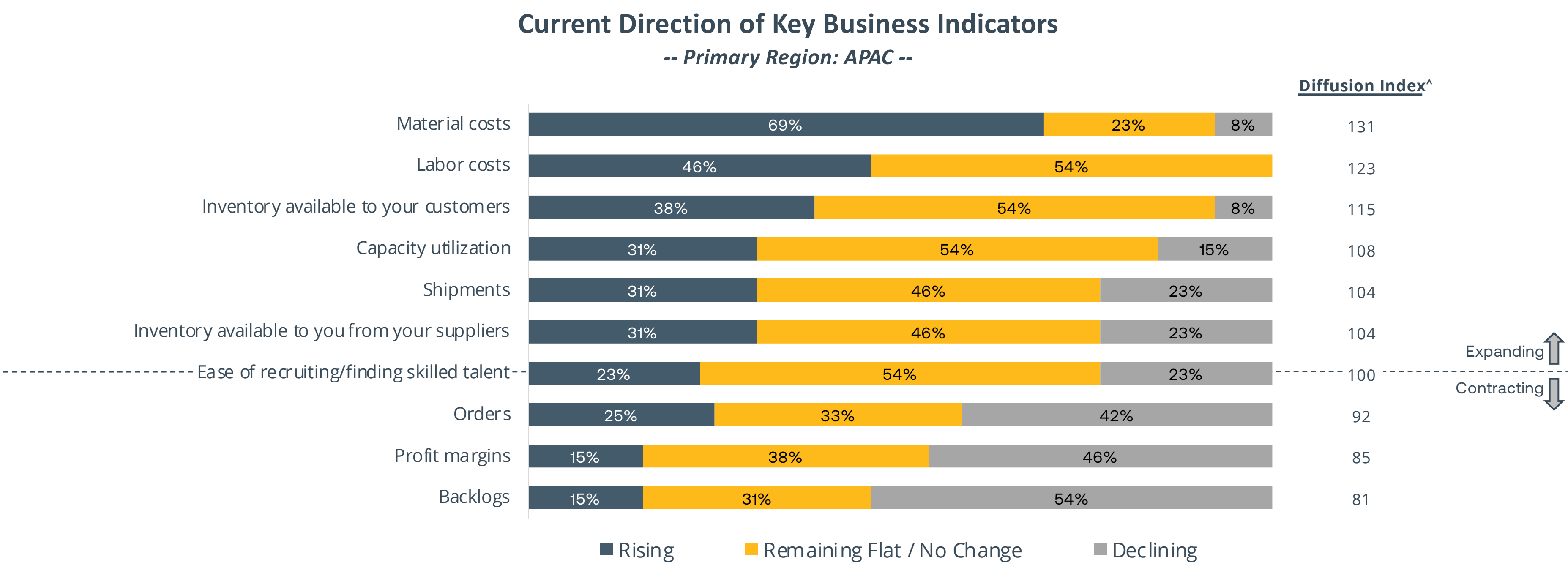
The View From Companies Primarily Operating in APAC



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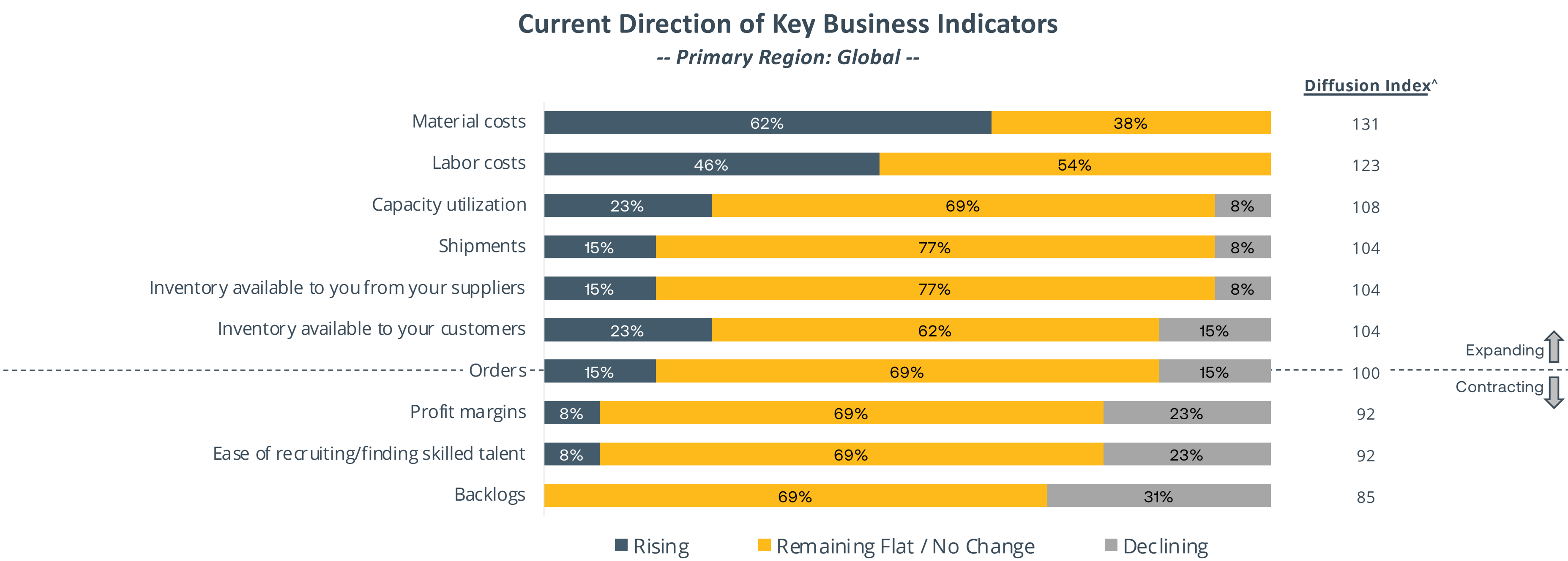
The View From Companies Primarily Operating Globally



