The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

May 2024

ipc.org

Executive Summary

> **Electronics Industry Sentiment Fell this Month, After Hitting New High Last Month**
  - Despite the decline, sentiment remains historically high for this series.

> **Industry demand eased this month**
  - Demand fundamentals weakened this month. Following a high in March which was the highest level since July 2022.
  - The Demand Index slipped 3% this month. Both the New Orders Index and the Shipments Index fell 5 points this month.
  - The Backlog Index slipped back into contractionary territory, after a single month in expansionary territory

> **Cost pressures rose this month, after record low last month**
  - After hitting a record low last month, cost pressures increased this month.
  - The Labor Costs Index rose 3 points this month and the Material Costs Index increased 4 points.

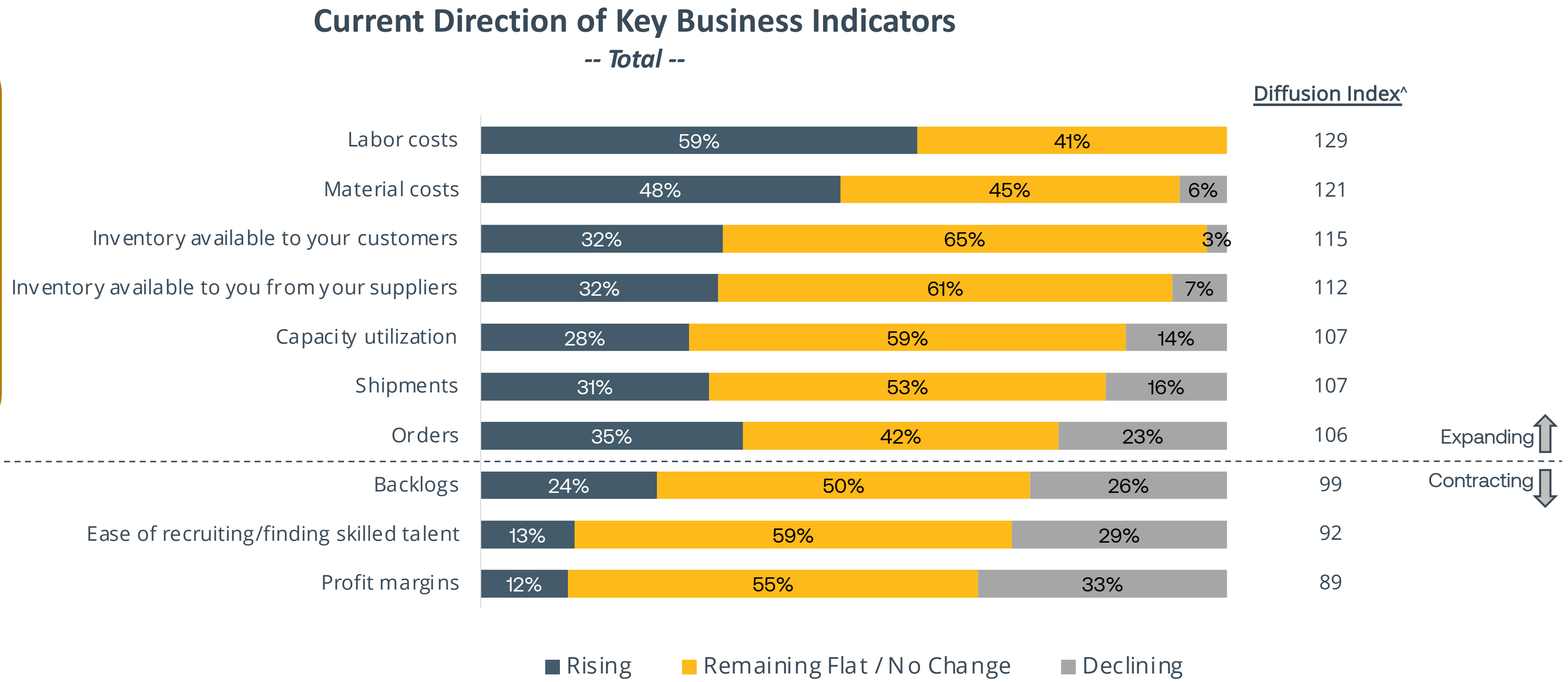
> **Industry outlook was relatively unchanged in May**
  - The industry outlook remains strongly positive, though it has slightly softened over the two months from a record high in March.

> This month's special question asked about expected PCB and EMS sales revenue across regions in 2024.

Current Conditions for the Electronics Supply Chain

Three-fifths (59%) of electronics manufacturers are currently experiencing rising labor costs, with half (48%) reporting rising material costs.

