



BUILD ELECTRONICS BETTER

The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

July 2024

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Executive Summary



> Electronics Industry Sentiment Slipped in July, the Third Consecutive Decline

- Despite this month's decline, industry sentiment remains above its long-term average.

> Industry demand fell slightly, dropping to a neutral level between expansion and decline

- Demand fundamentals weakened for the fourth consecutive month, falling to the lowest level since October 2023.
- The Demand Index is down 1.5% from last month.
- Demand was dragged lower by weaker backlogs and weaker new orders. The New Orders Index dropped 2 points and the Backlog Index dropped 4 points. The Capacity Utilization Index and the Shipment Index remained consistent with June results.

> Cost pressures eased in July

- The Labor Costs Index dropped more 2 points this month and the Material Costs Index fell 5 points.
- The Labor Costs Index set a record low in July. However, both remain in expansionary territory suggesting a majority of businesses continue to face cost pressures.

> Industry outlook fell slightly July, dropping to the lowest level in a year.

- The industry outlook remains strongly positive, though it continues to soften.

Current Conditions for the Electronics Supply Chain

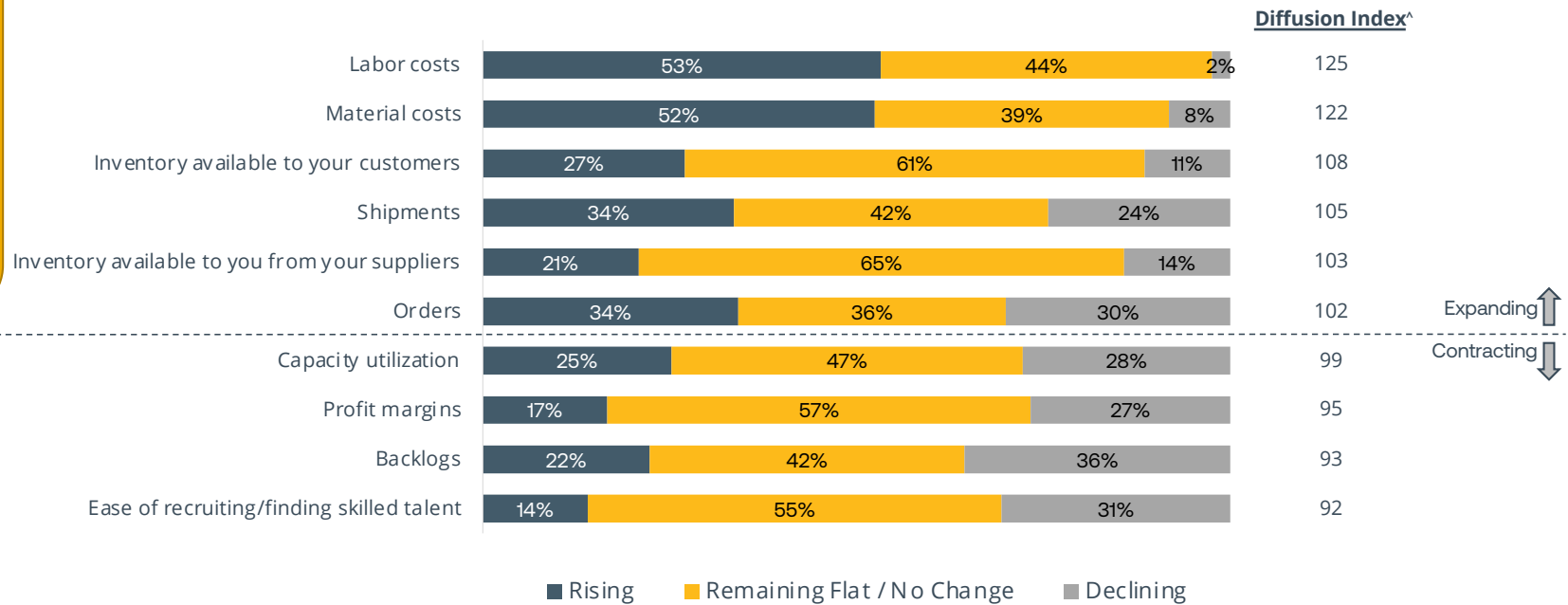


More than half of electronics manufacturers are currently experiencing rising labor (53%) and material (52%) costs.

