



BUILD ELECTRONICS BETTER

The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

September 2024

[ipc.org](https://www.ipc.org) →

> **Electronics Industry Sentiment Drops Sharply in September Following Brief August Rebound**

- Industry sentiment in the electronics sector declined significantly in September due to rising cost concerns and weakening demand.

> **Industry Records Record-Low Demand Levels**

- The Demand Index fell by 7.3% in September, with all four components of demand decreasing. The Backlog Index, already in contraction, dropped another 3 points, and Capacity Utilization slipped to neutral. Both the Shipment Index and New Orders Index entered contractionary territory, setting new all-time lows, indicating declining order and shipment volumes for the majority of respondents. This marks the first time either index has contracted in the history of the survey.

> **Mixed Cost Pressures**

- The Material Costs Index declined by one point in September, but the majority of firms continue to report rising material costs. Labor cost pressures intensified, with the number of firms reporting increases reaching the highest level since May.

> **Industry Outlook Remains Positive in September Despite Cooling Demand Sentiment**

- While overall industry sentiment cooled from earlier highs, the electronics sector's outlook remained positive.

> **Recession Risk Still Prevalent**

- A minority of electronics manufacturers still see a recession as possible in 2024, a sentiment that has remained largely unchanged since February. However, manufacturers in the APAC region have grown more pessimistic about the economic outlook.

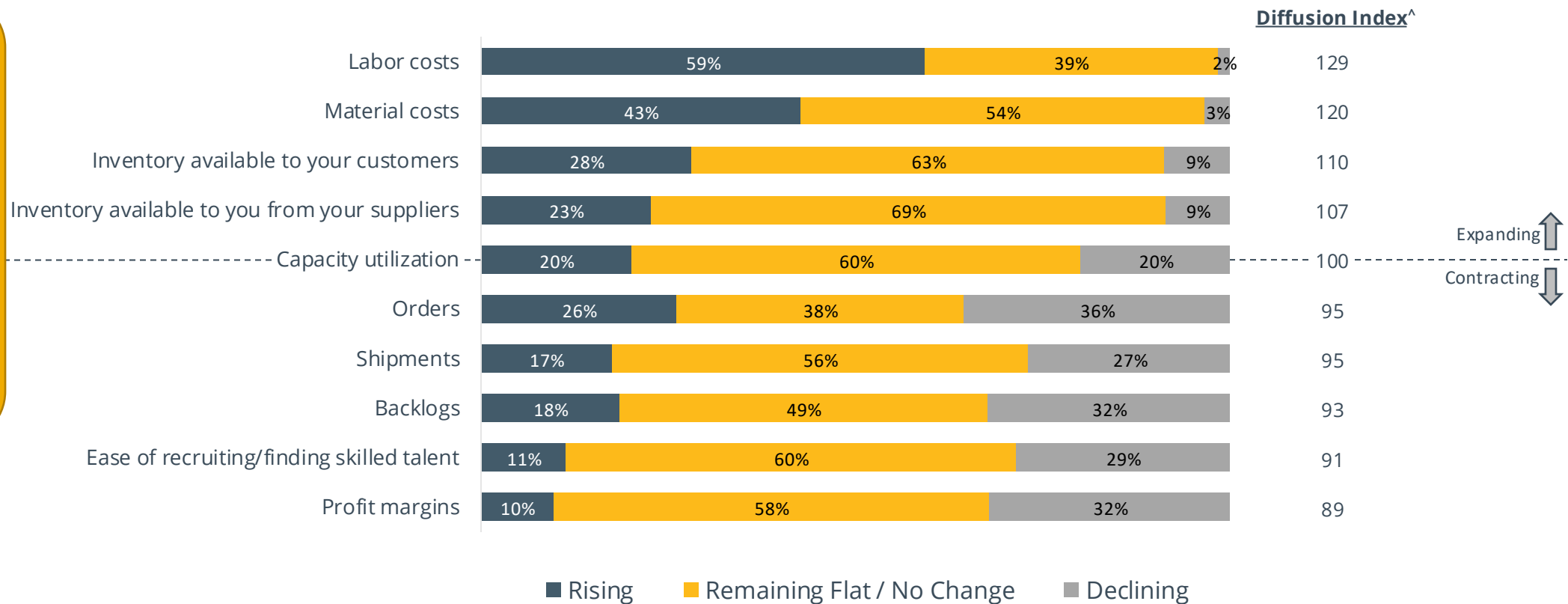
Current Conditions for the Electronics Supply Chain



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

Current Direction of Key Business Indicators

-- Total --



Three-fifths (59%) of electronics manufacturers are currently experiencing rising labor costs, with two-fifths (43%) reporting increased material costs.

