



BUILD ELECTRONICS BETTER

# The Current Sentiment of the Global Electronics Manufacturing Supply Chain

*Monitoring the Pulse of the Global Electronics Industry*

April 2024

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# Executive Summary



## > Electronics Industry Sentiment Rose in April, Hitting New High

- This marks the third consecutive month of sentiment growth.

## > Industry demand remains flat with last month's elevated level

- Demand rose notably last month, hitting the highest level since July 2022.
- The Demand Index slipped 0.23% this month. The New Orders Index recorded a two-point decline and the Shipments Index and the Capacity Utilization Index each fell one point.
- The Backlogs Index rose 3 points, crossing into expansionary territory for the first time since February 2023.

## > Cost pressures continue to ease, the Cost Index hits new record low

- The Cost Index declined this month to its lowest level despite persistent inflationary pressures. The index remains in expansionary territory but continues to ebb lower.
- Both the Labor Costs Index and the Material Costs Index declined 4 points.
- Commodity prices for some key metals have been rising which could push the Materials Costs Index higher in the coming months.

## > Industry outlook eases in April

- The industry outlook remains strongly positive, though it has slightly softened over the last month due to a more moderate demand forecast.

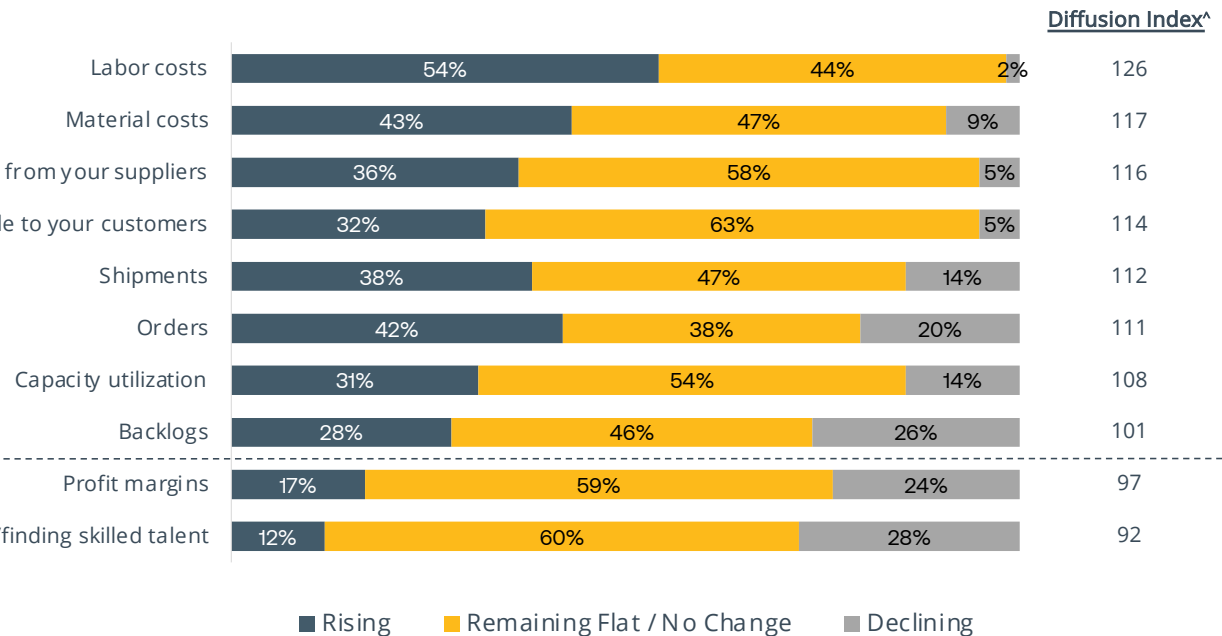
# Current Conditions for the Electronics Supply Chain



There are no significant differences in current conditions across all geographic regions.

## Current Direction of Key Business Indicators

-- Total --



More than half (54%) of electronics manufacturers are currently experiencing rising labor costs, with just over two-fifths (43%) reporting rising material costs.