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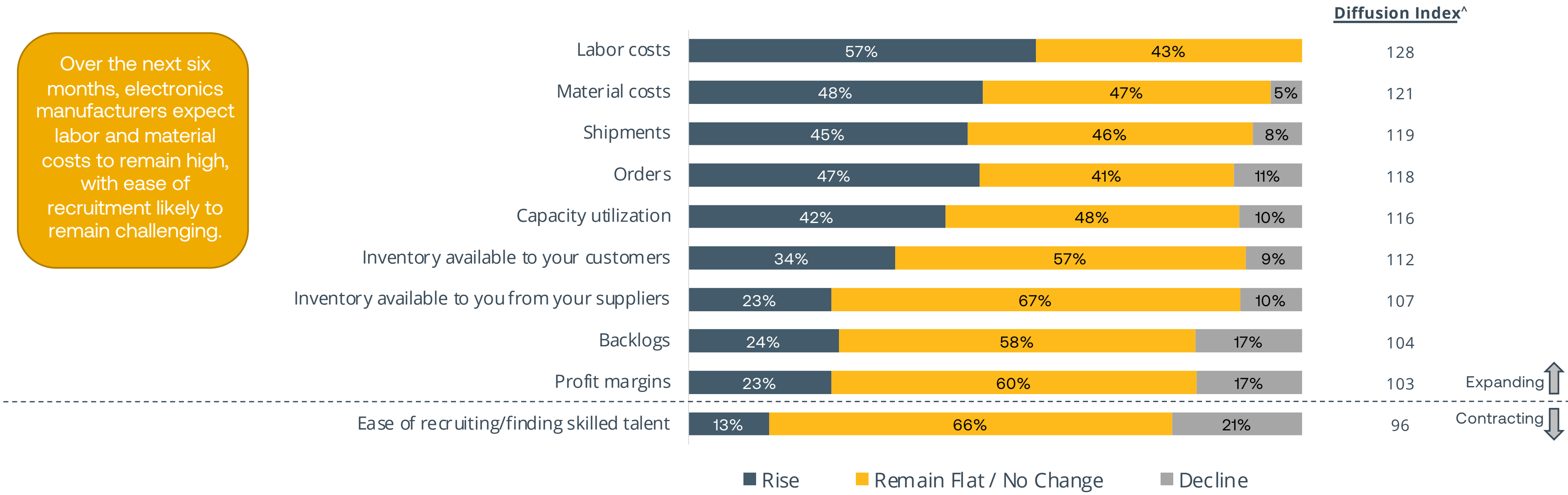
The Outlook for the Next 6 Months

Over the next six months, electronics manufacturers expect labor and material costs to remain high, with ease of recruitment likely to remain challenging.

Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --



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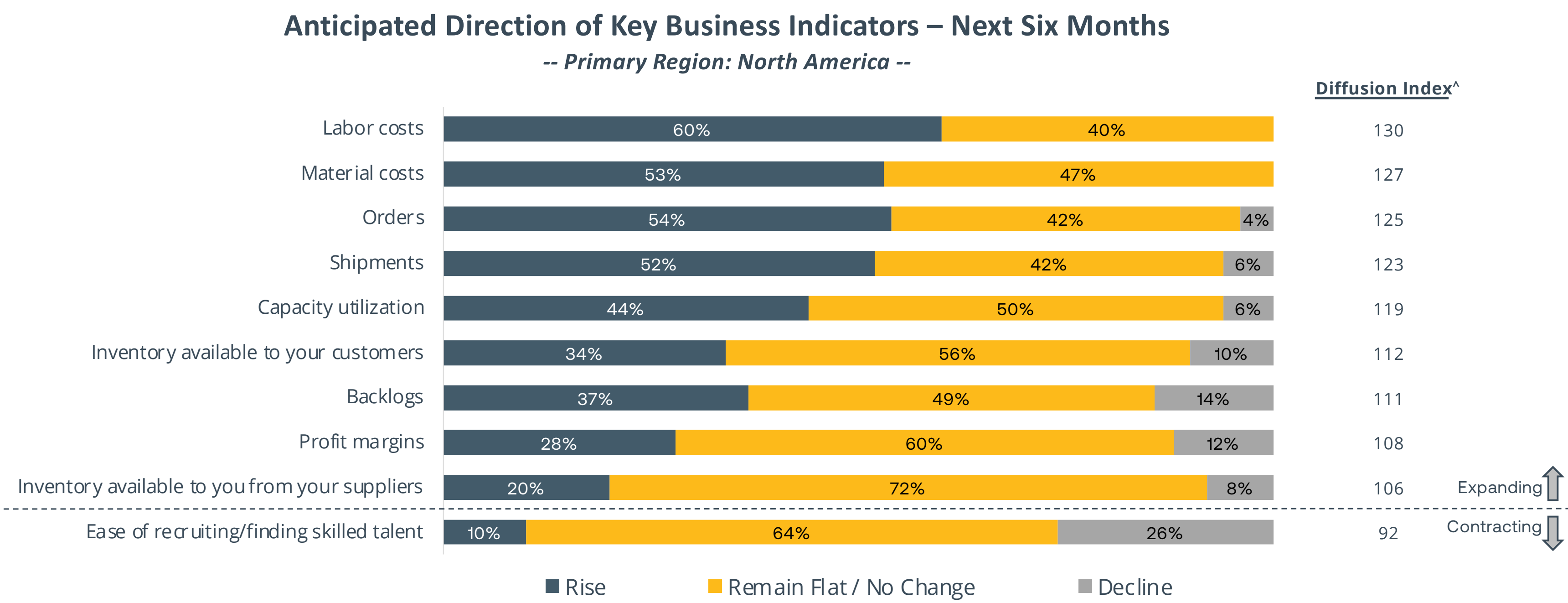
Regional Differences in the Outlook