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

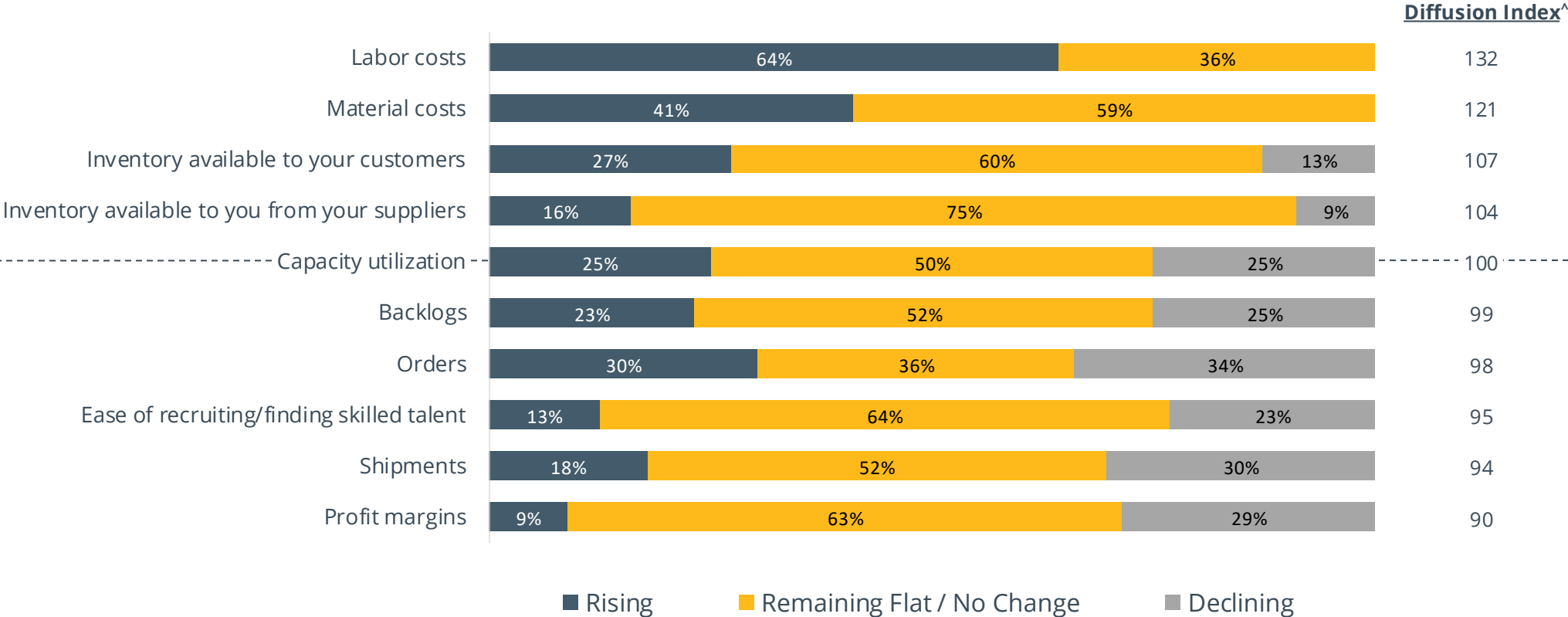
[^]A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in North America



Current Direction of Key Business Indicators

-- Primary Region: North America --



Expanding ↑
Contracting ↓

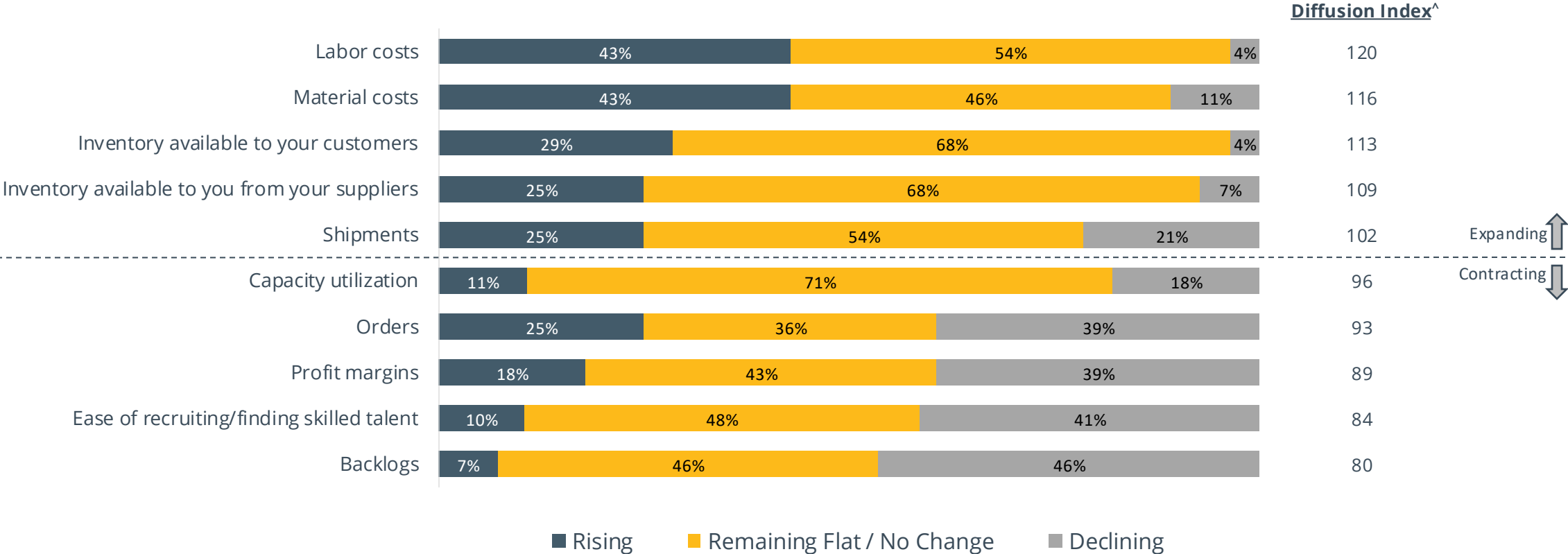
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The View From Companies Primarily Operating in Europe