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

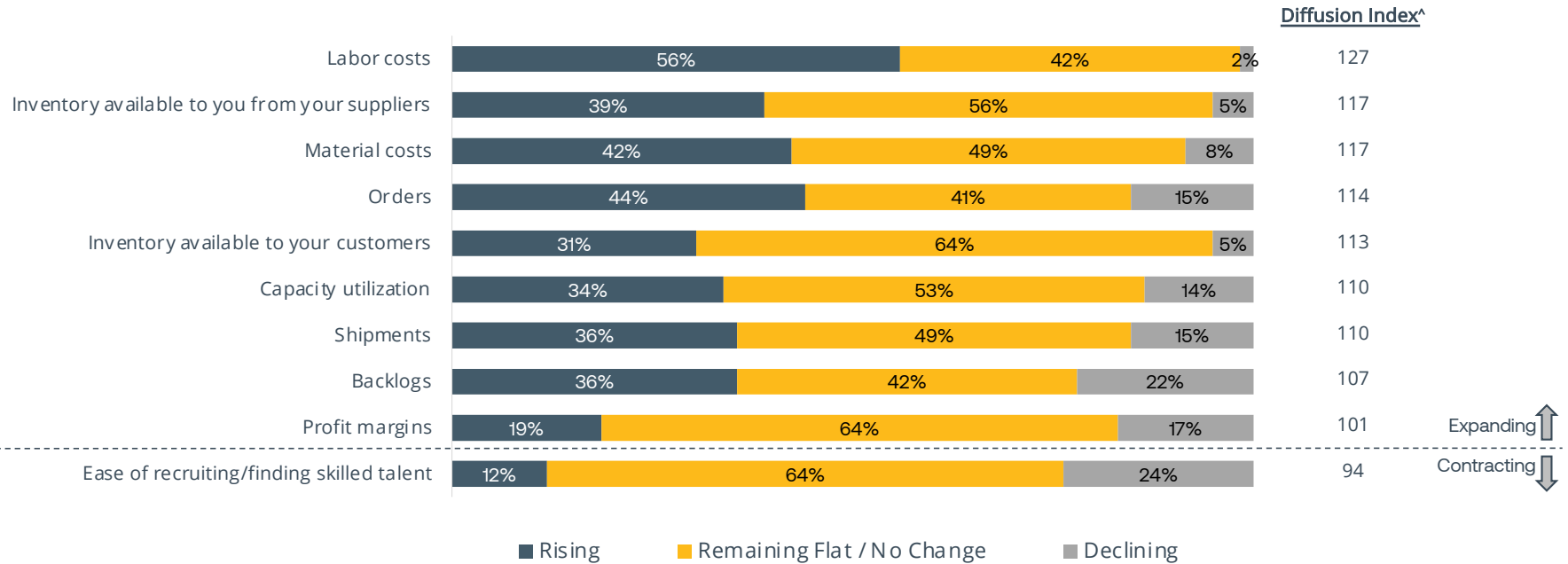
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in North America



## Current Direction of Key Business Indicators

-- Primary Region: North America --



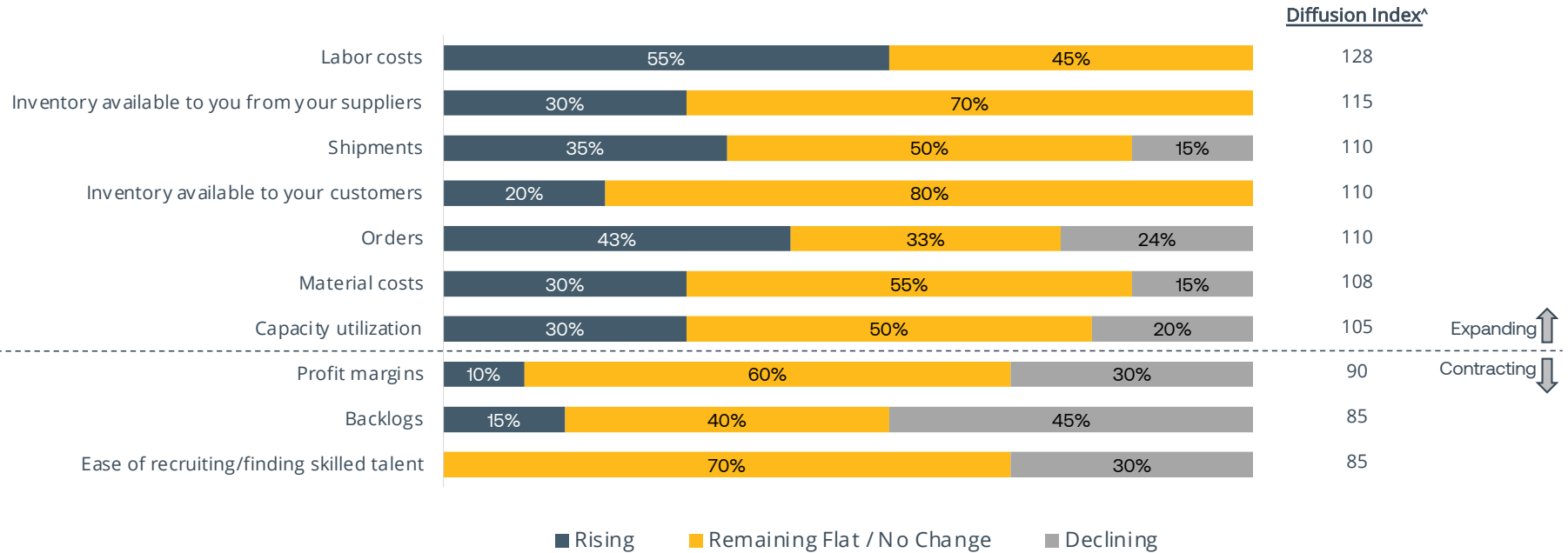
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# The View From Companies Primarily Operating in Europe