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

Current Direction of Key Business Indicators

-- Total --



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

Regional Differences in Current Conditions



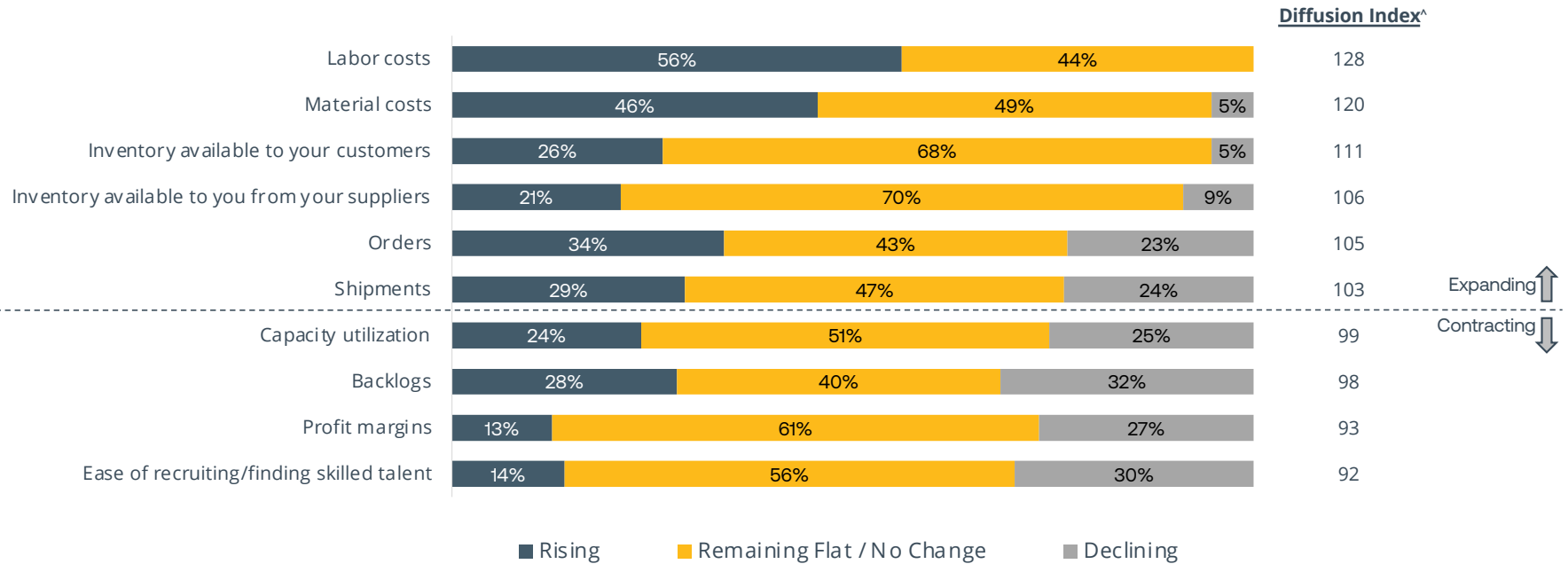
- **Material costs are rising more so among firms in APAC when compared to North American firms.**
 - More than four-fifths (82%) of firms in APAC indicate material costs are currently rising, which compares to a significantly lower 46% among firms in North America.