- **European electronics manufacturers, along with those operating globally, anticipate a decline in material costs over the next six months more so when compared to North American electronics manufacturers.**
    - Approximately one-seventh of electronics manufacturers who operate primarily in Europe (15%) or globally (15%) expect material costs to decline over the next six months, which compares to 0% among firms operating primarily in North America.

The View From Companies Primarily Operating in North America



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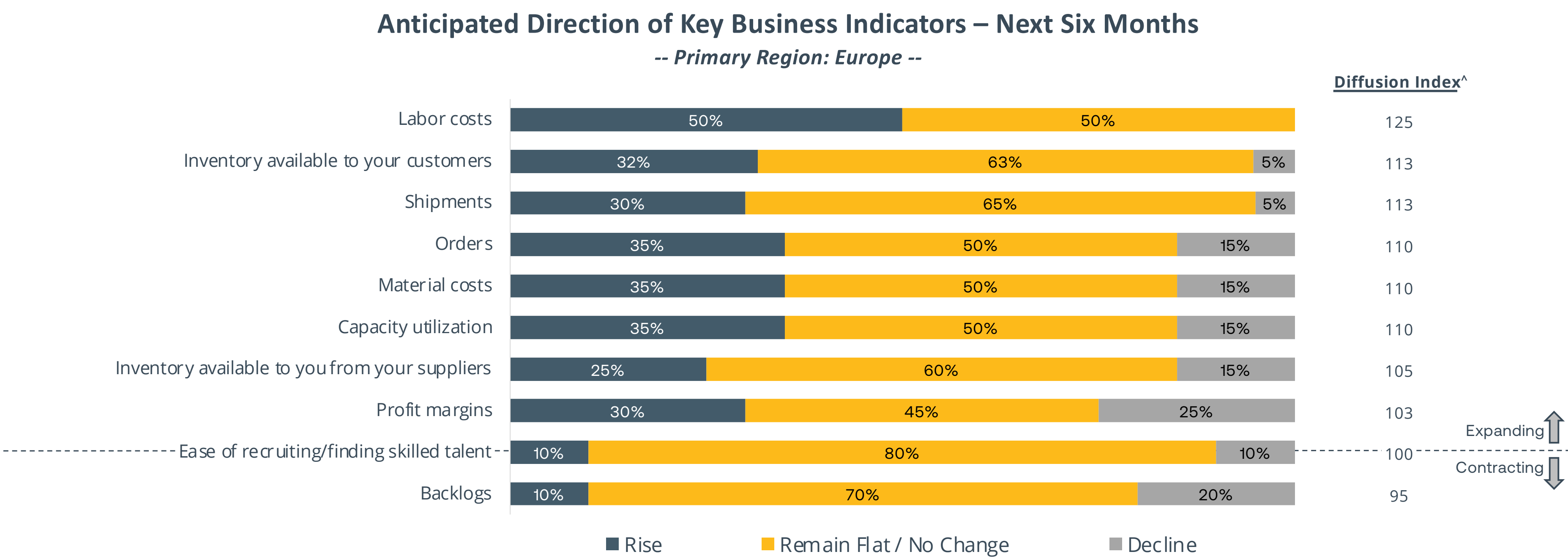
The View From Companies Primarily Operating in Europe



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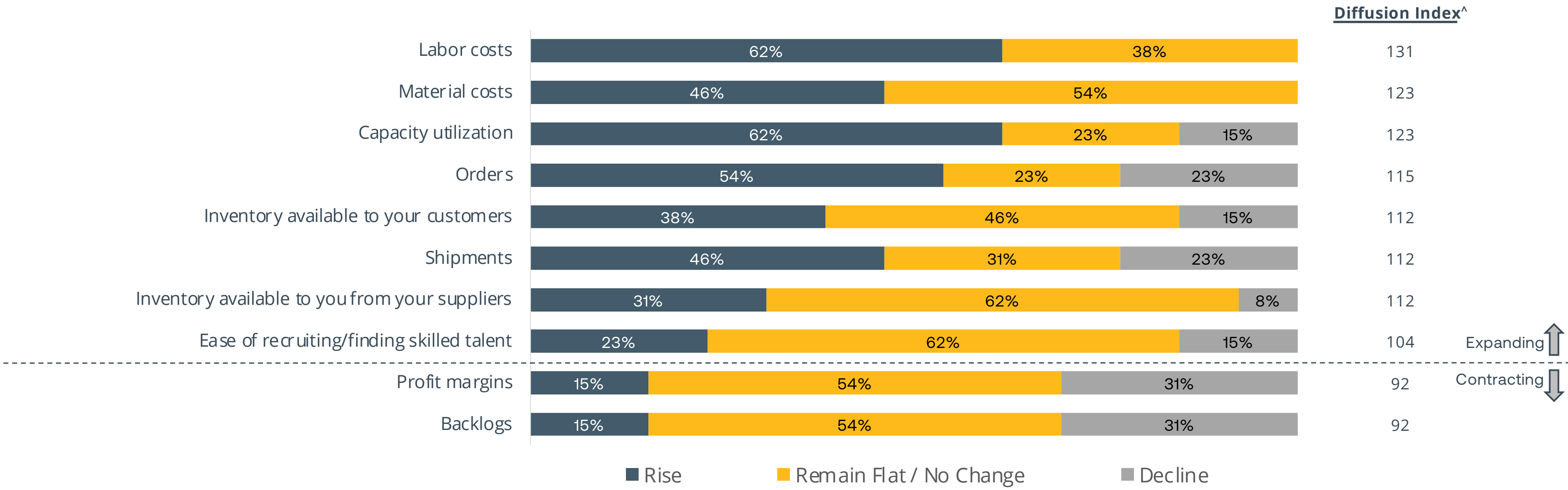
The View From Companies Primarily Operating in APAC

Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: APAC --



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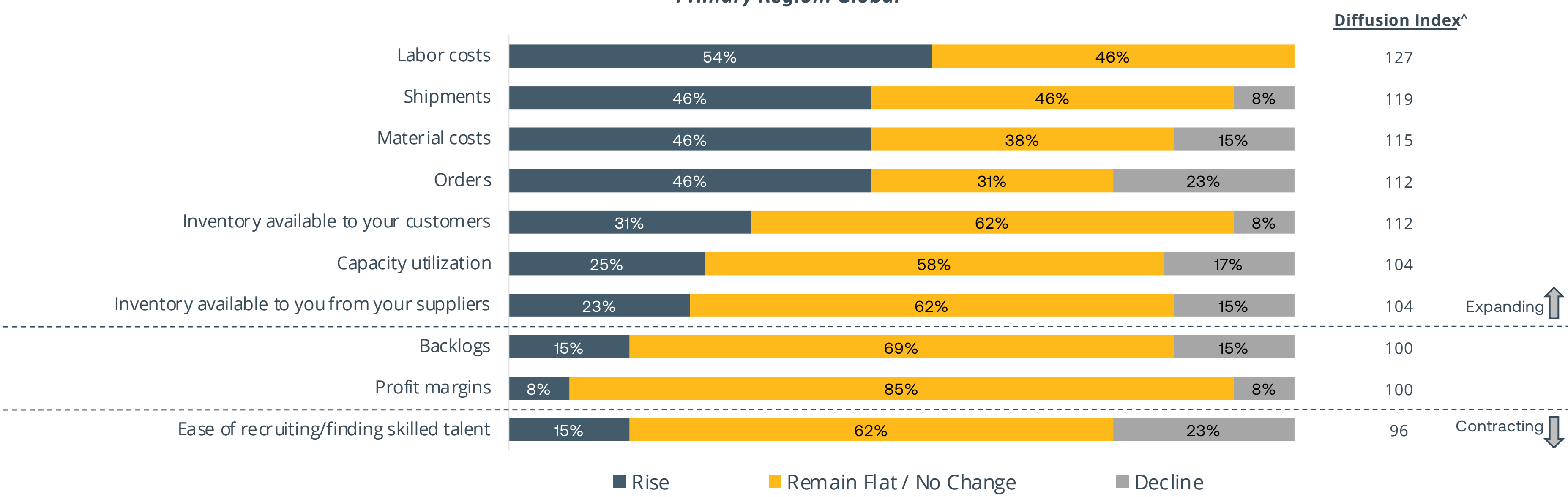
The View From Companies Primarily Operating Globally

Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Global --



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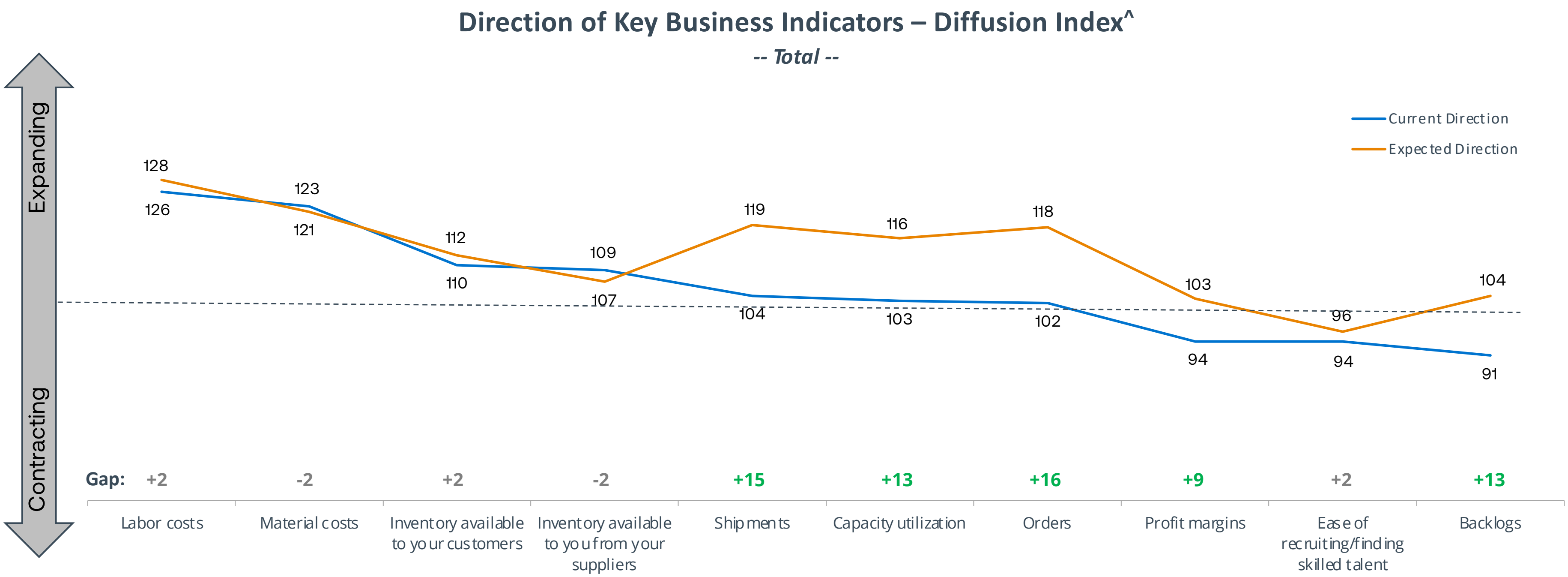
Orders, Shipments, Capacity Utilization, Backlogs, and Profit Margins are Expected to Rise Over the Next Six Months