Current Direction of Key Business Indicators

-- Primary Region: Europe --



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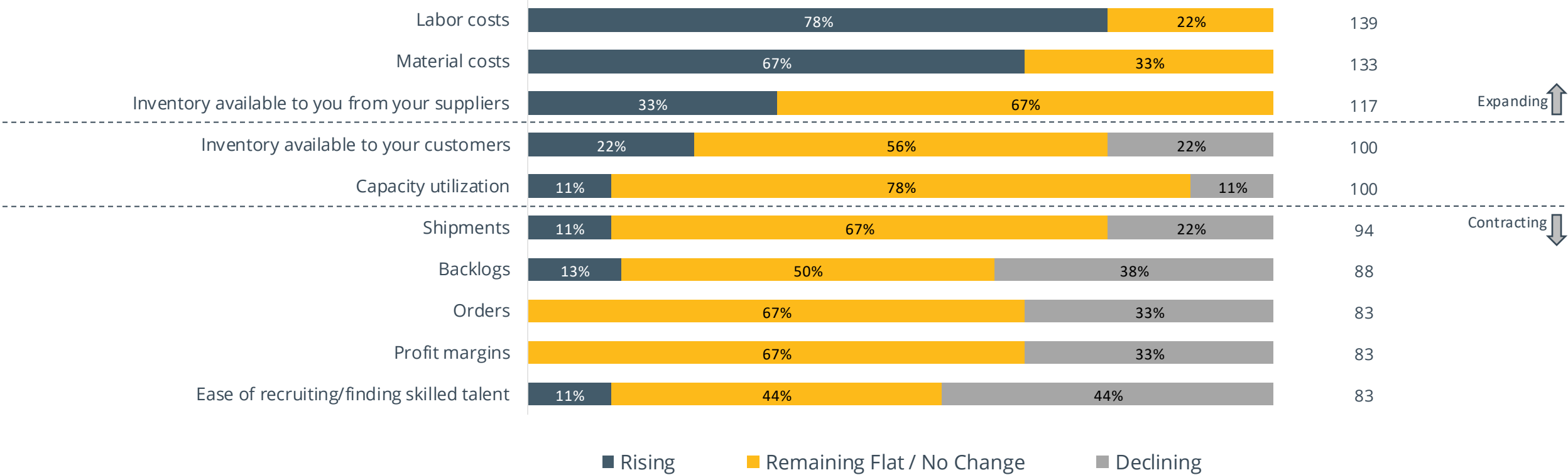
The View From Companies Primarily Operating in APAC



Current Direction of Key Business Indicators

-- Primary Region: APAC --

Diffusion Index[^]



■ Rising ■ Remaining Flat / No Change ■ Declining

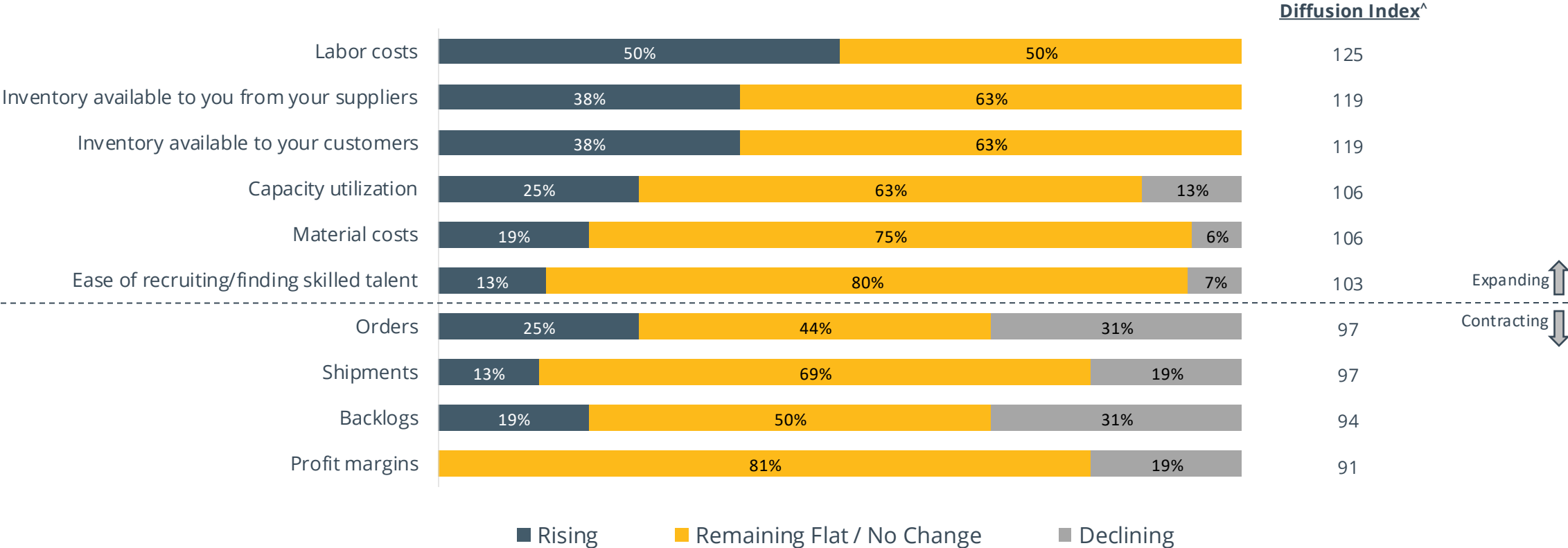
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The View From Companies Primarily Operating Globally



Current Direction of Key Business Indicators

-- Primary Region: Global --



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The Outlook for the Next 6 Months