## Current Direction of Key Business Indicators

-- Primary Region: Europe --



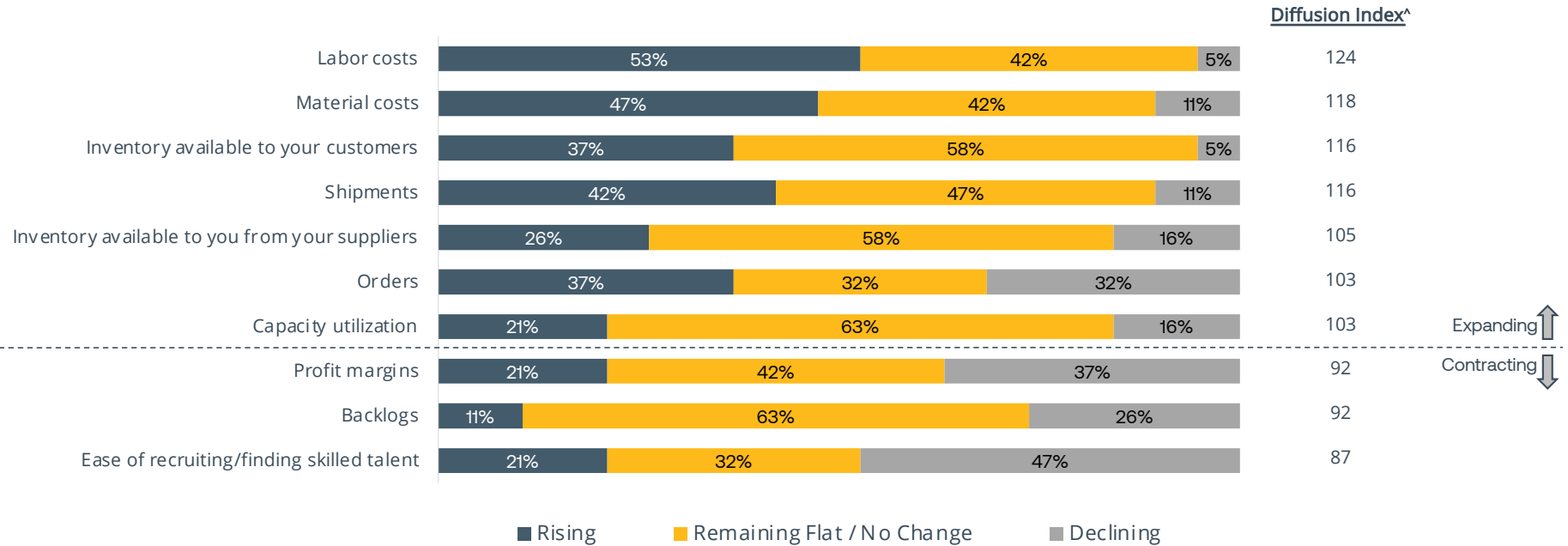
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# The View From Companies Primarily Operating in APAC



## Current Direction of Key Business Indicators

-- Primary Region: APAC --



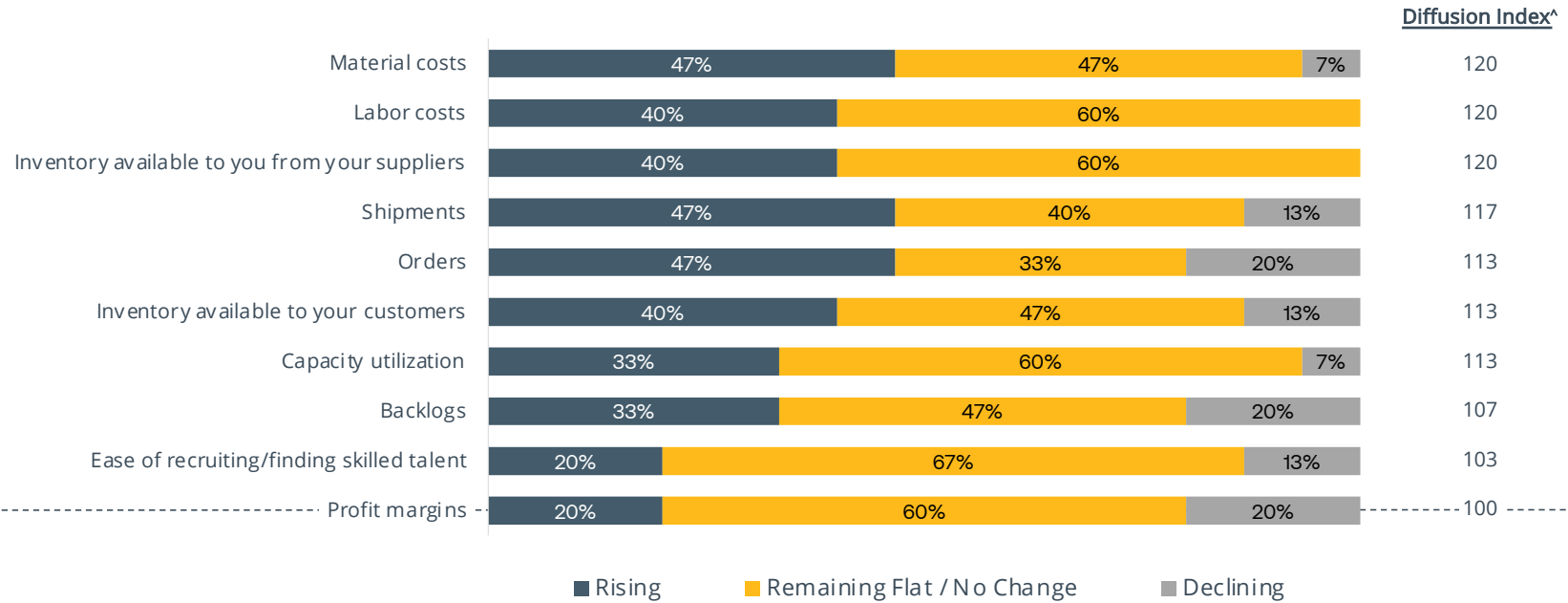
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# The View From Companies Primarily Operating Globally