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



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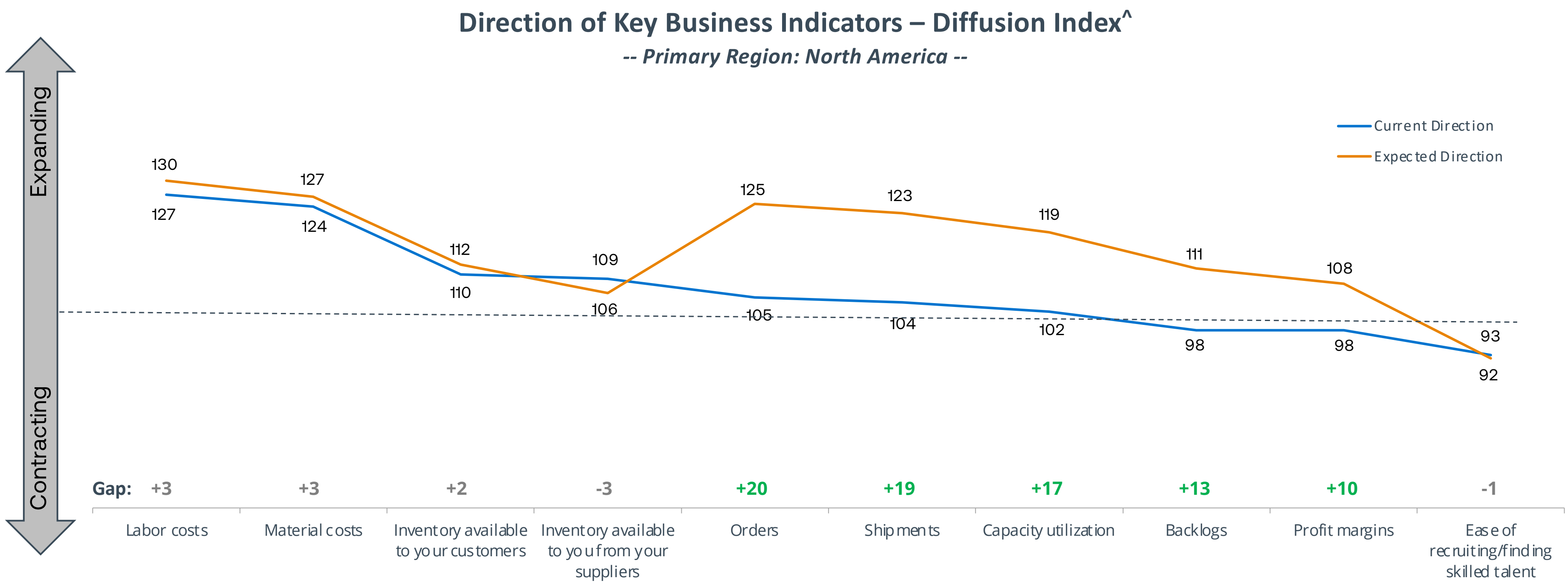
The View From Companies Primarily Operating in North America



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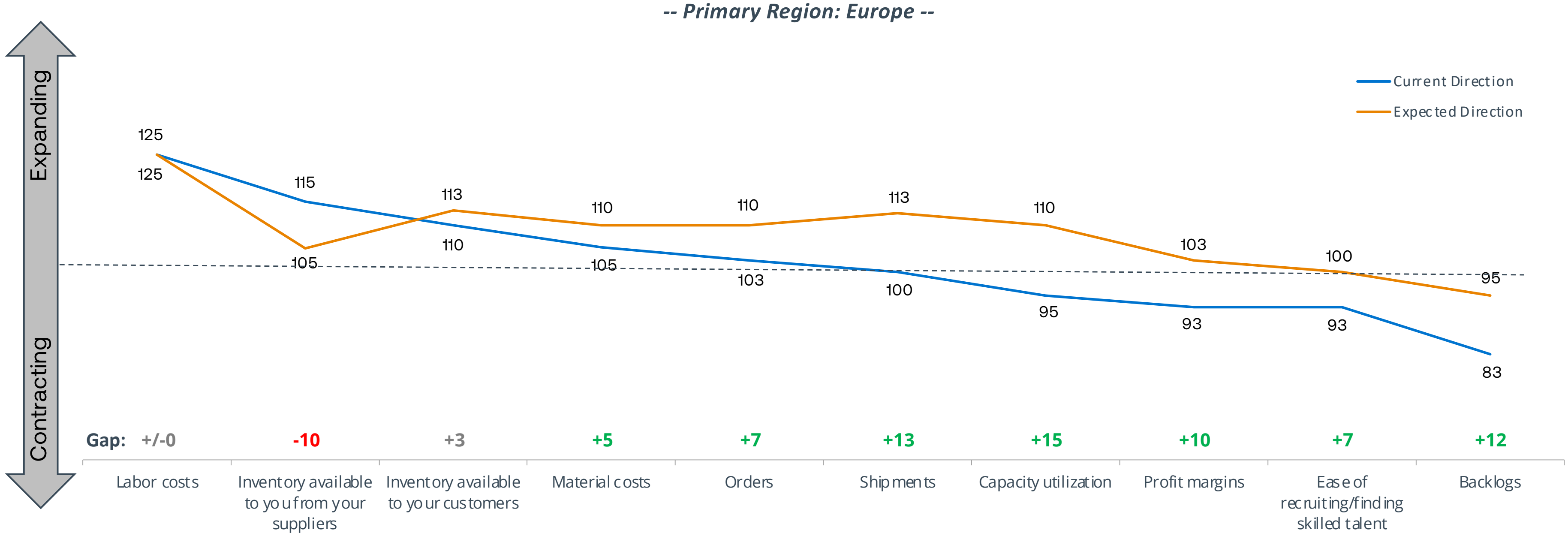
The View From Companies Primarily Operating in Europe