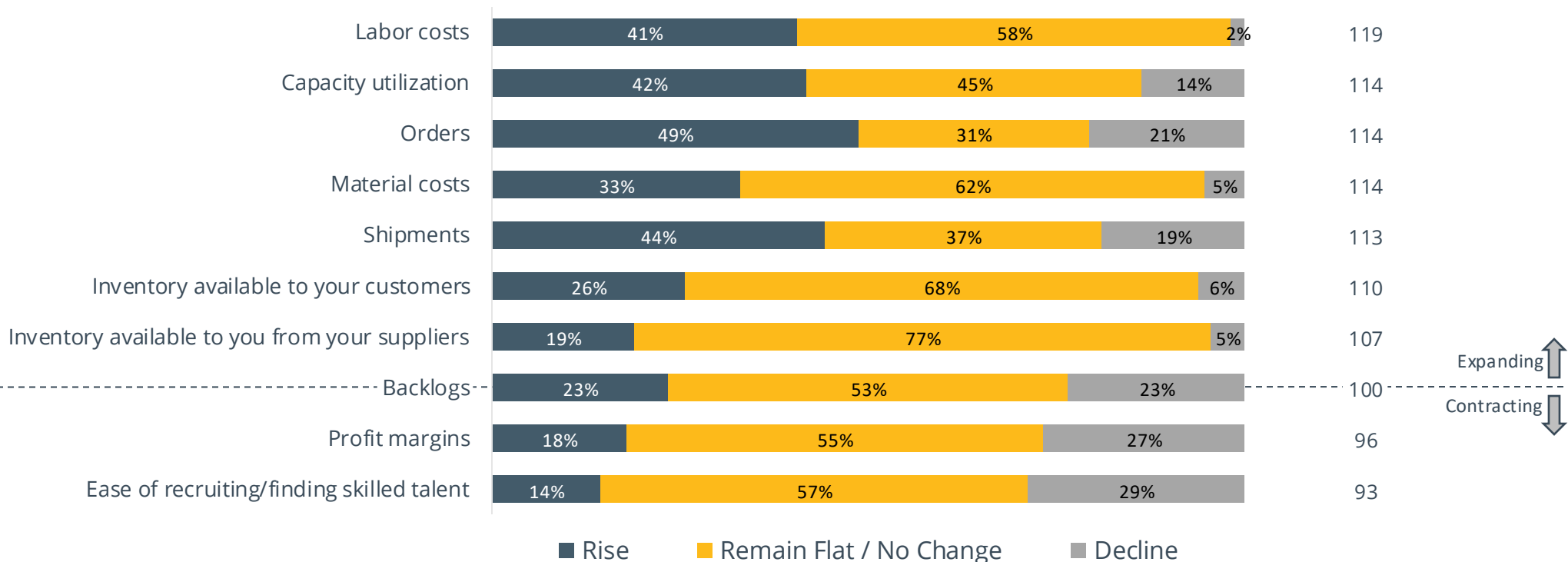
Notably, there are no significant differences in the outlook across all geographic regions.

Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --

Diffusion Index[^]

Over the next six months, electronics manufacturers expect both labor and material costs to remain high, while ease of recruitment and profit margins are likely to remain challenging.



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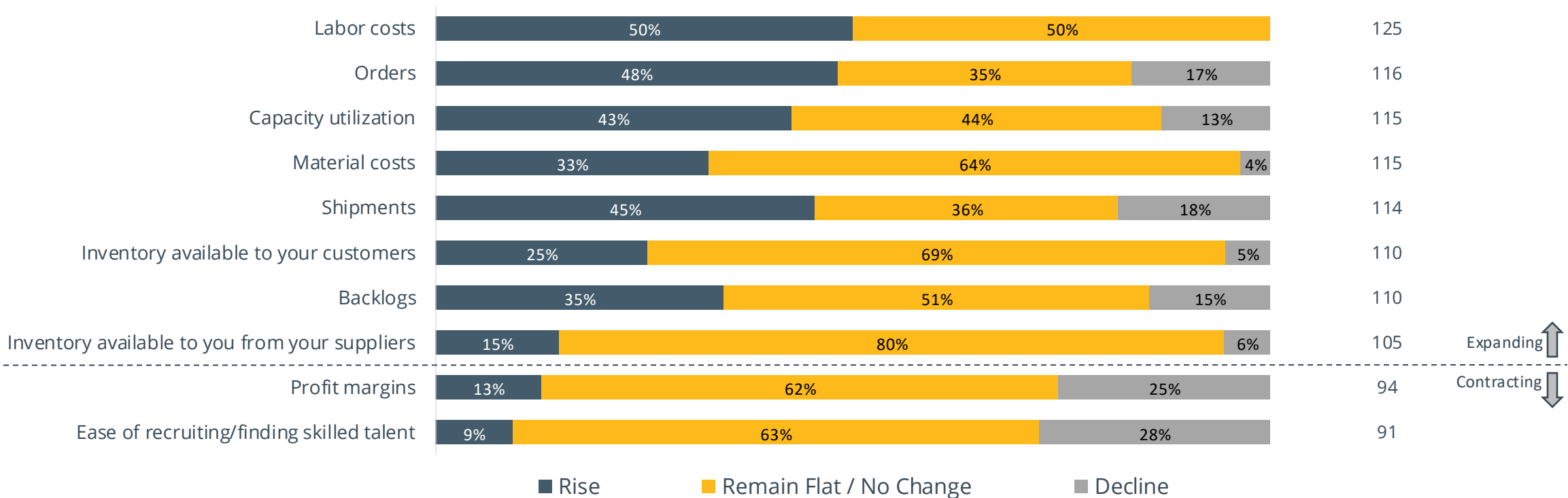
The View From Companies Primarily Operating in North America



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --

Diffusion Index[^]