## Current Direction of Key Business Indicators

-- Primary Region: Global --



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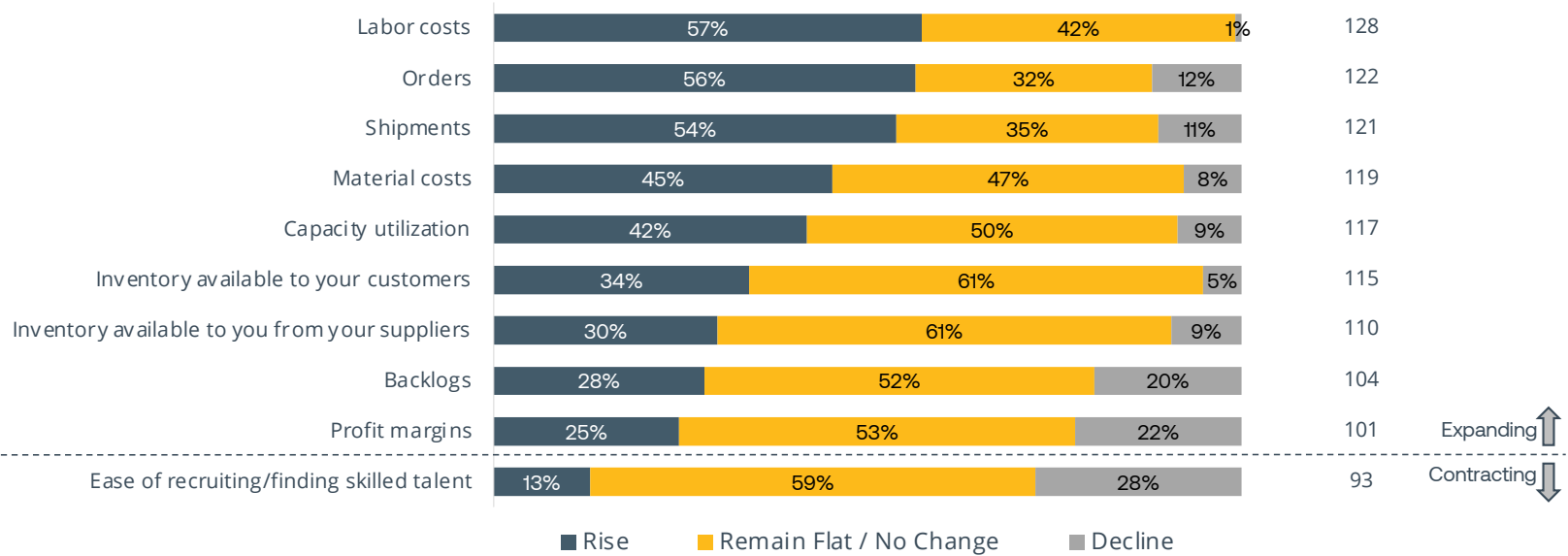
# The Outlook for the Next 6 Months



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

-- Total --

Diffusion Index<sup>^</sup>



Over the next six months, electronics manufacturers expect labor and material costs to remain relatively stable. While profit margins are expected to improve, ease of recruitment is likely to remain challenging.

Notably, orders, shipments, and capacity utilization are all expected to rise considerably over the next six months.

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



# Regional Differences in the Outlook



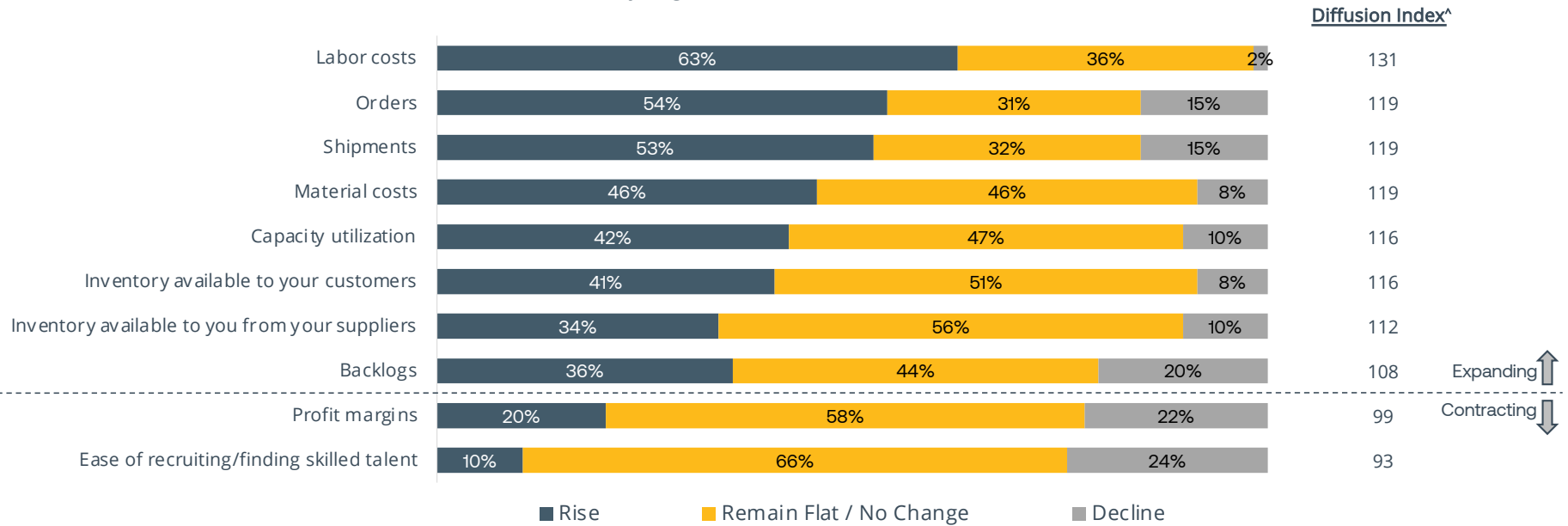
- **Supplier inventory is expected to rise more so among North American firms and those operating globally when compared to firms in Europe.**
  - One-third (34%) of firms in North America, along with half (53%) operating globally, expect supplier inventory to rise over the next six months; this compares to only 5% expecting an increase among firms in Europe, which are more likely anticipating supplier inventory to remain stable over the next six months (90%).