Direction of Key Business Indicators – Diffusion Index^

-- Primary Region: Europe --



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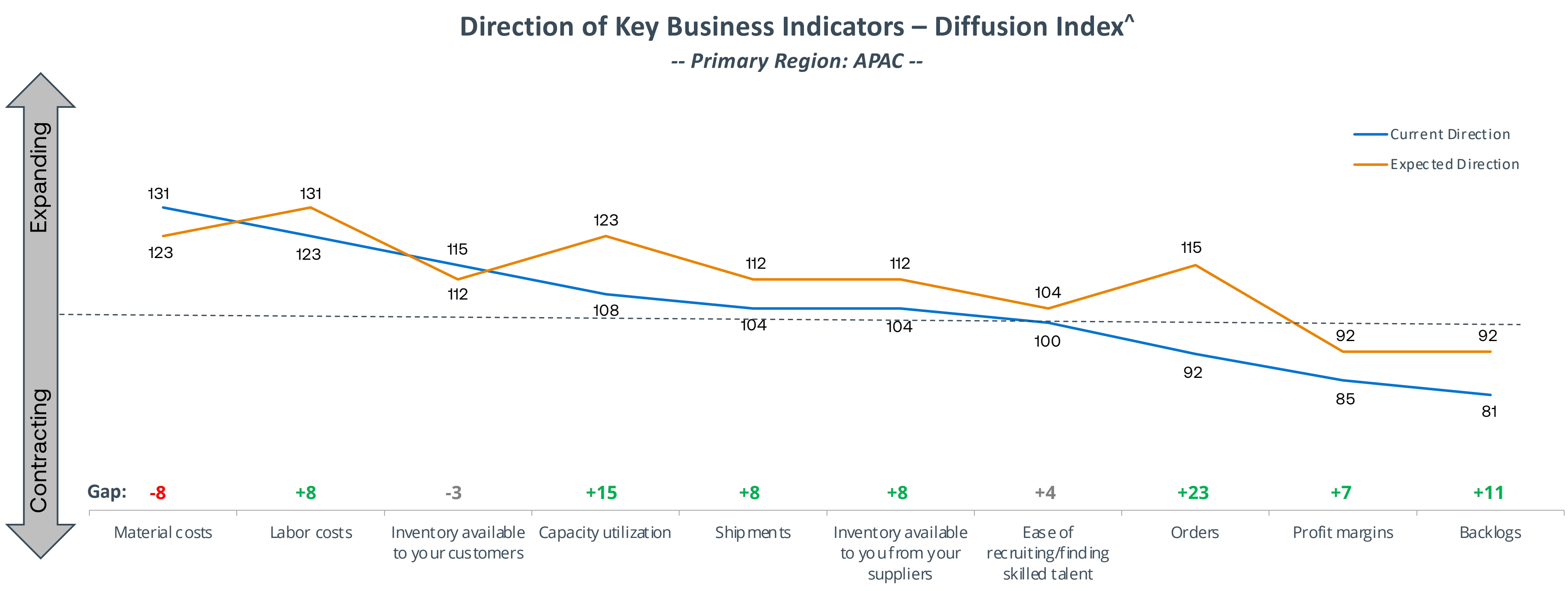
The View From Companies Primarily Operating in APAC