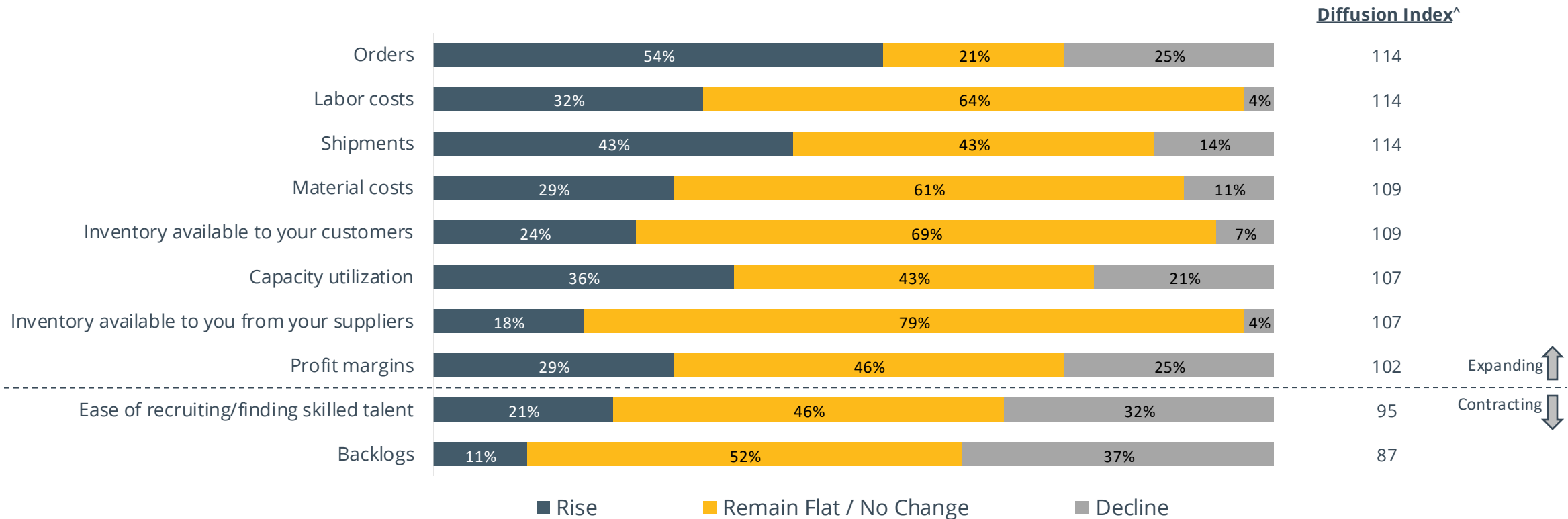


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The View From Companies Primarily Operating in Europe



Anticipated Direction of Key Business Indicators – Next Six Months -- Primary Region: Europe --



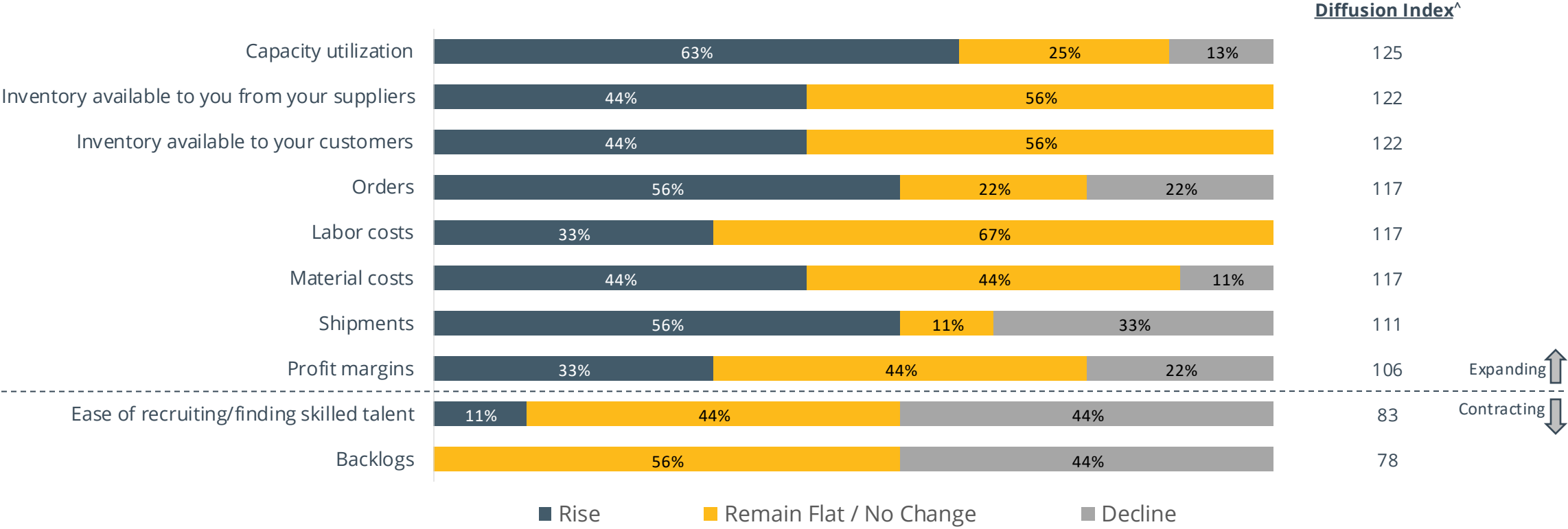
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The View From Companies Primarily Operating in APAC



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: APAC --



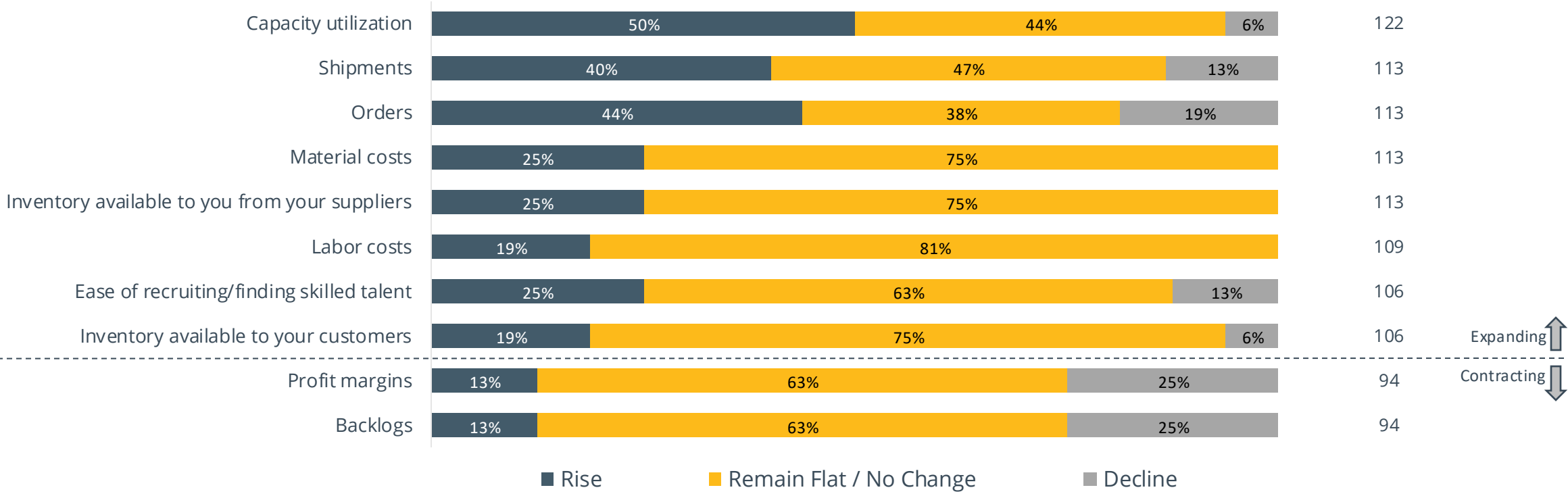
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The View From Companies Primarily Operating Globally