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

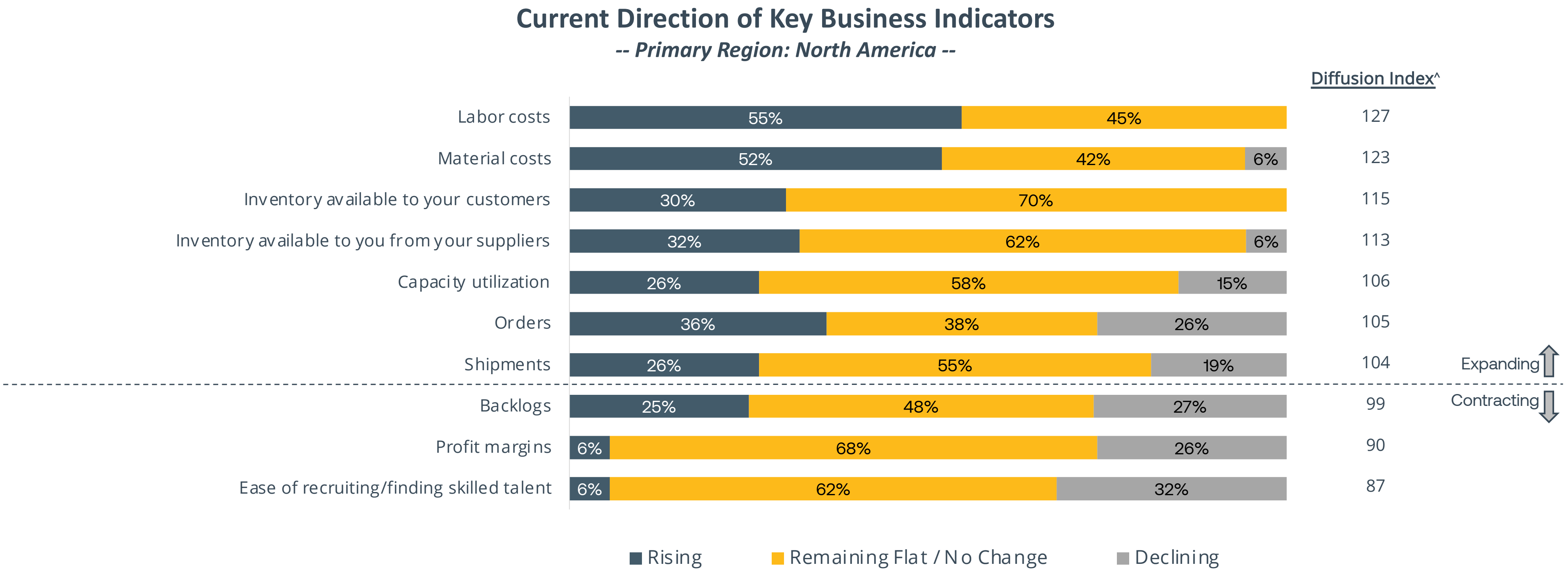


^A diffusion index is a statistical measure used to detect economic turning points.

Regional Differences in Current Conditions

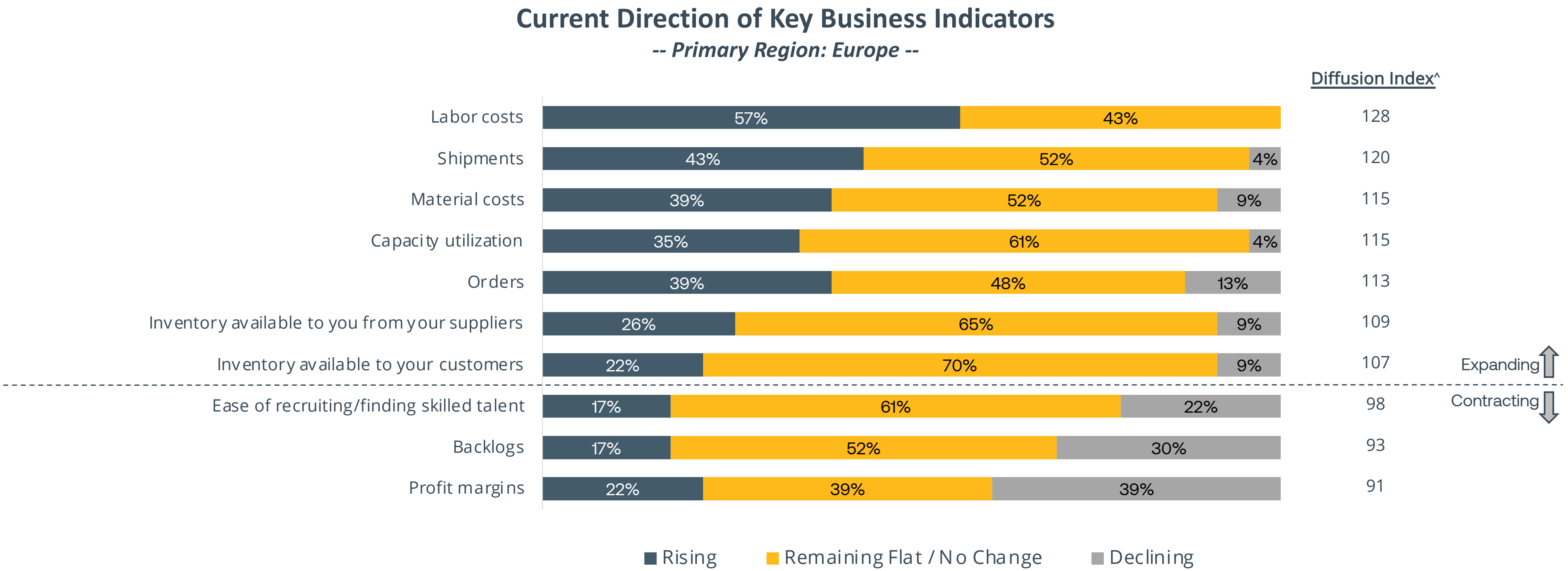
- **Ease of recruitment is improving more so among firms in APAC when compared to those in North America.**
  - More than one-third (36%) of firms in APAC indicate ease of recruiting/finding skilled talent is currently rising vs. a significantly lower 6% among North American firms.

The View From Companies Primarily Operating in North America



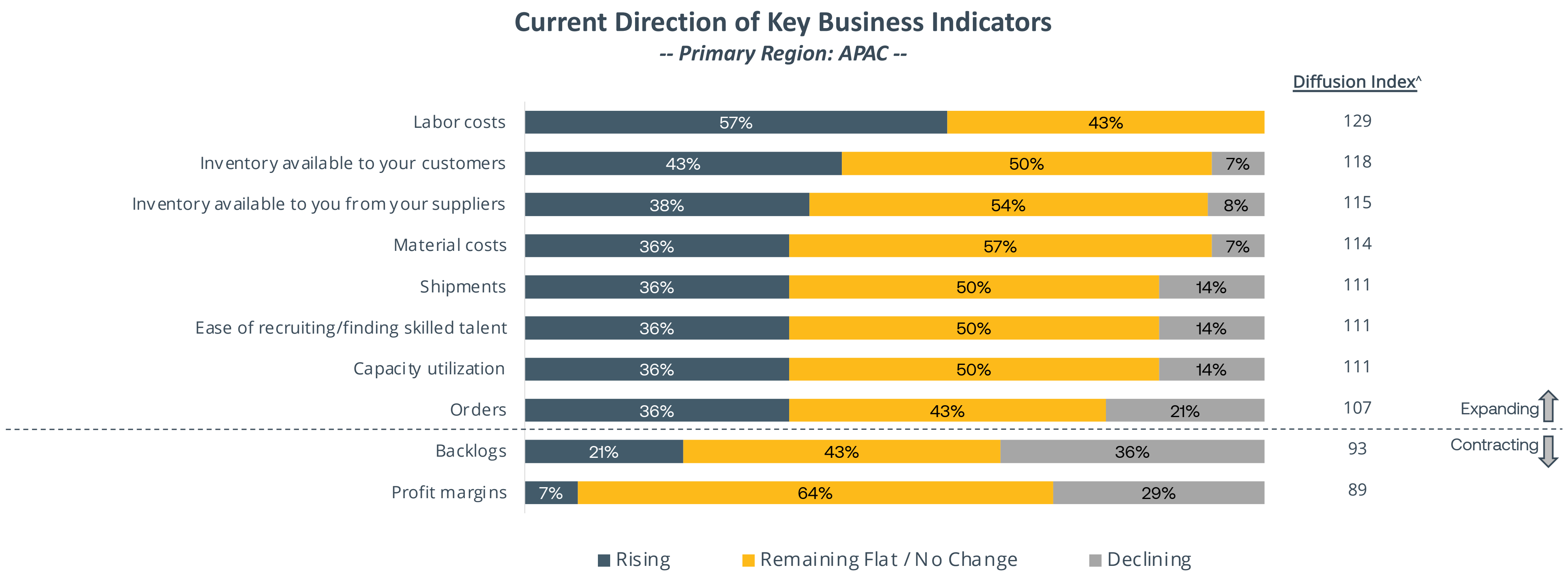
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in Europe