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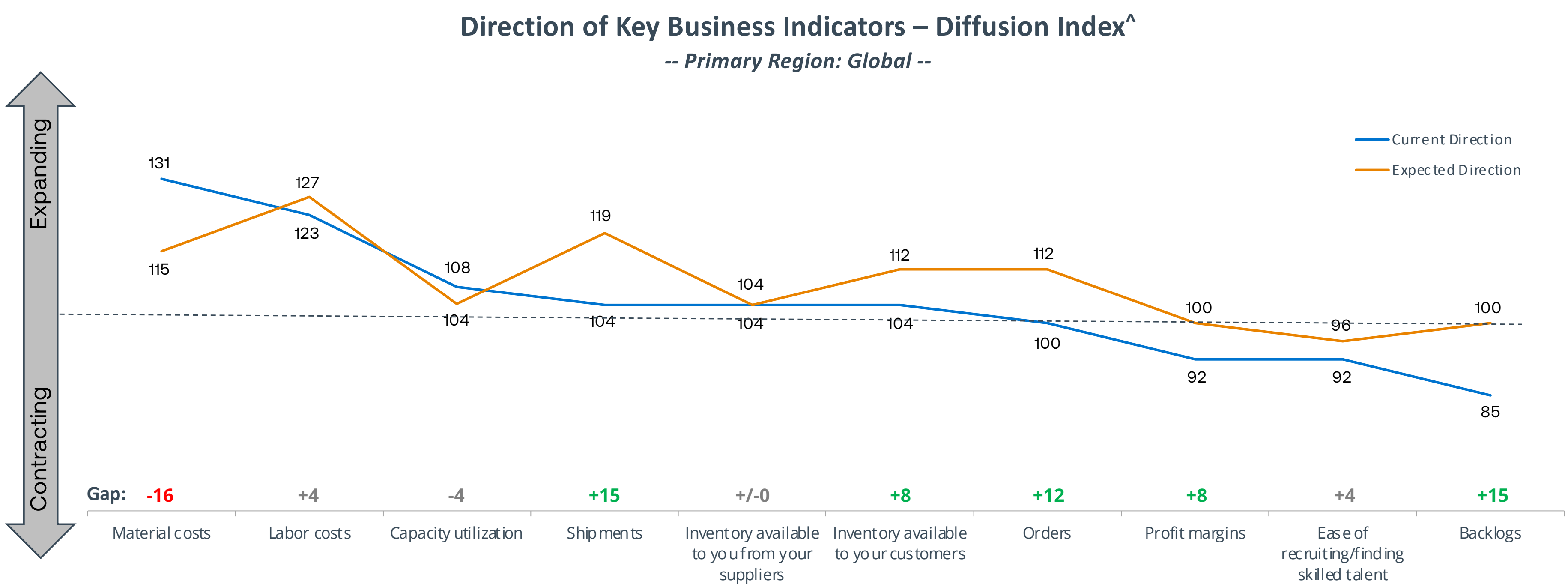
The View From Companies Primarily Operating Globally



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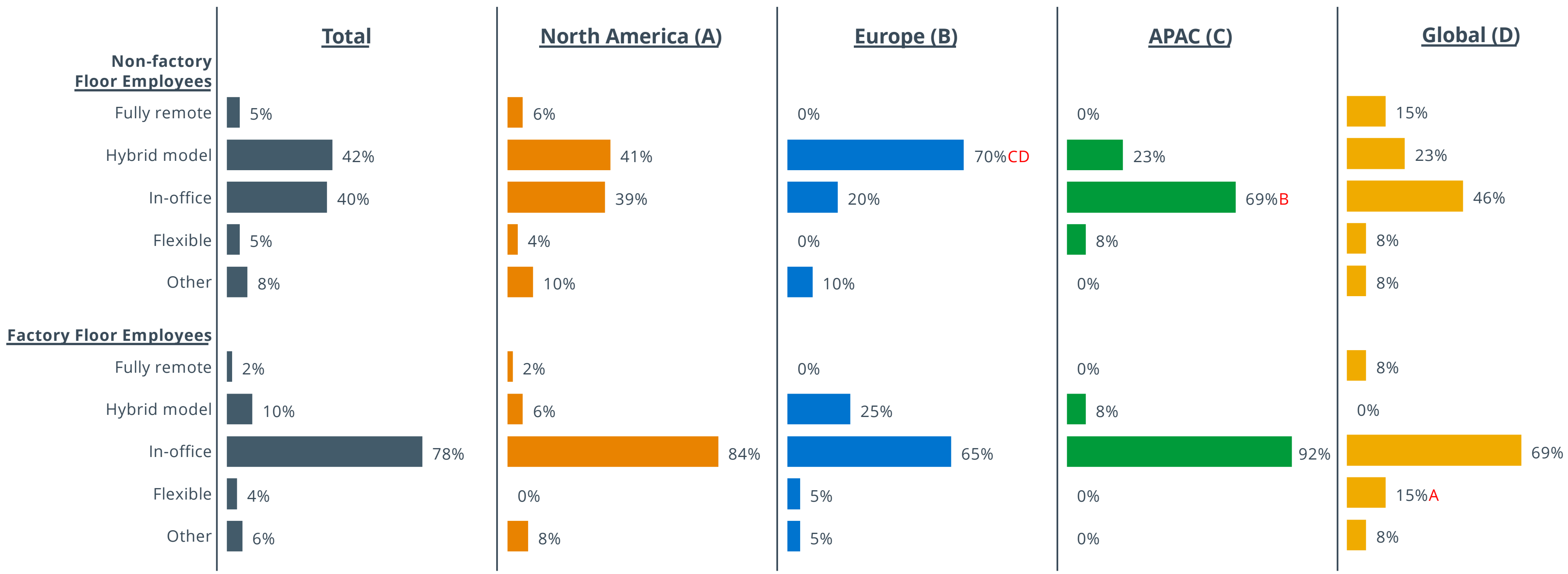
January 2025 Special Questions

In 2024, Most Non-factory Floor Employees Worked Hybrid (42%) or In-office (40%), While Factory Floor Employees Were Primarily Required to be On-site (78%)

Notably, a greater proportion of European manufacturers allowed non-factory floor employees to work in a hybrid fashion, while more APAC manufacturers required non-factory floor employees to work in-office. In regard to factory floor employees, a larger proportion of global manufacturers allowed their employees to work under a flexible work arrangement.