Anticipated Direction of Key Business Indicators – Next Six Months -- Primary Region: Global --

Diffusion Index[^]



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



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

Direction of Key Business Indicators – Diffusion Index[^]

-- Total --

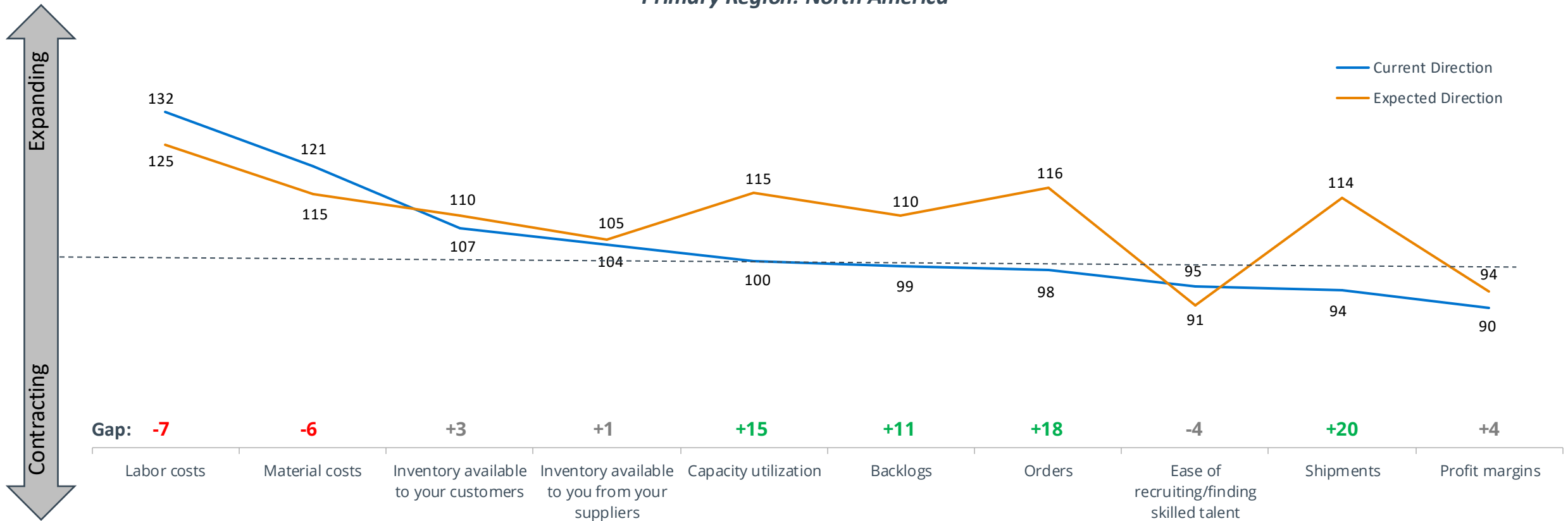


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The View From Companies Primarily Operating in North America



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 --



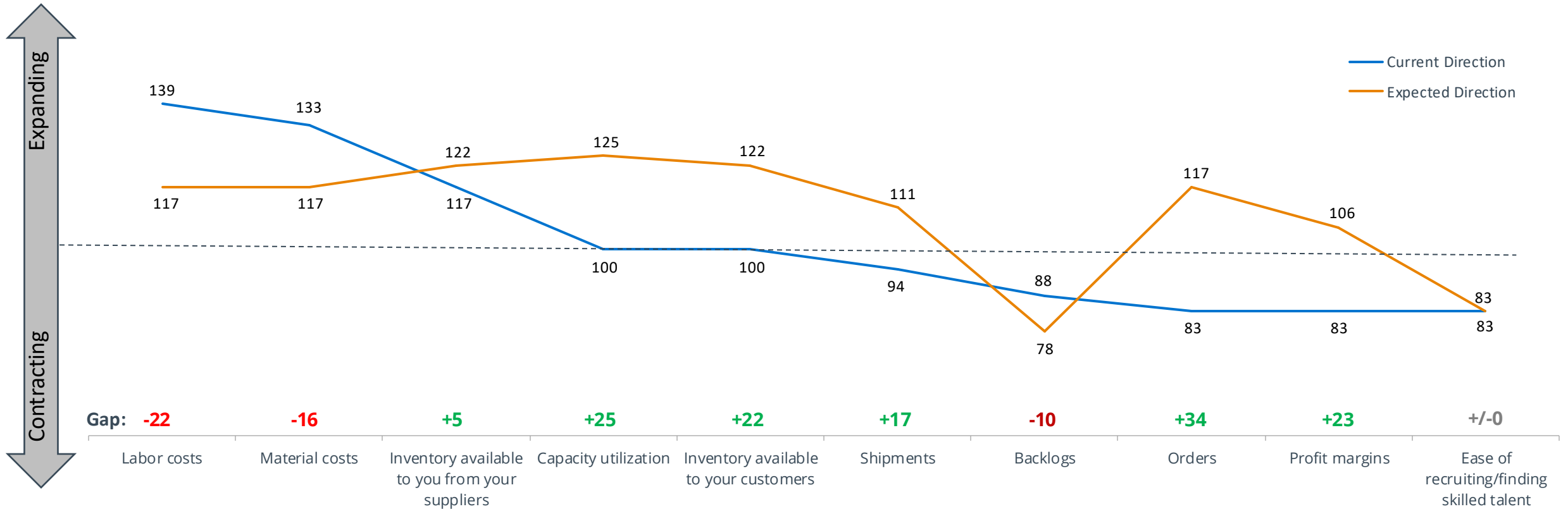
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The View From Companies Primarily Operating in APAC