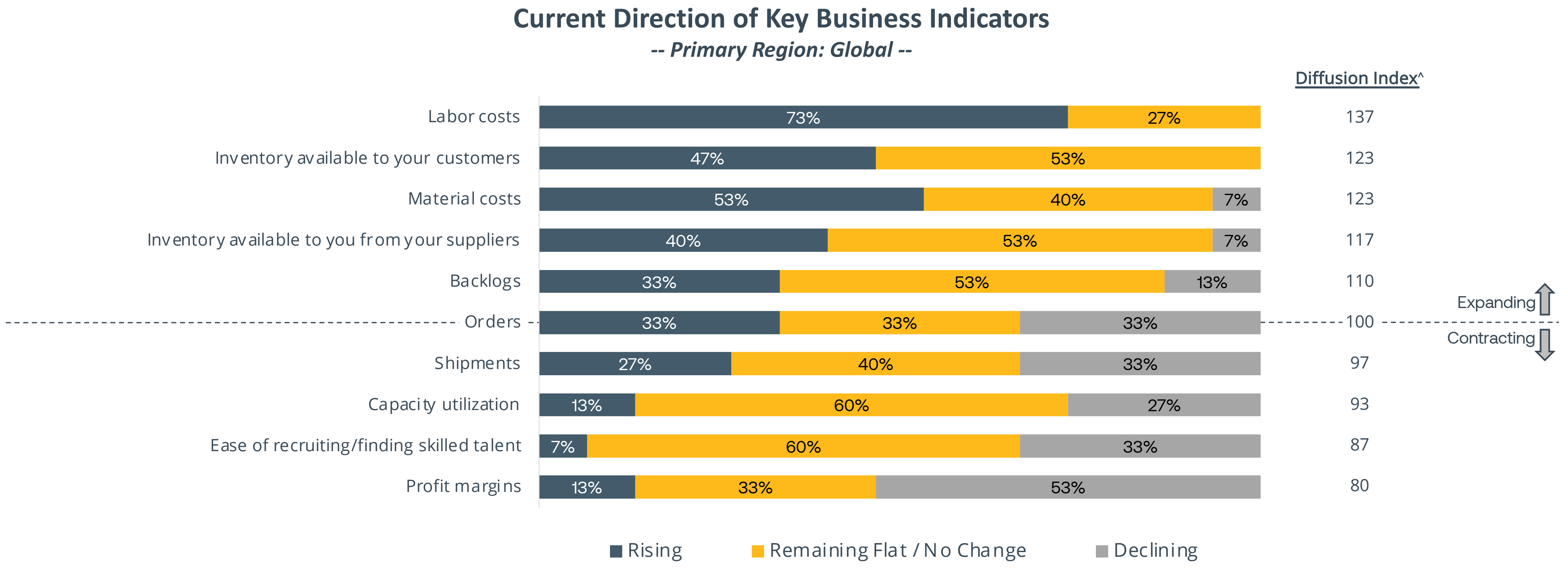
^A diffusion index is a statistical measure used to detect economic turning points.

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

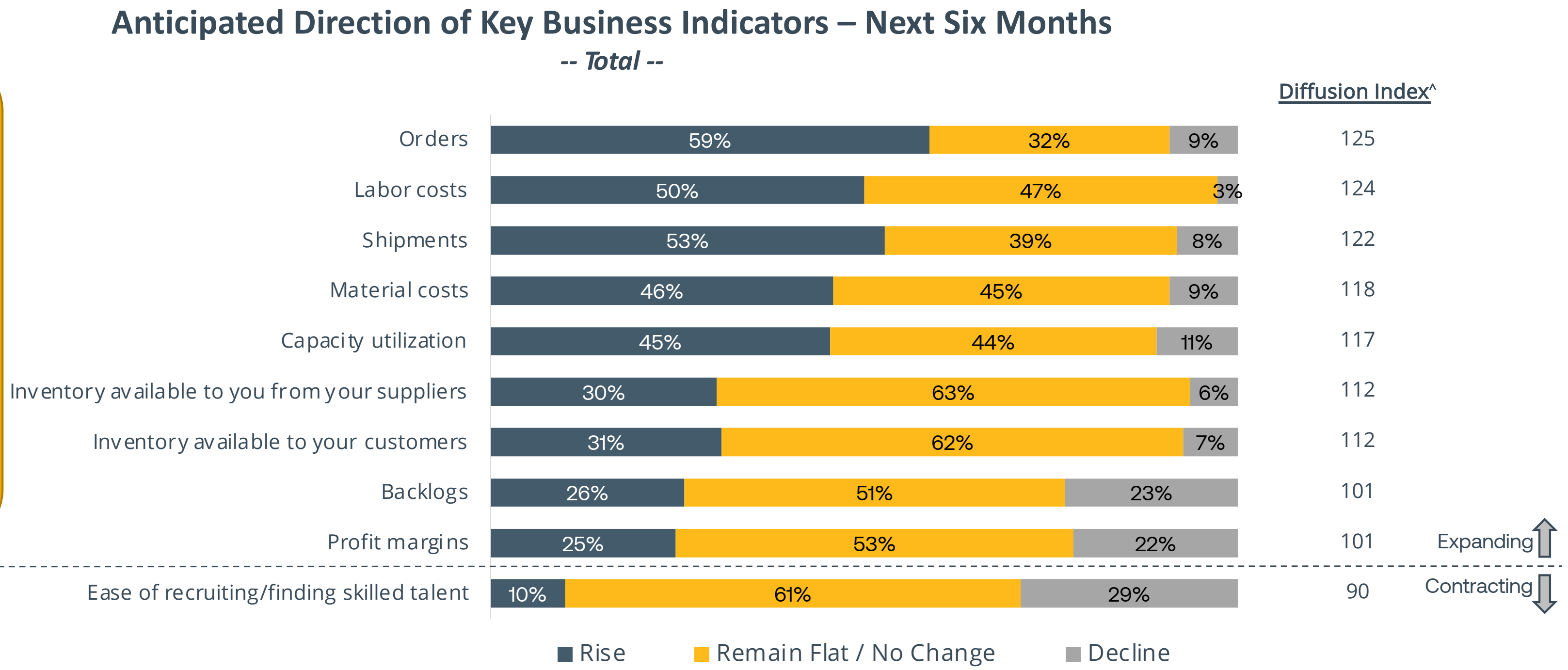


^A diffusion index is a statistical measure used to detect economic turning points.