The View From Companies Primarily Operating in North America



Current Direction of Key Business Indicators

-- Primary Region: North America --



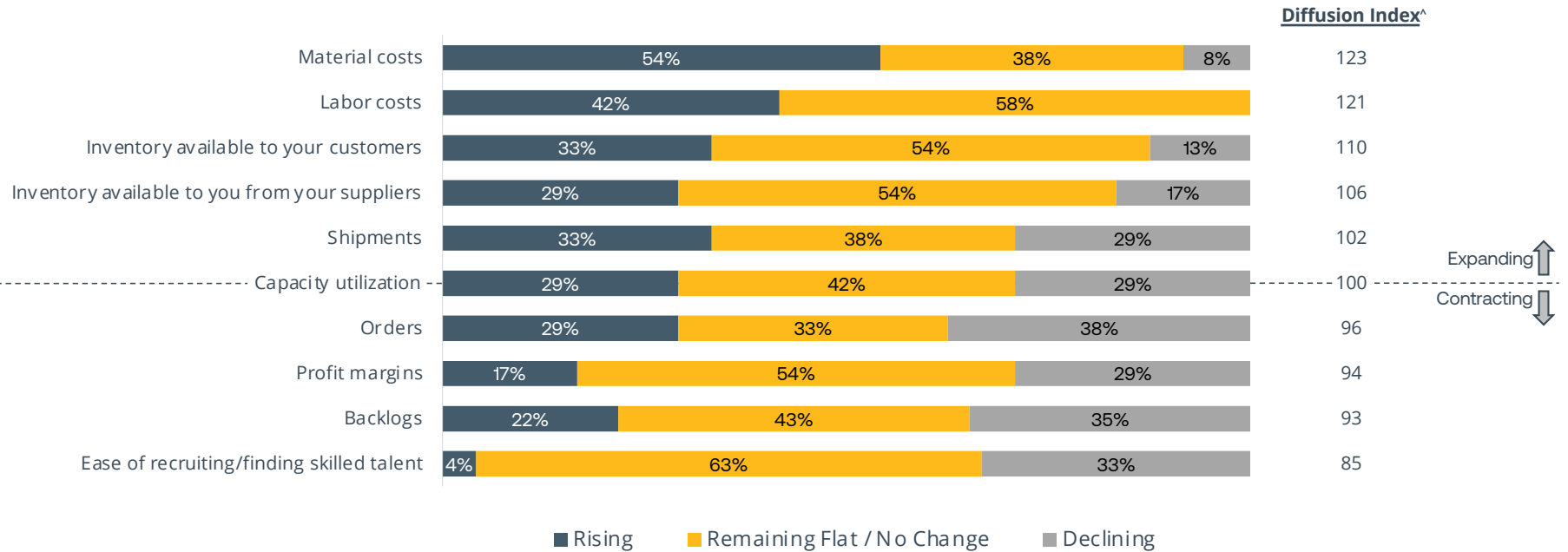
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The View From Companies Primarily Operating in Europe



Current Direction of Key Business Indicators

-- Primary Region: Europe --



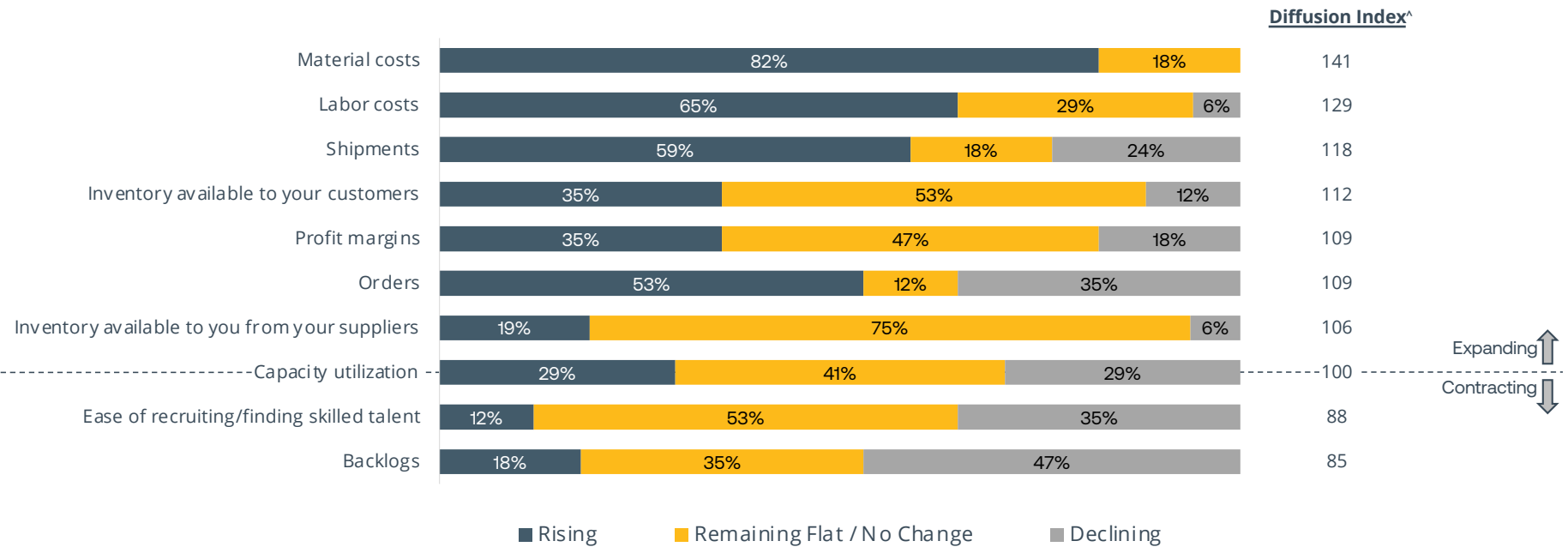
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The View From Companies Primarily Operating in APAC