# The View From Companies Primarily Operating in North America



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

-- Primary Region: North America --



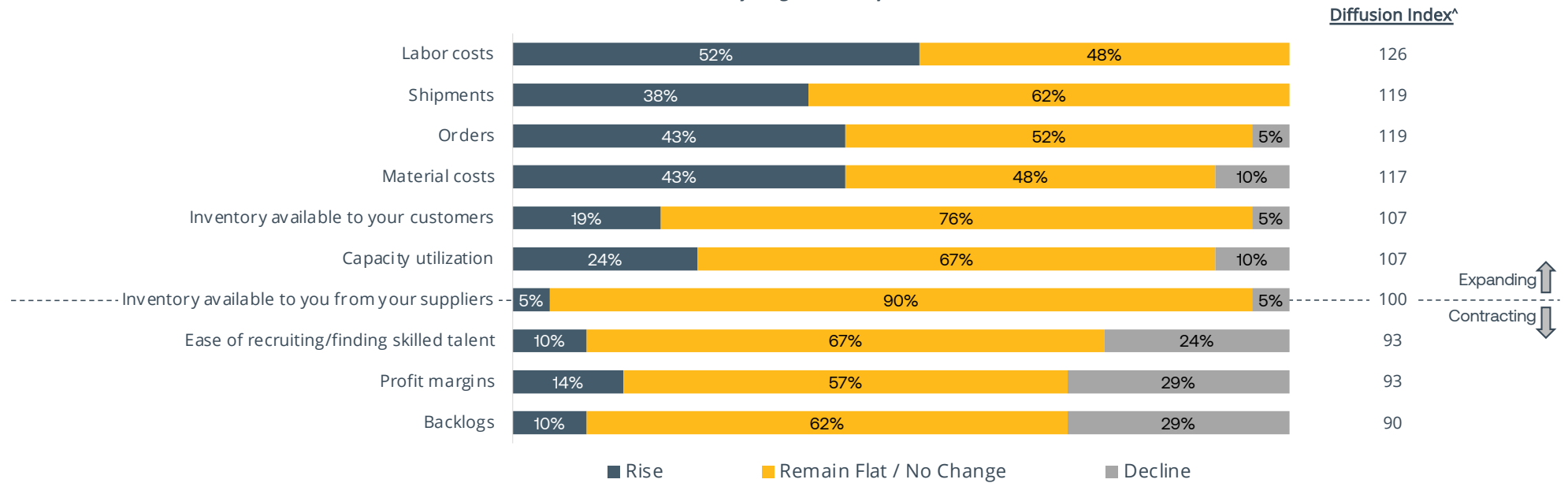
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# The View From Companies Primarily Operating in Europe



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

-- Primary Region: Europe --



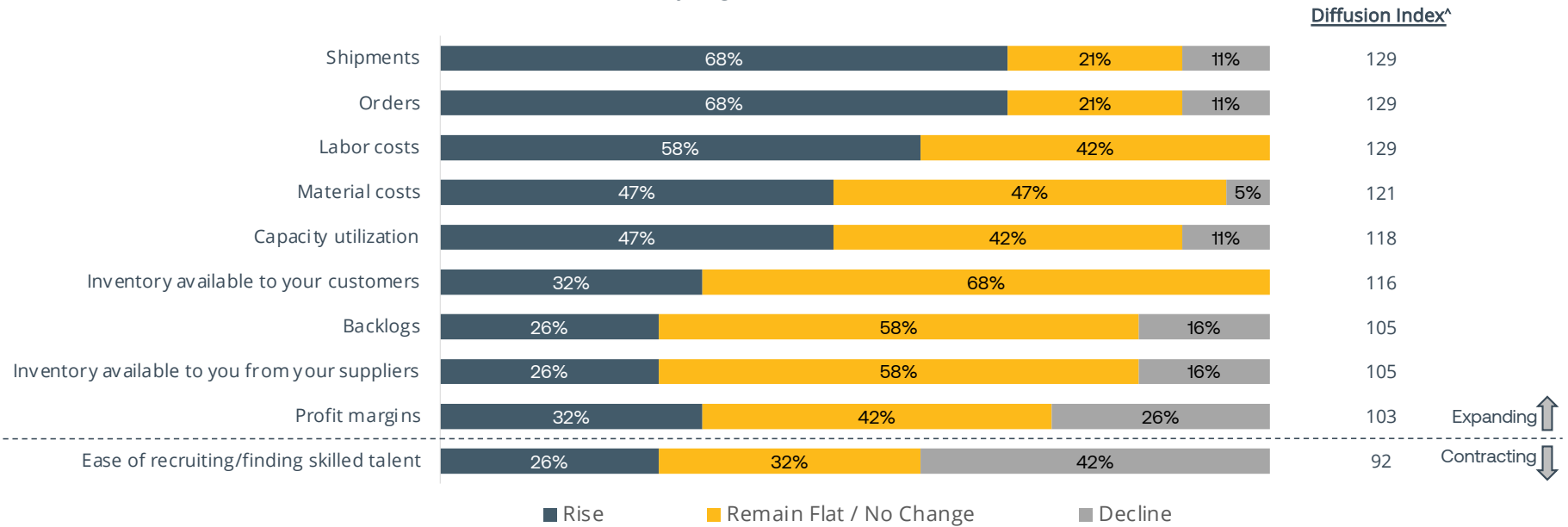
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# The View From Companies Primarily Operating in APAC