The Outlook for the Next 6 Months

Over the next six months, electronics manufacturers expect labor costs to come down slightly, while material costs are expected to remain relatively stable.

Although ease of recruitment is expected to remain challenging, profit margins are predicted to improve considerably over the next six months, along with capacity utilization, shipments, and orders.

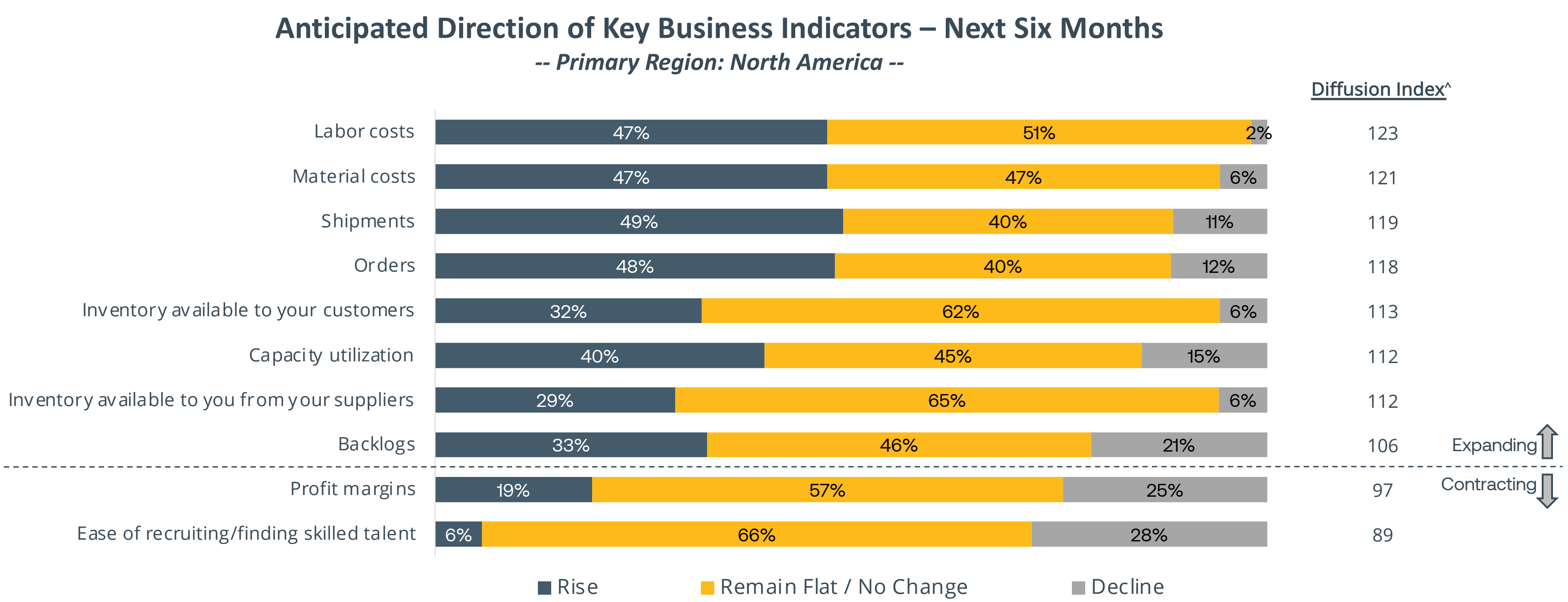


^A diffusion index is a statistical measure used to detect economic turning points.

Regional Differences in the Outlook

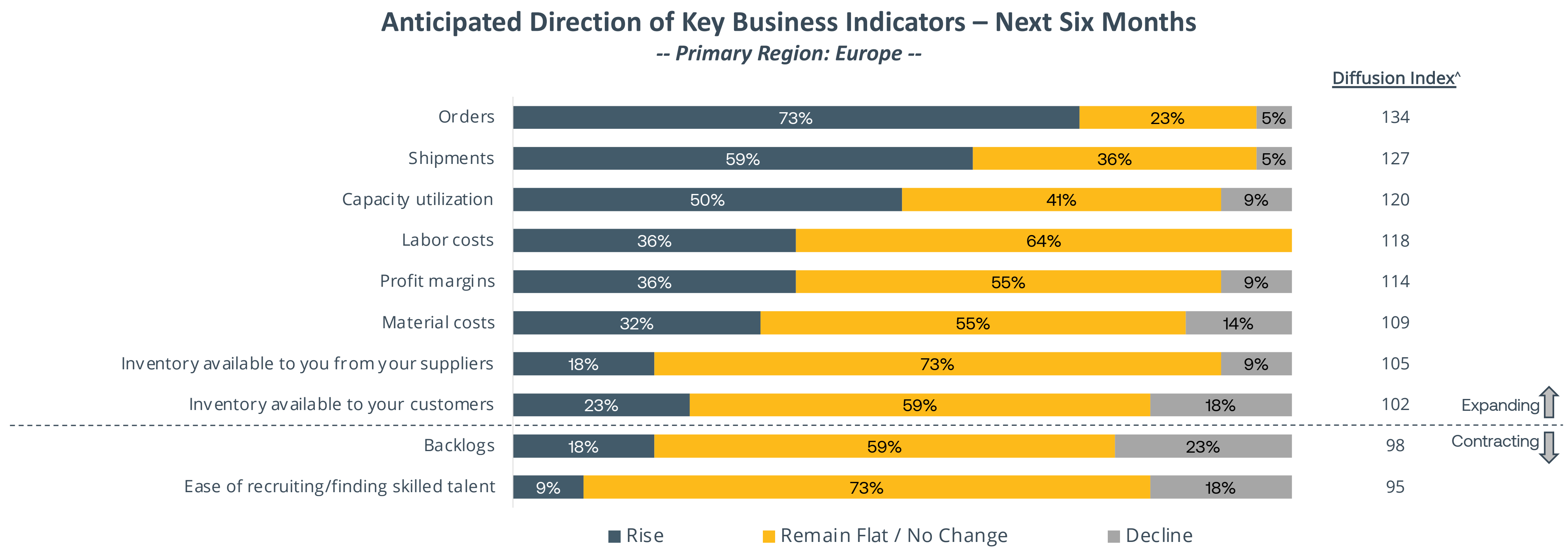
- **Orders are expected to rise more so among manufacturers in APAC when compared to those in North America and those operating globally.**
  - Nine in ten (93%) firms in APAC are expecting orders to rise over the next six months, while those in North America (48%) and those operating globally (40%) are much less likely anticipating an increase.