Current Direction of Key Business Indicators

-- Primary Region: APAC --



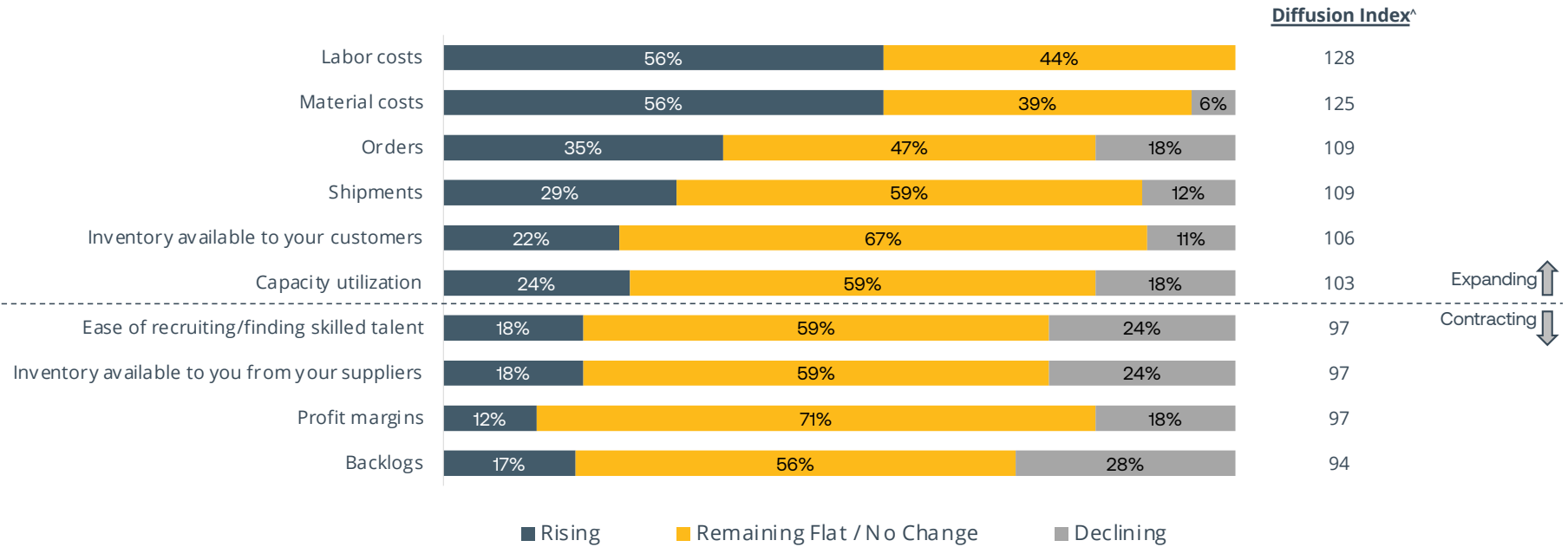
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The View From Companies Primarily Operating Globally



Current Direction of Key Business Indicators

-- Primary Region: Global --



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The Outlook for the Next 6 Months