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

-- Primary Region: APAC --



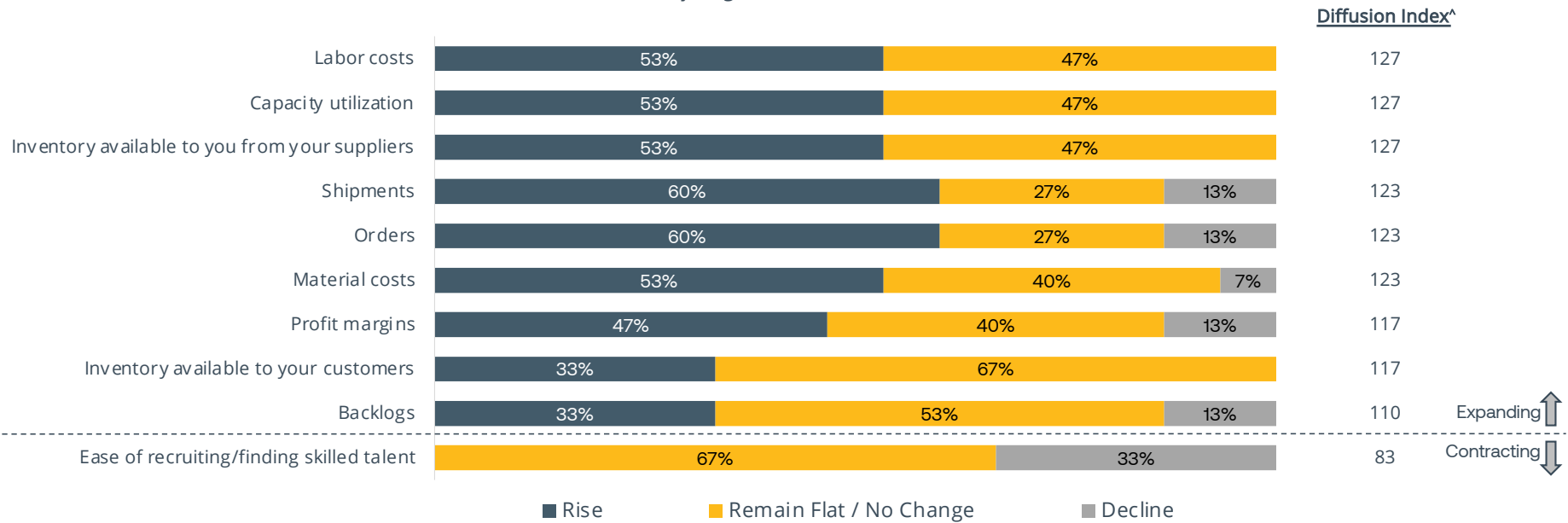
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# The View From Companies Primarily Operating Globally



## 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.

# Orders, Capacity Utilization, and Shipments are Expected to Rise Over the Next Six Months, While Supplier Inventory is Expected to Decline