2024 Work From Home Policies



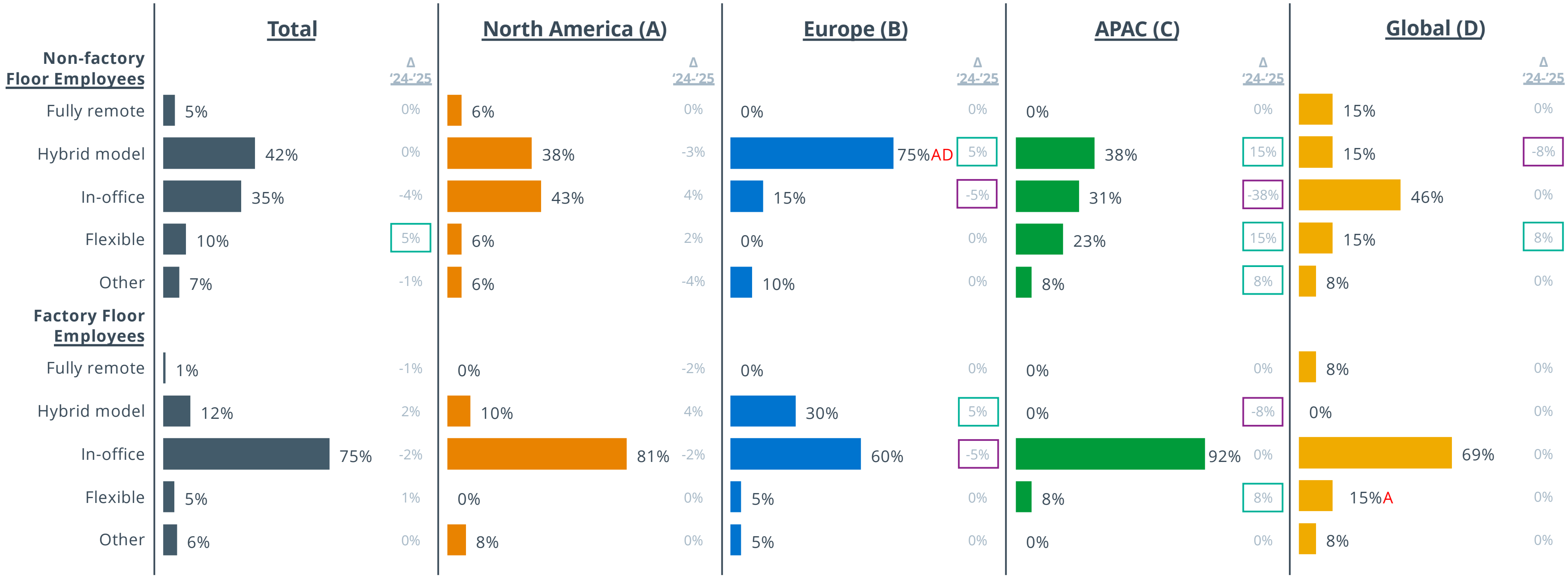
Q: How would you describe your organization's current work-from-home policies for each of the following employee groups?

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

The Majority of Non-factory Floor Employees Will Continue to Work Hybrid (42%) or In-office (35%) in 2025, With a Notable Increase in Flexible Work Arrangements (+5%), Driven by Increases Among APAC (+15%) and Global Manufacturers (+8%)

Little change is expected to factory floor employees' work arrangements in 2025, with most continuing to work primarily in-office (75%); however, European manufacturers expect to shift 5 percentage points from in-office to hybrid, while APAC manufacturers expect to shift eight percentage points from hybrid to flexible models.

2025 Work From Home Policies



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

YOY Change of +5% or more | YOY Change of -5% or more

Q: How would you describe your organization's current work-from-home policies for each of the following employee groups?
Q: What are your organization's plans for work-from-home policies in the upcoming year (2025) for each of the following employee groups?

Appendix

Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)

	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025
Shipments	110	105	113	112	107	106	105	108	95	102	105	100	104
Orders	102	105	113	111	106	104	102	105	95	96	99	98	102
Profit margins	96	95	96	97	89	90	95	95	89	84	92	90	94
Backlogs	94	94	98	101	99	97	93	96	93	91	89	91	91
Ease of recruiting/finding skilled talent	88	89	90	92	92	91	92	91	91	91	88	89	94
Material costs	119	118	121	117	121	127	122	121	120	115	124	120	123
Labor costs	128	133	130	126	129	127	125	124	129	124	124	126	126
Capacity utilization	106	104	109	108	107	99	99	104	100	99	105	102	103
Inventory available to you from your suppliers	116	113	108	116	112	112	103	108	107	108	105	104	109
Inventory available to your customers	118	110	113	114	115	111	108	108	110	109	111	108	110

△+5 points or more vs. previous month

△-5 points or more vs. previous month

Outlook Diffusion Indices

Past 12 Month Comparisons (TOTAL)

	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025
Shipments	117	123	124	121	122	116	115	119	113	114	117	116	119
Orders	120	121	127	122	125	117	117	119	114	114	118	117	118
Profit margins	105	103	106	101	101	100	96	100	96	97	102	100	103
Backlogs	97	102	106	104	101	97	98	106	100	95	100	102	104
Ease of recruiting/finding skilled talent	94	95	92	93	90	98	92	95	93	93	95	91	96
Material costs	116	116	119	119	118	122	120	119	114	114	122	117	121
Labor costs	129	129	127	128	124	122	121	125	119	123	127	125	128
Capacity utilization	117	116	124	117	117	115	113	113	114	113	117	115	116
Inventory available to you from your suppliers	116	113	111	110	112	110	106	107	107	109	110	106	107
Inventory available to your customers	117	114	114	115	112	110	106	113	110	112	111	109	112

△+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 December 11 and December 31, 2024.

Questions? Please contact:

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