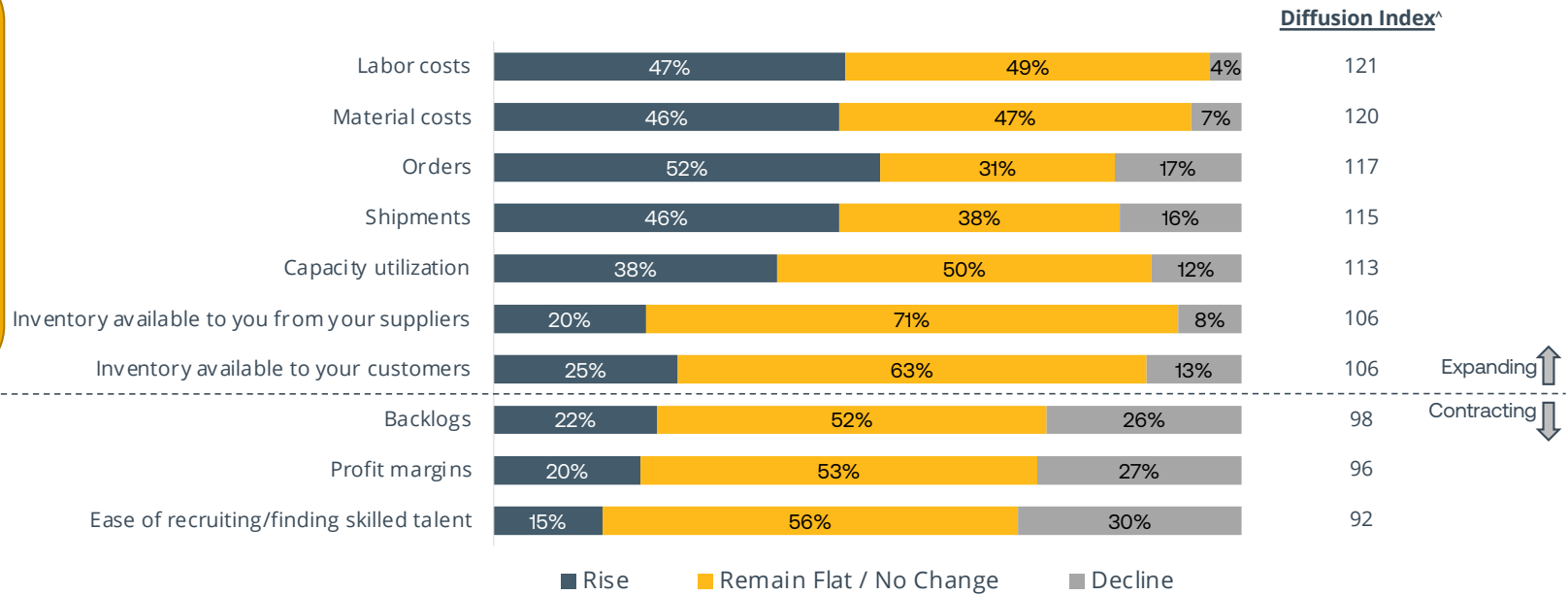


Over the next six months, electronics manufacturers expect both labor and material costs to come down slightly.

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

Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --



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Regional Differences in the Outlook



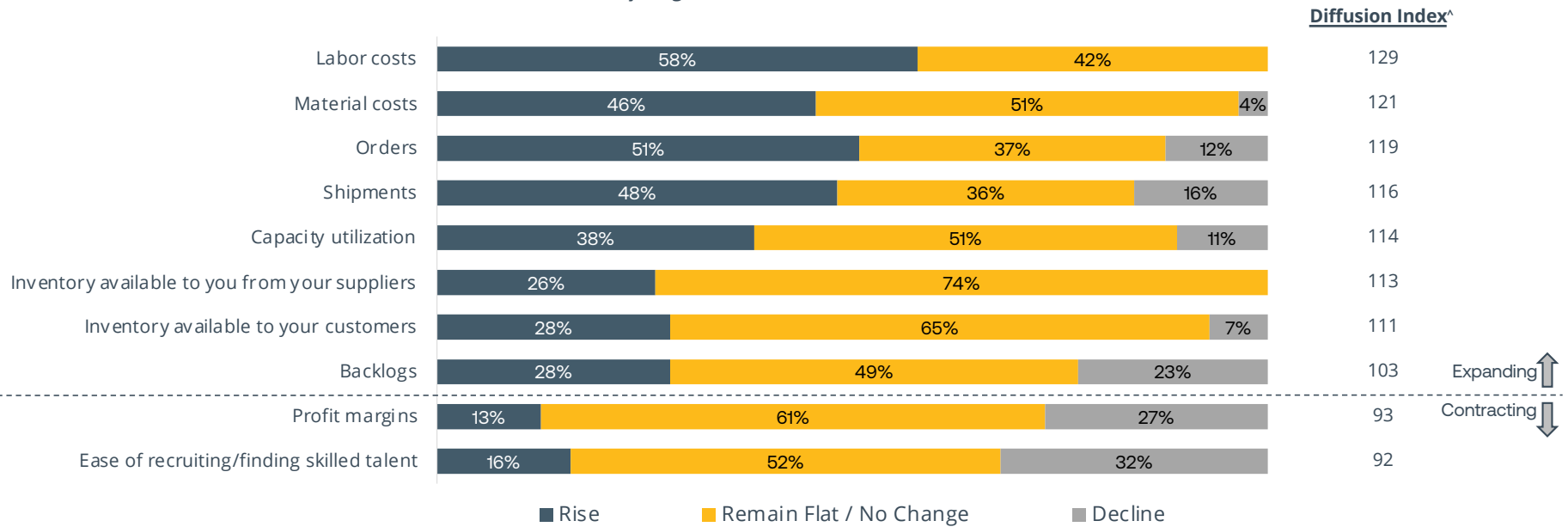
- **Electronics manufacturers in North America expect labor costs to rise more so when compared to European firms.**
 - Nearly three-fifths (58%) of firms in North America expect labor costs to increase over the next six months, which compares to only a quarter (25%) among firms in Europe.
- **Firms in APAC and those operating globally anticipate supplier inventories to decline more so over the next six months than firms in North America.**
 - While 18% of firms in APAC and 12% of those operating globally expect supplier inventories to decline in the near-term, North American firms, at 0%, are not expecting to see any decline over the next six months.