Direction of Key Business Indicators – Diffusion Index[^]

-- Primary Region: APAC --



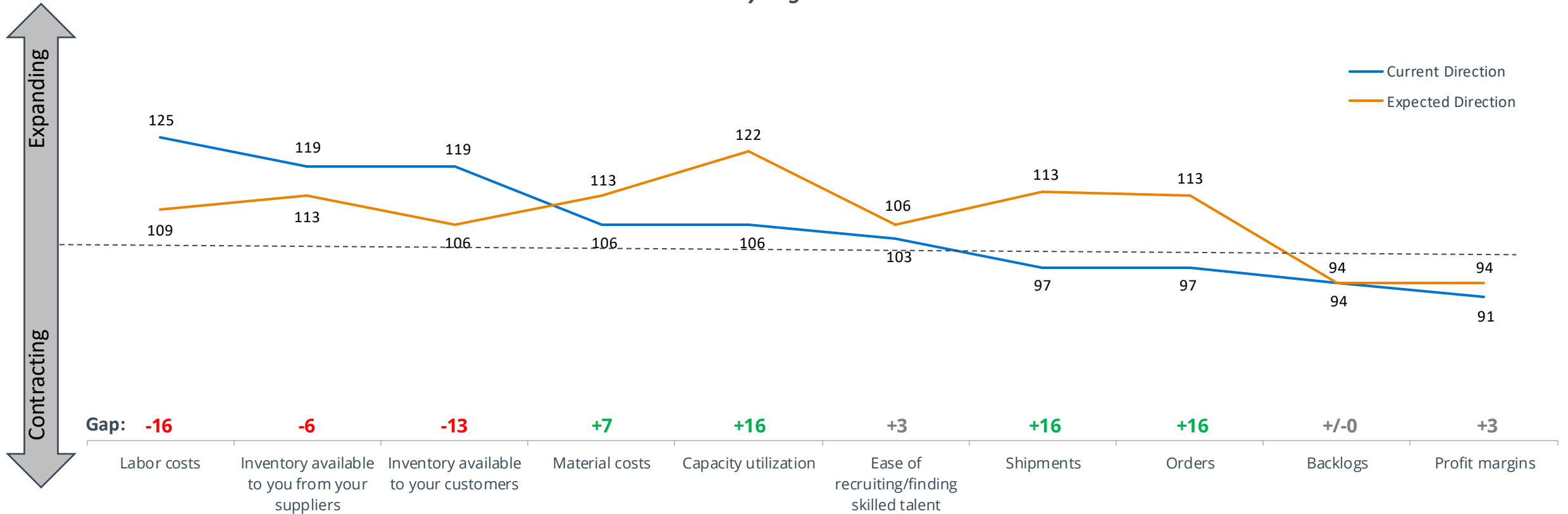
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The View From Companies Primarily Operating Globally



Direction of Key Business Indicators – Diffusion Index[^]

-- Primary Region: Global --



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September 2024 Special Questions

Electronics Manufacturers Believe the Probability of a Recession Occurring in the Remainder of 2024 to be 37%, on Average, Which is Down Slightly (Though Not Significantly) From 39% When Asked in the February 2024 Survey

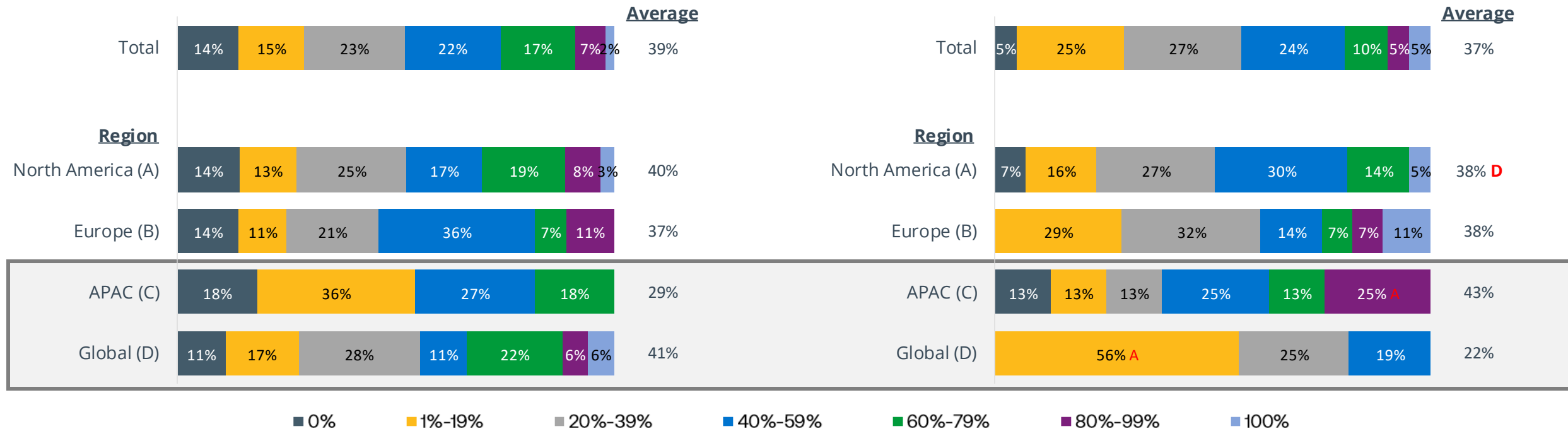


North American and European manufacturers' average expectations in September are also on par with expectations when asked in February; however, manufacturers in APAC are now more likely expecting a recession to occur yet in 2024, with those operating globally less likely expecting a recession to occur in the remainder of the year.