The View From Companies Primarily Operating in North America



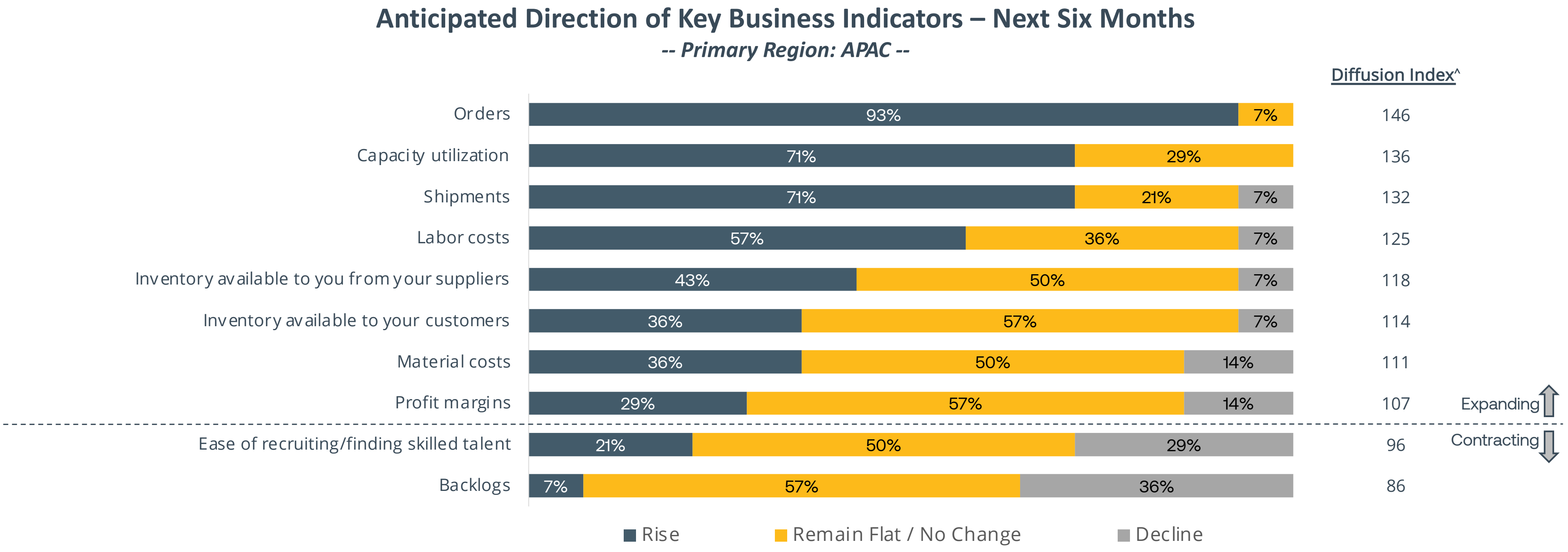
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in Europe



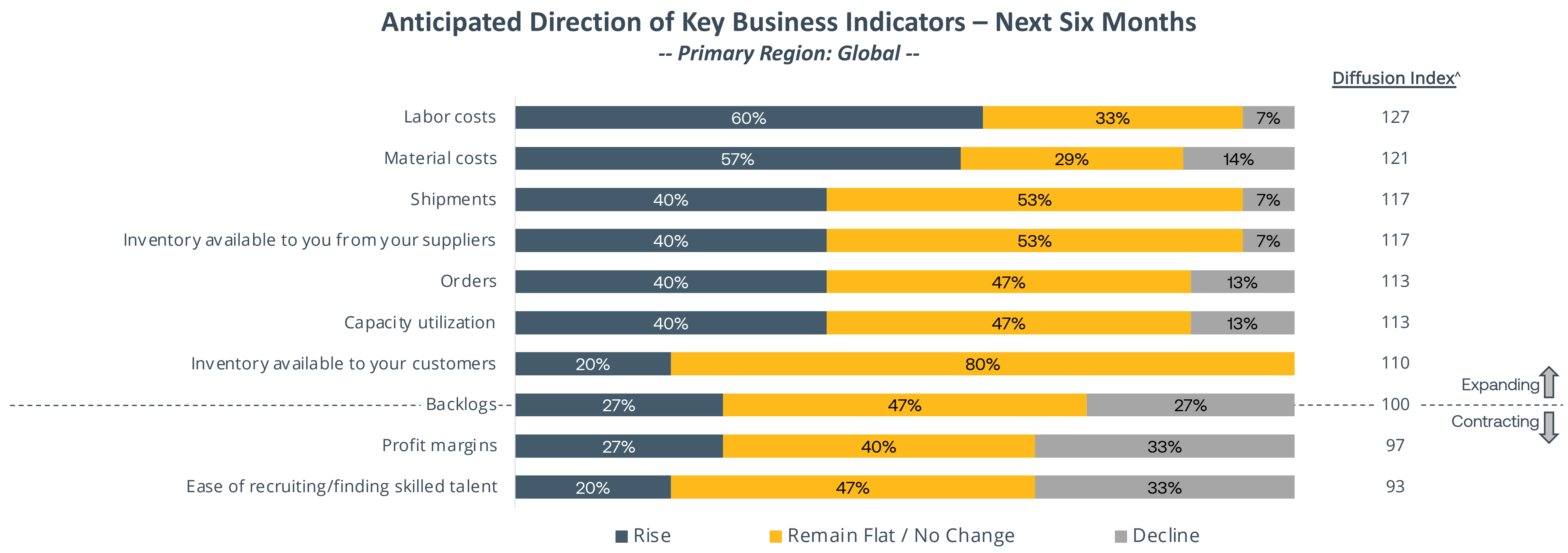
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in APAC