The View From Companies Primarily Operating in North America



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --



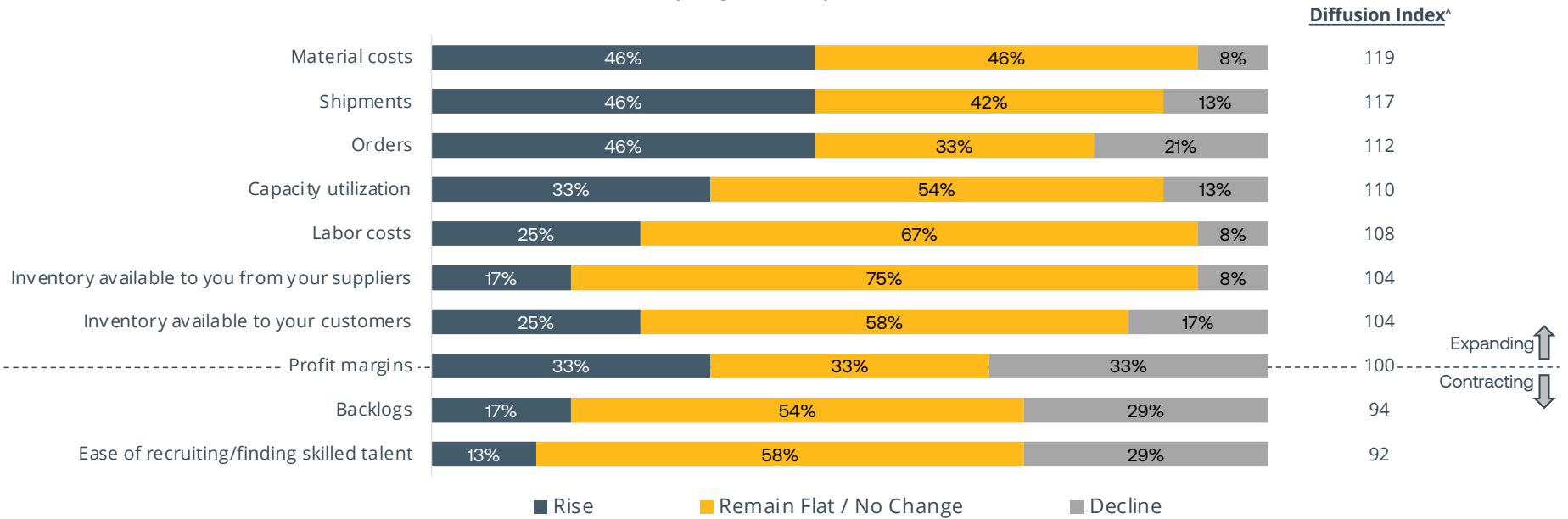
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The View From Companies Primarily Operating in Europe