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

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

-- Total --

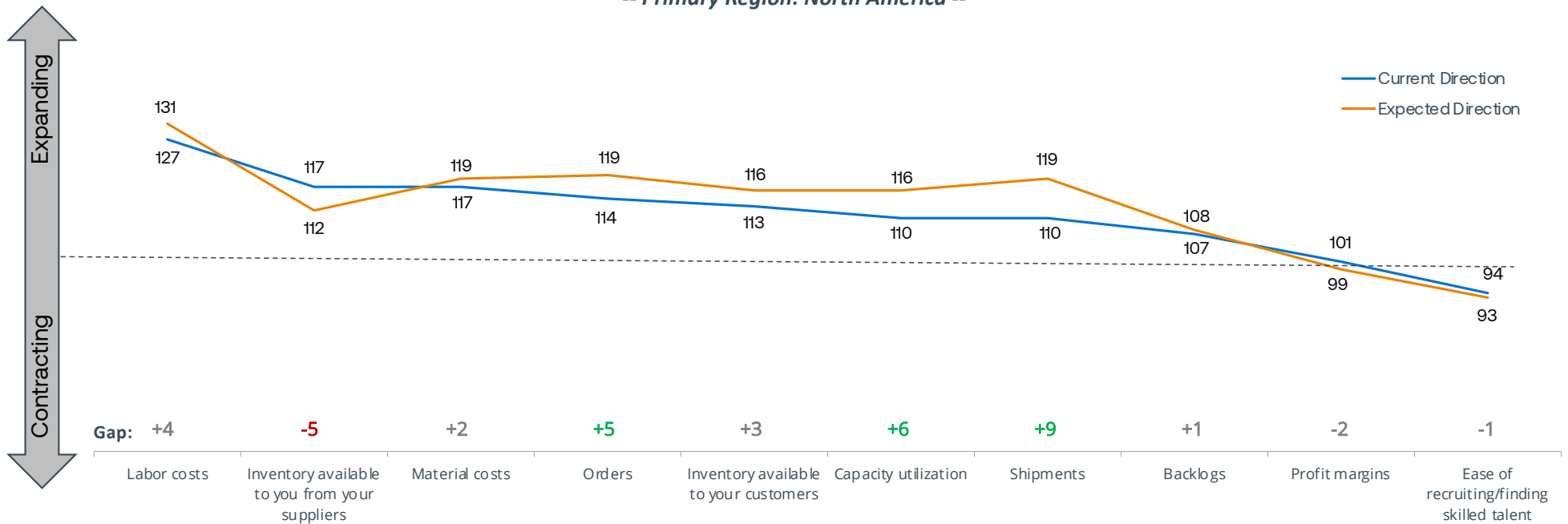


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# The View From Companies Primarily Operating in North America



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

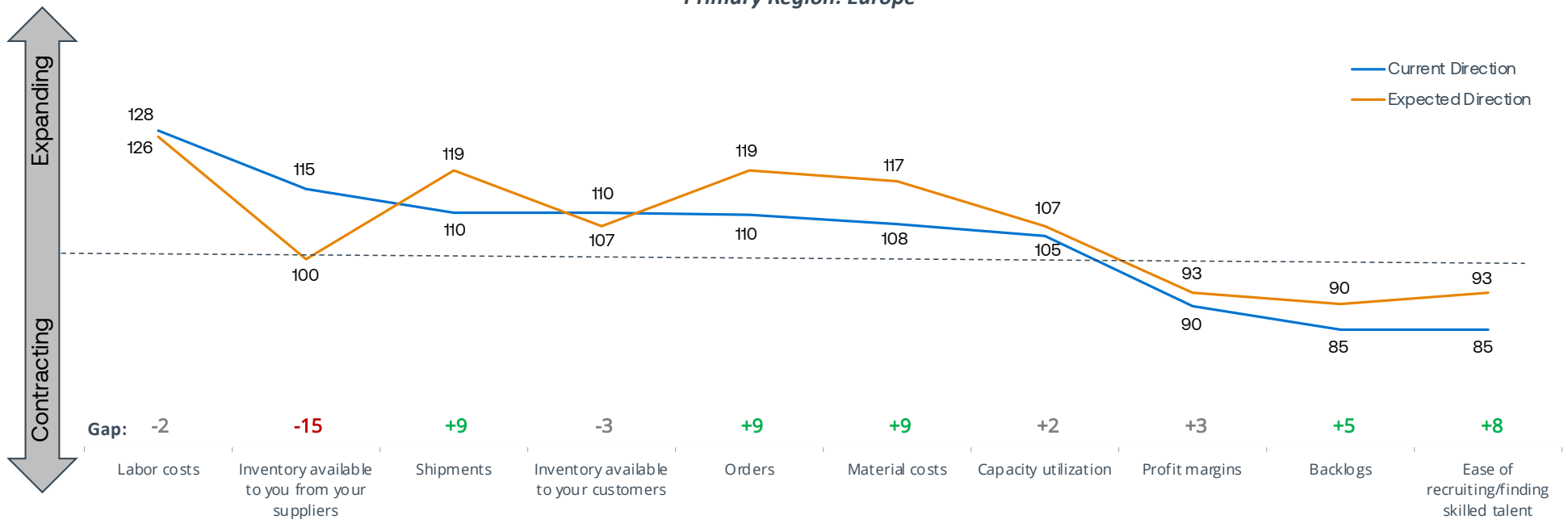


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# The View From Companies Primarily Operating in Europe