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

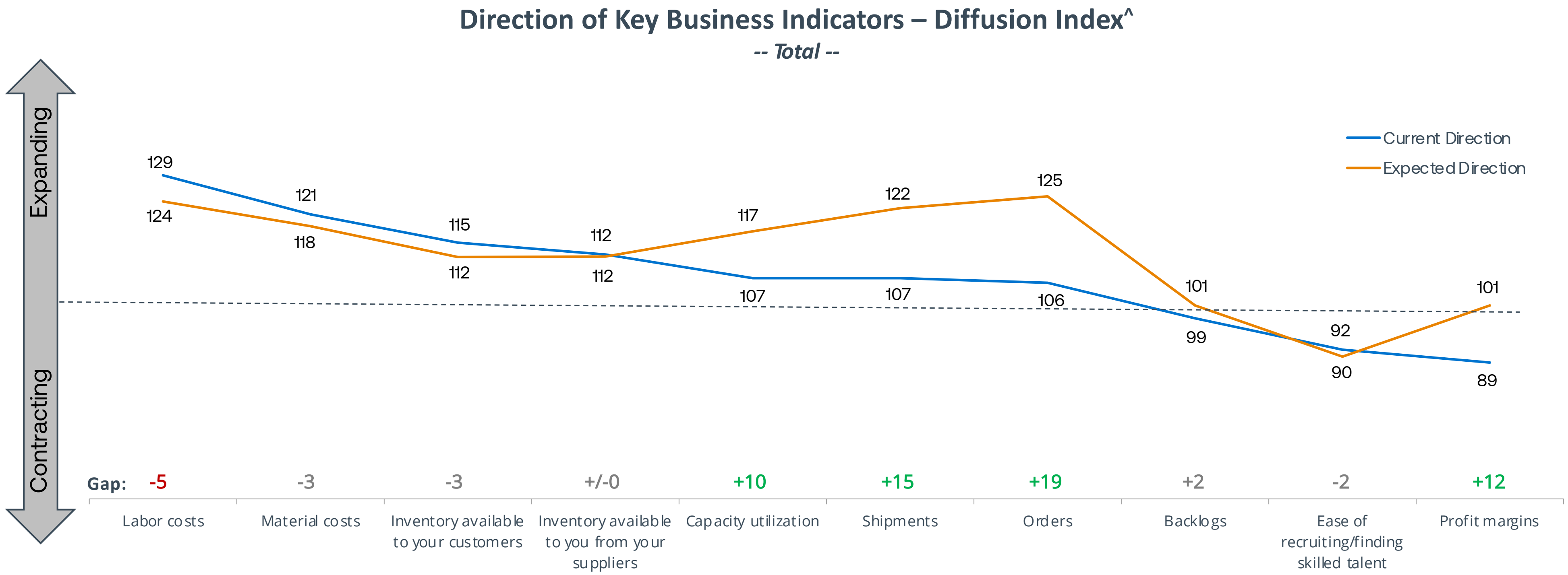
The View From Companies Primarily Operating Globally



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

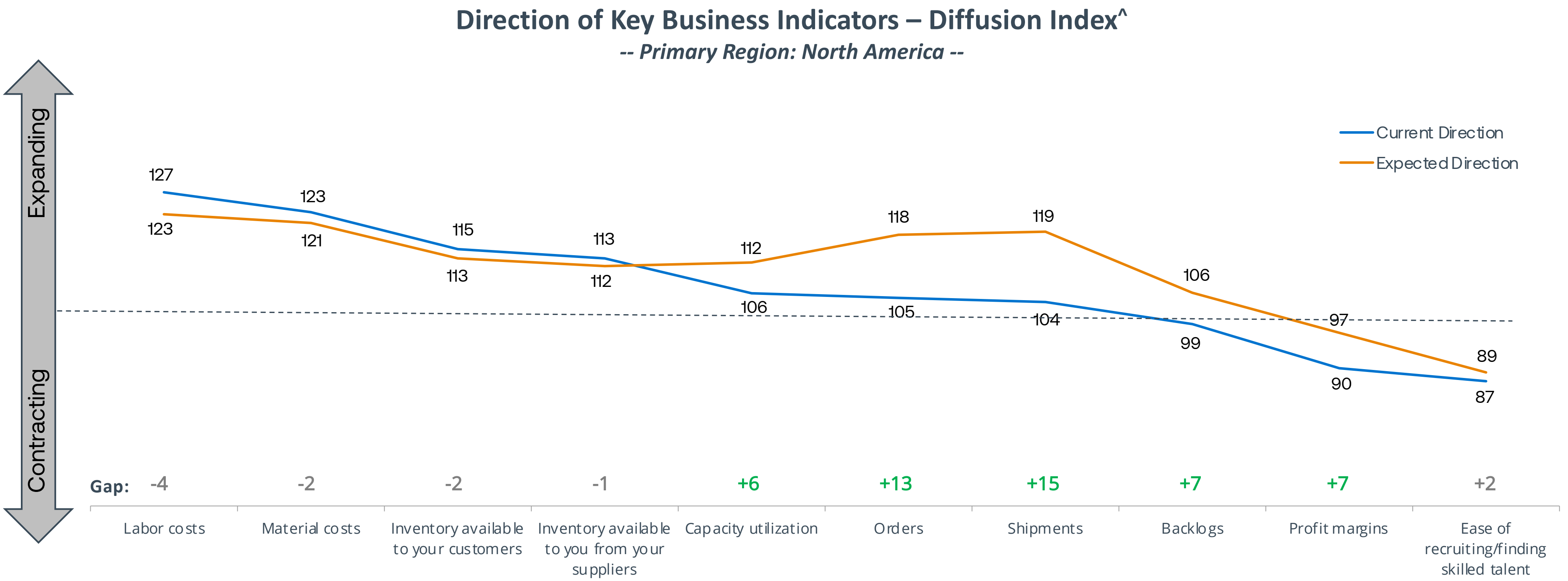
Orders, Shipments, Profit Margins, and Capacity Utilization are Expected to Rise Over the Next Six Months, While Labor Costs are Expected to Decline