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Europe --



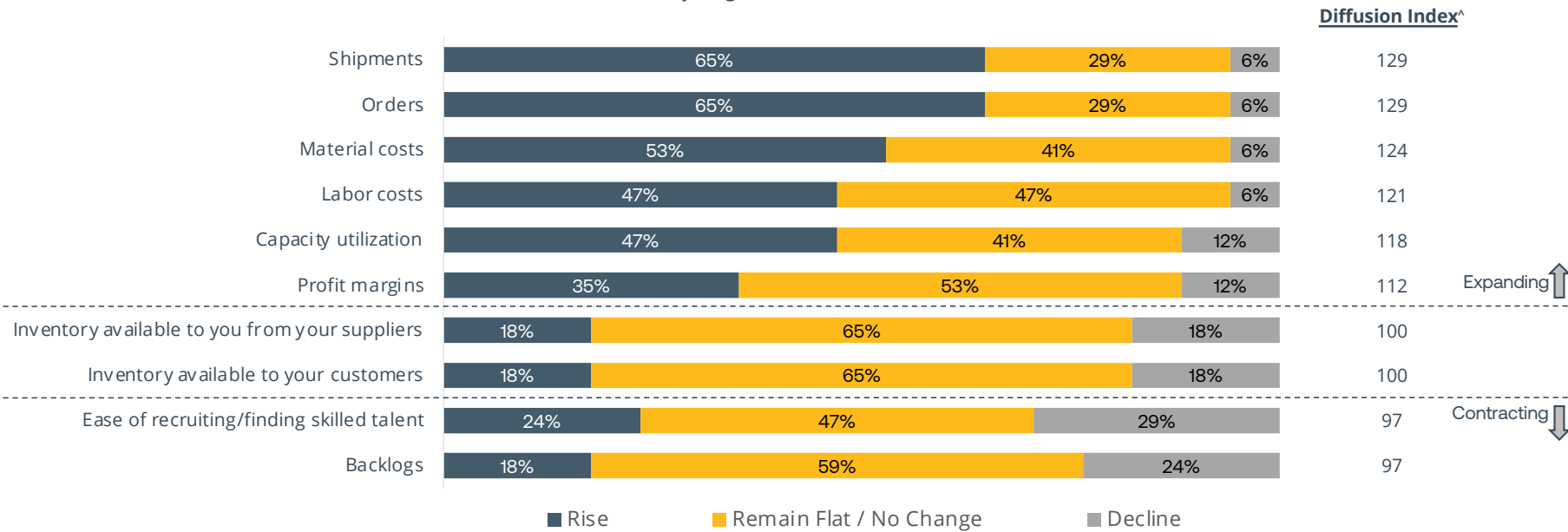
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The View From Companies Primarily Operating in APAC



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: APAC --



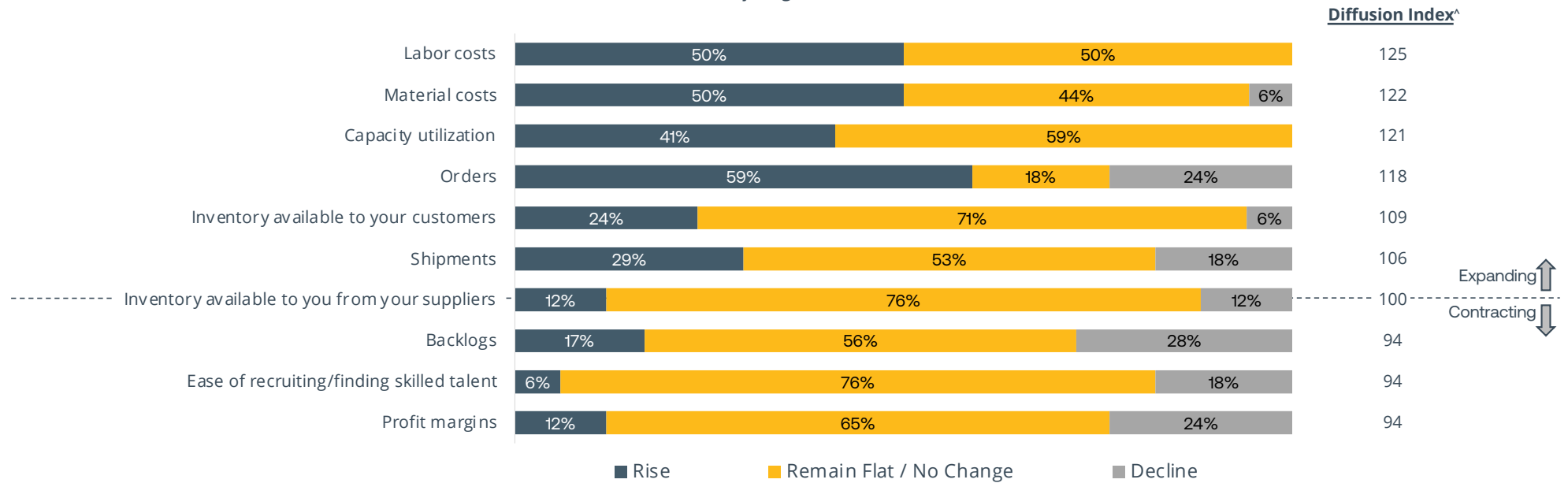
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The View From Companies Primarily Operating Globally



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Global --



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Orders, Capacity Utilization, Shipments, and Backlogs are Expected to Rise Over the Next Six Months, With All Other Key Business Indicators Expected to Remain Relatively Stable