Probability of Recession Occurring in 2024

Perception in February 2024

Perception in September 2024



February 2024 Survey Question: In your opinion, what is the probability of a recession occurring in your home country in 2024? Please provide your response as a percentage (0%-100%).
 September 2024 Survey Question: In your opinion, what is the probability of a recession occurring in your home country during the remainder of 2024? Please provide your response as a percentage (0%-100%).

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

In 2025, Electronics Manufacturers Believe the Probability of a Recession Occurring to be 36%, on Average, Which is on Par With 34% When Asked in the February 2024 Survey

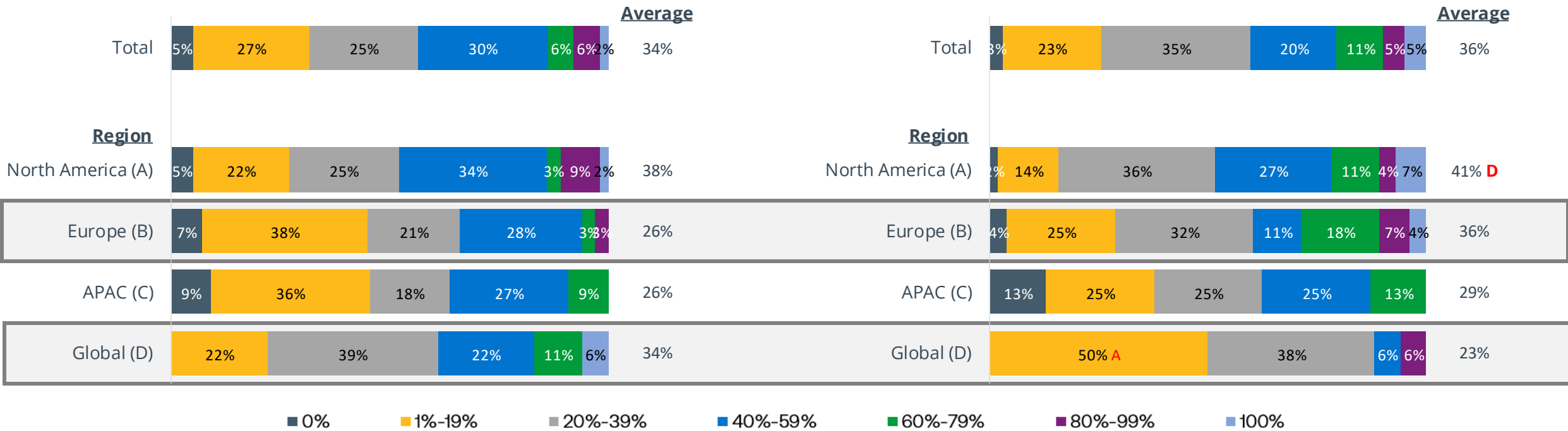


North American and APAC manufacturers' average expectations in September are also at statistical parity with expectations when asked in February; however, manufacturers in Europe are now more likely expecting a recession to occur in 2025, with those operating globally less likely expecting a recession to occur in the next year.

Probability of Recession Occurring in 2025

Perception in February 2024

Perception in September 2024



February 2024 Survey Question: And what is the probability of a recession occurring in your home country in 2025? Please provide your response as a percentage (0%-100%).
 September 2024 Survey Question: And what is the probability of a recession occurring in your home country in 2025? Please provide your response as a percentage (0%-100%)

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

Appendix

Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)



	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024
Shipments	106	104	107	105	110	105	113	112	107	106	105	108	95
Orders	101	100	105	101	102	105	113	111	106	104	102	105	95
Profit margins	93	92	94	95	96	95	96	97	89	90	95	95	89
Backlogs	90	91	96	94	94	94	98	101	99	97	93	96	93
Ease of recruiting/finding skilled talent	89	88	87	88	88	89	90	92	92	91	92	91	91
Material costs	124	122	118	119	119	118	121	117	121	127	122	121	120
Labor costs	131	129	130	128	128	133	130	126	129	127	125	124	129
Capacity utilization	104	102	106	106	106	104	109	108	107	99	99	104	100
Inventory available to you from your suppliers	109	111	112	111	116	113	108	116	112	112	103	108	107
Inventory available to your customers	108	108	107	110	118	110	113	114	115	111	108	108	110

△+5 points or more vs. previous month

△-5 points or more vs. previous month

Outlook Diffusion Indices

Past 12 Month Comparisons (TOTAL)



	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024
Shipments	110	114	116	116	117	123	124	121	122	116	115	119	113
Orders	113	114	114	116	120	121	127	122	125	117	117	119	114
Profit margins	100	100	102	100	105	103	106	101	101	100	96	100	96
Backlogs	95	97	104	97	97	102	106	104	101	97	98	106	100
Ease of recruiting/finding skilled talent	91	91	89	93	94	95	92	93	90	98	92	95	93
Material costs	122	120	116	116	116	116	119	119	118	122	120	119	114
Labor costs	129	128	132	130	129	129	127	128	124	122	121	125	119
Capacity utilization	114	111	114	114	117	116	124	117	117	115	113	113	114
Inventory available to you from your suppliers	113	113	112	114	116	113	111	110	112	110	106	107	107
Inventory available to your customers	112	112	111	115	117	114	114	115	112	110	106	113	110

△+5 points or more vs. previous month

△-5 points or more vs. previous month

- > 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 August 16 and August 31, 2024.



Questions? Please contact:

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