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



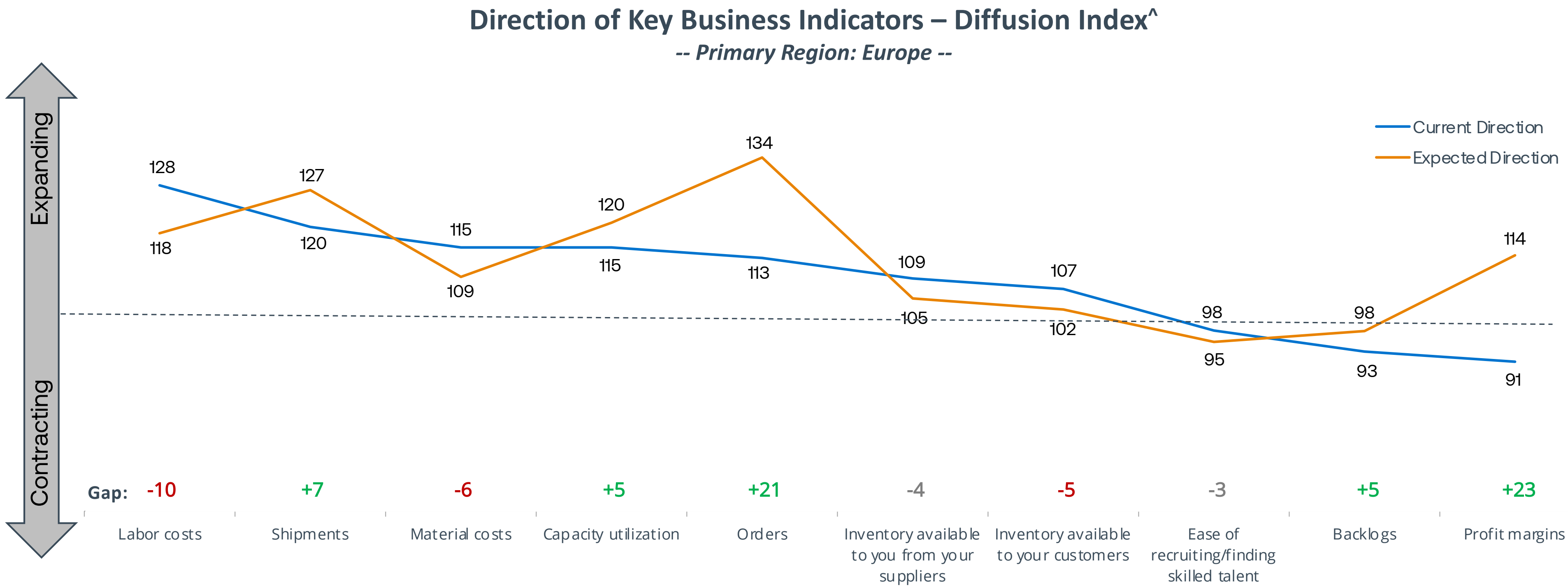
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in North America



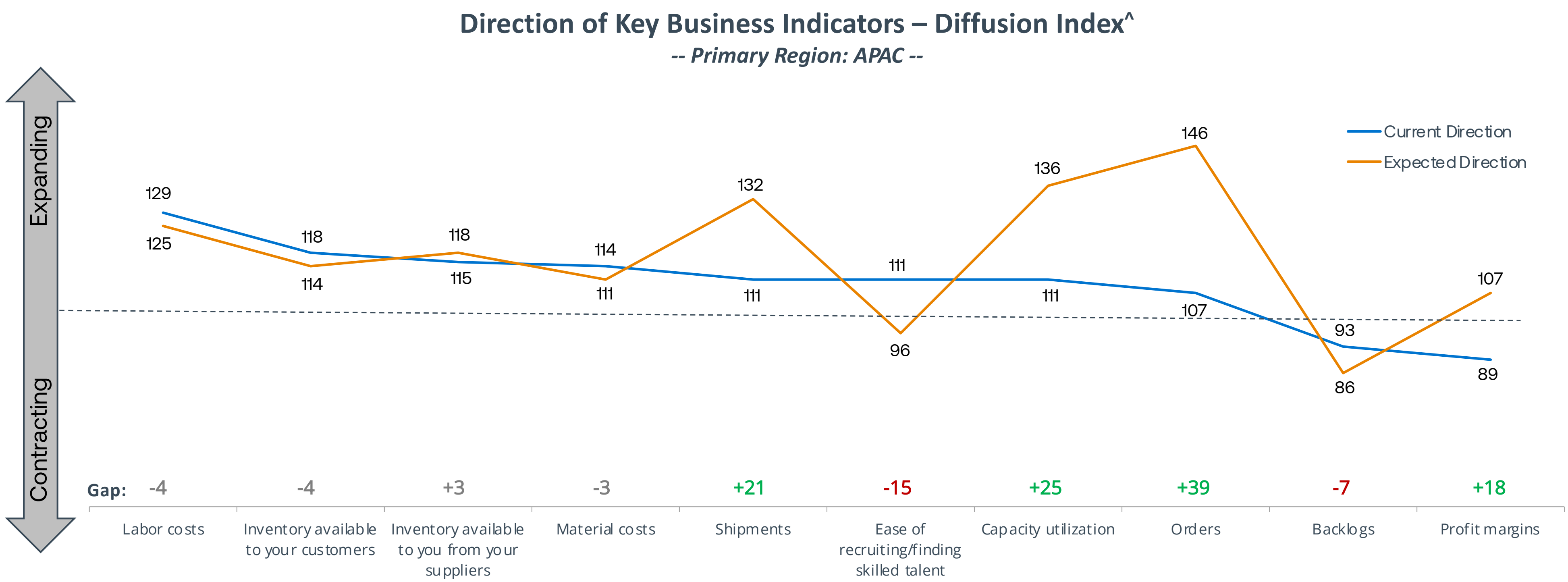
^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in Europe



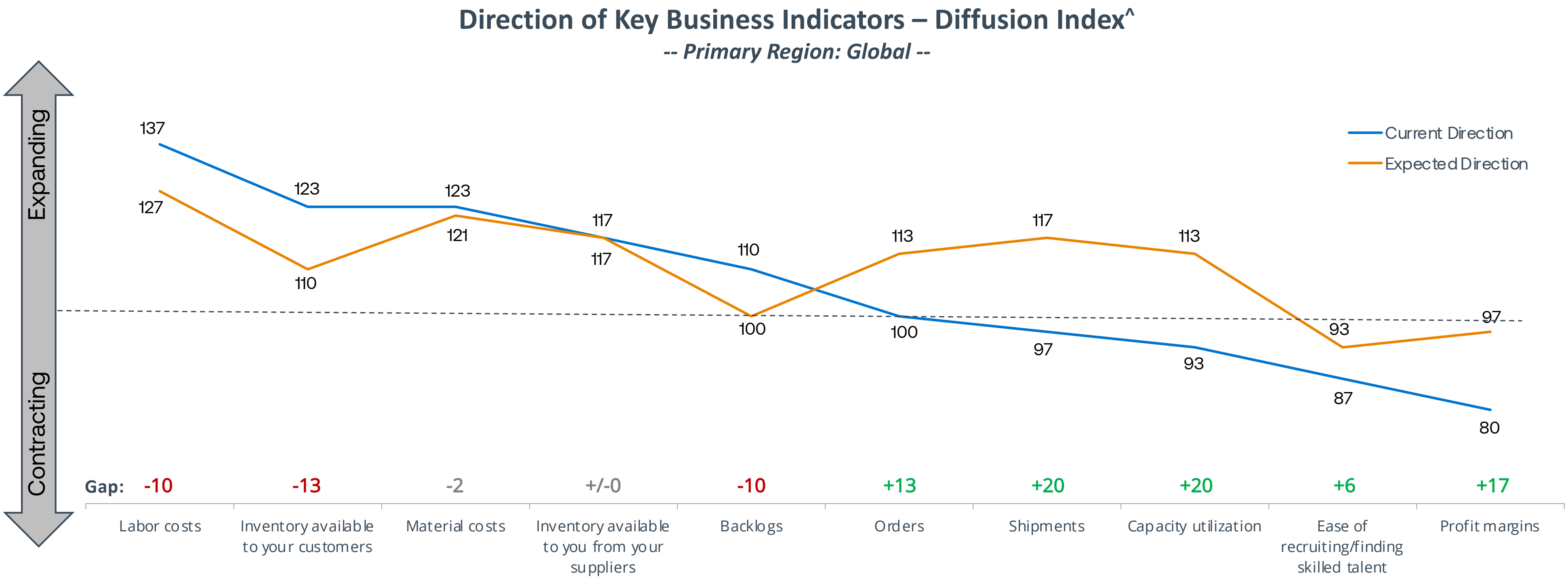
^A diffusion index is a statistical measure used to detect economic turning points.