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



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



# The View From Companies Primarily Operating in APAC



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

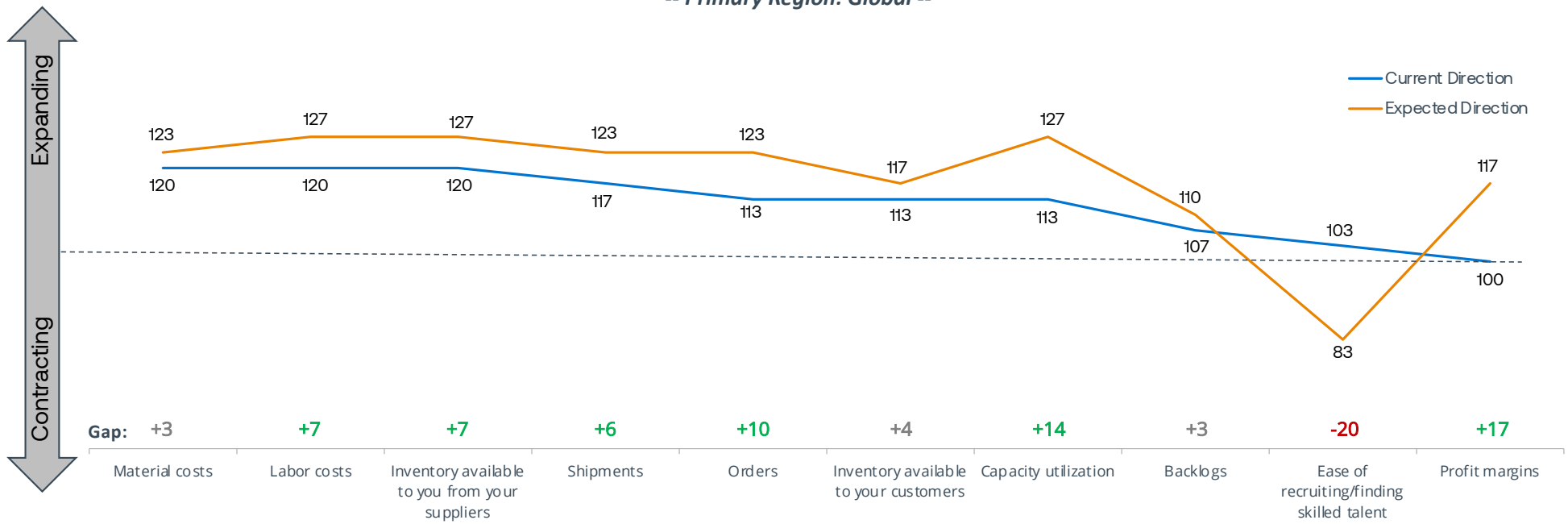


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# The View From Companies Primarily Operating Globally



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



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## **April 2024 Special Question:**

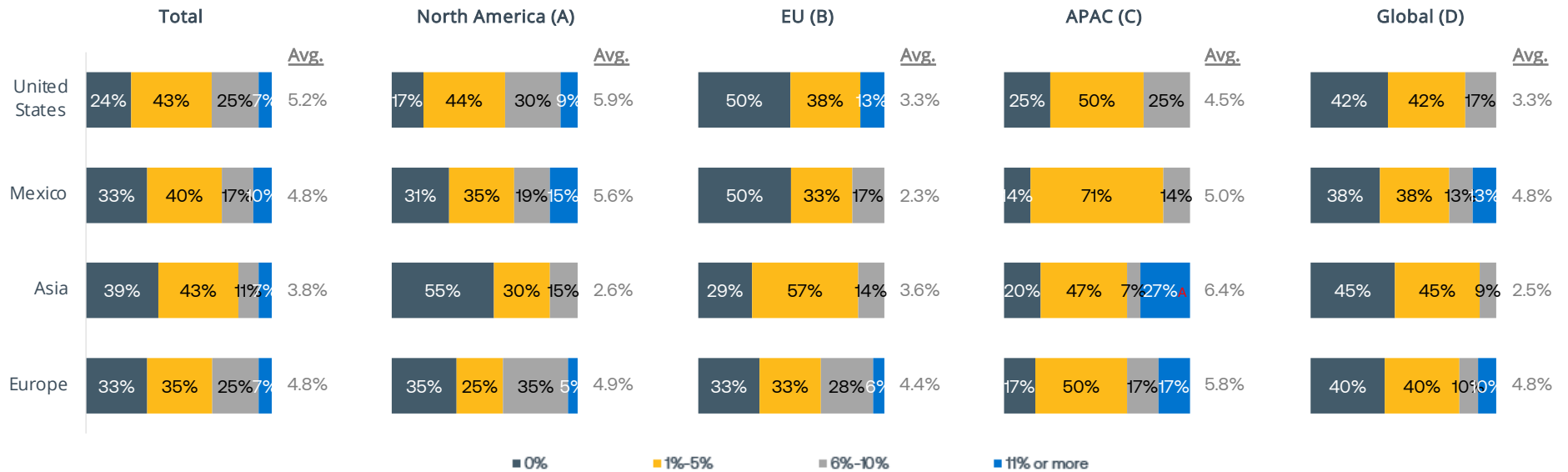
**How much do you expect labor costs for hourly workers to rise over the next month in each of the following locations?**

# Over the Next Month, Labor Costs are Expected to Increase an Average of 5% in the U.S., Mexico, and Europe, While Slightly Lower in Asia With an Increase of 4%



Notably, firms in APAC are expecting to see a significantly higher increase in labor costs in the Asian market vs. firms in North America.

## Expected Increase in Labor Costs Over Next Month



Q. How much do you expect labor costs for hourly workers to rise over the next month in each of the following locations?

A/B/C/D Statistically significant at 95% confidence interval

# Appendix

# Current Conditions Diffusion Indices

## Past 12 Month Comparisons (TOTAL)



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

Δ+5 points or more vs. previous month

Δ-5 points or more vs. previous month

# Outlook Diffusion Indices

## Past 12 Month Comparisons (TOTAL)



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

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 March 15 and March 29, 2024.







Questions? Please contact:

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