Direction of Key Business Indicators – Diffusion Index[^]

-- Total --



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

The View From Companies Primarily Operating in North America



Direction of Key Business Indicators – Diffusion Index[^]
 -- Primary Region: North America --



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The View From Companies Primarily Operating in Europe



Direction of Key Business Indicators – Diffusion Index[^]
 -- Primary Region: Europe --

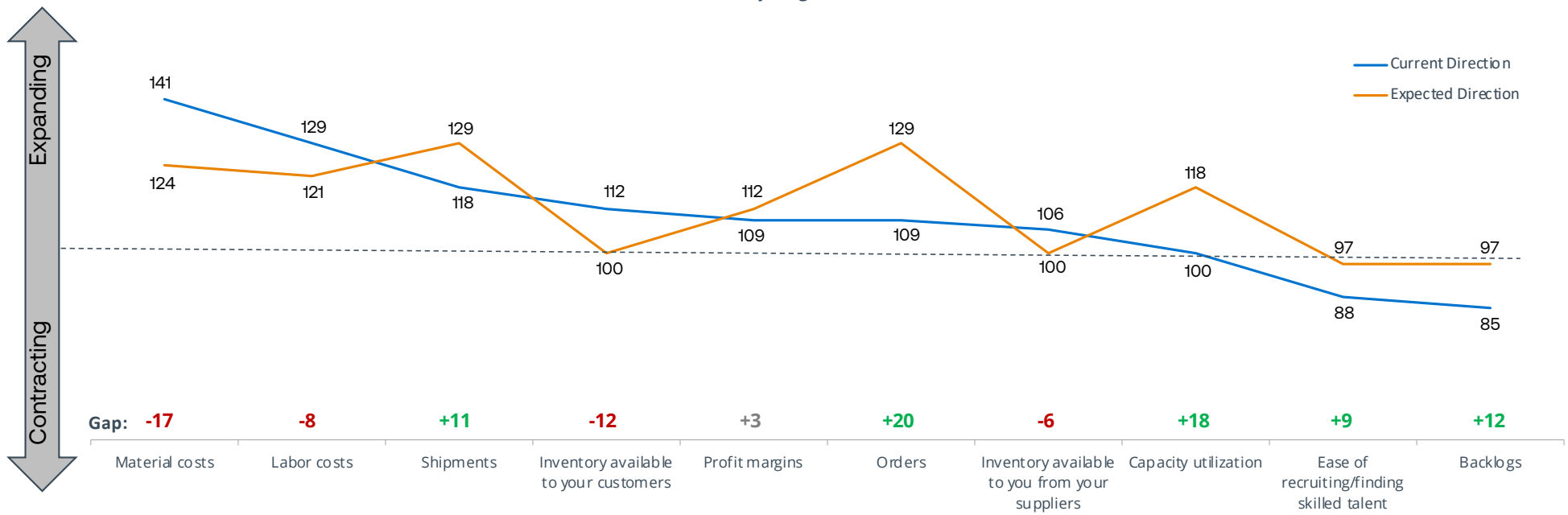


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The View From Companies Primarily Operating in APAC



Direction of Key Business Indicators – Diffusion Index[^]
 -- Primary Region: APAC --



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The View From Companies Primarily Operating Globally



Direction of Key Business Indicators – Diffusion Index[^]
 -- Primary Region: Global --



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Appendix

Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)



	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024
Shipments	103	110	106	104	107	105	110	105	113	112	107	106	105
Orders	103	104	101	100	105	101	102	105	113	111	106	104	102
Profit margins	91	96	93	92	94	95	96	95	96	97	89	90	95
Backlogs	93	98	90	91	96	94	94	94	98	101	99	97	93
Ease of recruiting/finding skilled talent	92	92	89	88	87	88	88	89	90	92	92	91	92
Material costs	123	128	124	122	118	119	119	118	121	117	121	127	122
Labor costs	129	133	131	129	130	128	128	133	130	126	129	127	125
Capacity utilization	103	108	104	102	106	106	106	104	109	108	107	99	99
Inventory available to you from your suppliers	112	110	109	111	112	111	116	113	108	116	112	112	103
Inventory available to your customers	109	109	108	108	107	110	118	110	113	114	115	111	108

△+5 points or more vs. previous month

△-5 points or more vs. previous month

Outlook Diffusion Indices

Past 12 Month Comparisons (TOTAL)



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

△+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 June 14 and June 30, 2024.





Questions? Please contact:

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