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.

May 2024 Special Questions

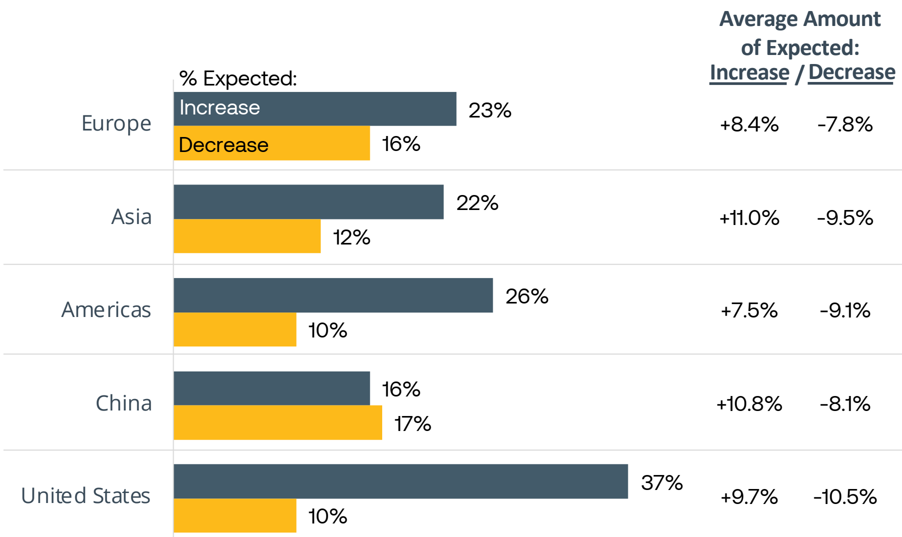
Electronics Manufacturers are More Likely Expecting PCB and EMS Sales Revenue to Increase in the United States in 2024 When Compared to Other Regions

On average, electronics manufacturers anticipating a 2024 increase in either PCB or EMS sales revenue expect the percentage to range from 8% to 11% across all regions, while those anticipating a decrease in either PCB or EMS sales revenue believe the range will be between -8% and -12% year-over-year.

Expected Change in 2024 Sales Revenue

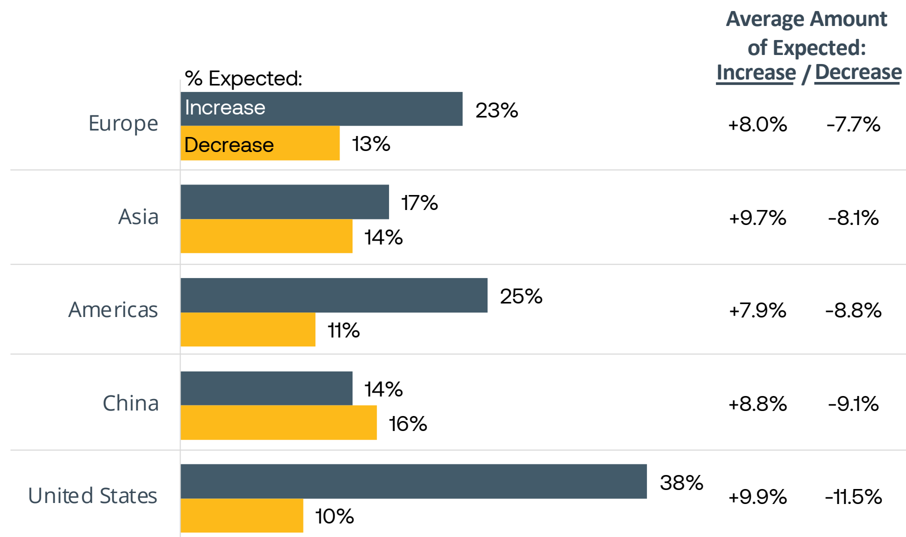
-- Total --

PCB Sales Revenue



Q. Do you expect PCB sales revenue to grow or decline in 2024 in each of the following regions? If so, please indicate by how much you expect it to grow or decline as a percentage year over year.

EMS Sales Revenue



Q. Do you expect EMS sales revenue to grow or decline in 2024 in each of the following regions? If so, please indicate by how much you expect it to grow or decline as a percentage year over year.

Appendix

Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)

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

△+5 points or more vs. previous month

△-5 points or more vs. previous month

Outlook Diffusion Indices

Past 12 Month Comparisons (TOTAL)

	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024
Shipments	118	112	115	117	110	114	116	116	117	123	124	121	122
Orders	111	111	116	117	113	114	114	116	120	121	127	122	125
Profit margins	99	99	96	104	100	100	102	100	105	103	106	101	101
Backlogs	93	92	98	100	95	97	104	97	97	102	106	104	101
Ease of recruiting/finding skilled talent	95	93	95	95	91	91	89	93	94	95	92	93	90
Material costs	122	123	120	123	122	120	116	116	116	116	119	119	118
Labor costs	124	128	126	126	129	128	132	130	129	129	127	128	124
Capacity utilization	110	111	113	115	114	111	114	114	117	116	124	117	117
Inventory available to you from your suppliers	113	113	118	113	113	113	112	114	116	113	111	110	112
Inventory available to your customers	114	111	117	112	112	112	111	115	117	114	114	115	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 April 15 and April 30, 2024.

Questions? Please contact:

Shawn DuBravac,
IPC Chief Economist

ShawnDuBravac@ipc.org