



BUILD ELECTRONICS BETTER

# The Current Sentiment of the Global Electronics Manufacturing Supply Chain

*Monitoring the Pulse of the Global Electronics Industry*

March 2025

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## > Electronics Industry Demand Strengthens in March

- Demand strengthened to 107.25, the highest level in nearly a year, indicating strong expansion in customer and manufacturing activity. The Shipment Index rose to 109, reaching its highest point since March 2024, reflecting firms' abilities to fulfill rising demand and maintain supply chain performance. Capacity utilization increased to 113, the highest level since late 2023, indicating strong operational activity and efficient resource deployment.
- Inventory available from suppliers dipped slightly to 103, just above the historical average, signaling tighter supply conditions.
- The ease of recruiting skilled talent improved to a record-high 95, indicating that hiring constraints are continuing to ease for many firms.
- Overall cost pressures remained steady, with the composite costs index holding at 126, near the lower end of the two-year range. Material costs rose to 127, reversing a multi-month decline and pointing to renewed input cost pressures that may warrant monitoring. Labor costs decreased slightly to 125.

## > Electronics Manufacturers Are Responding to Tariff Challenges in Multiple Ways

- 31% of electronics manufacturers have invested in automation or optimization to counter the impact of tariffs, while 28% have switched to non-tariffed suppliers.
- 61% of electronics manufacturers are considering renegotiating supplier contracts, making it the most widely considered supply chain strategy.
- On the workforce side, 18% have implemented a hiring freeze, with another 36% considering it—indicating growing caution around workforce expansion.

# Current Conditions for the Electronics Supply Chain

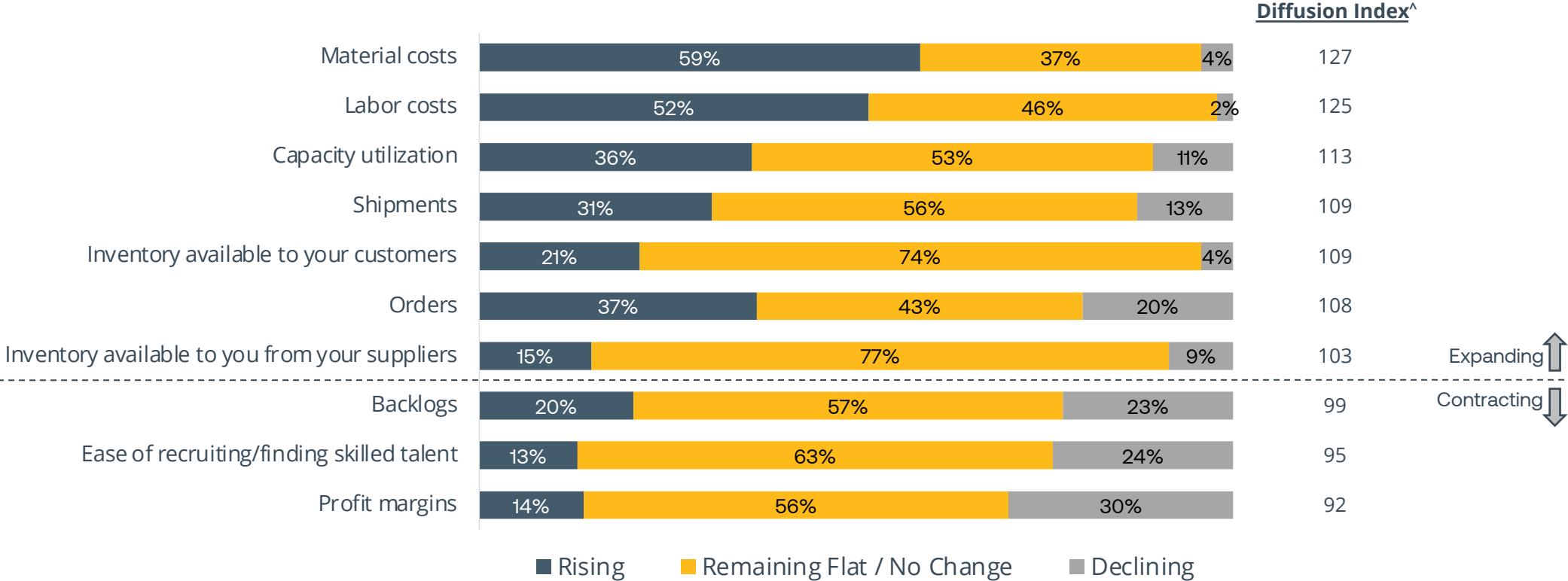


## Current Direction of Key Business Indicators

-- Total --

Three-fifths (59%) of electronics manufacturers are currently experiencing rising material costs, with half (52%) reporting rising labor costs.

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



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

# Regional Differences in Current Conditions



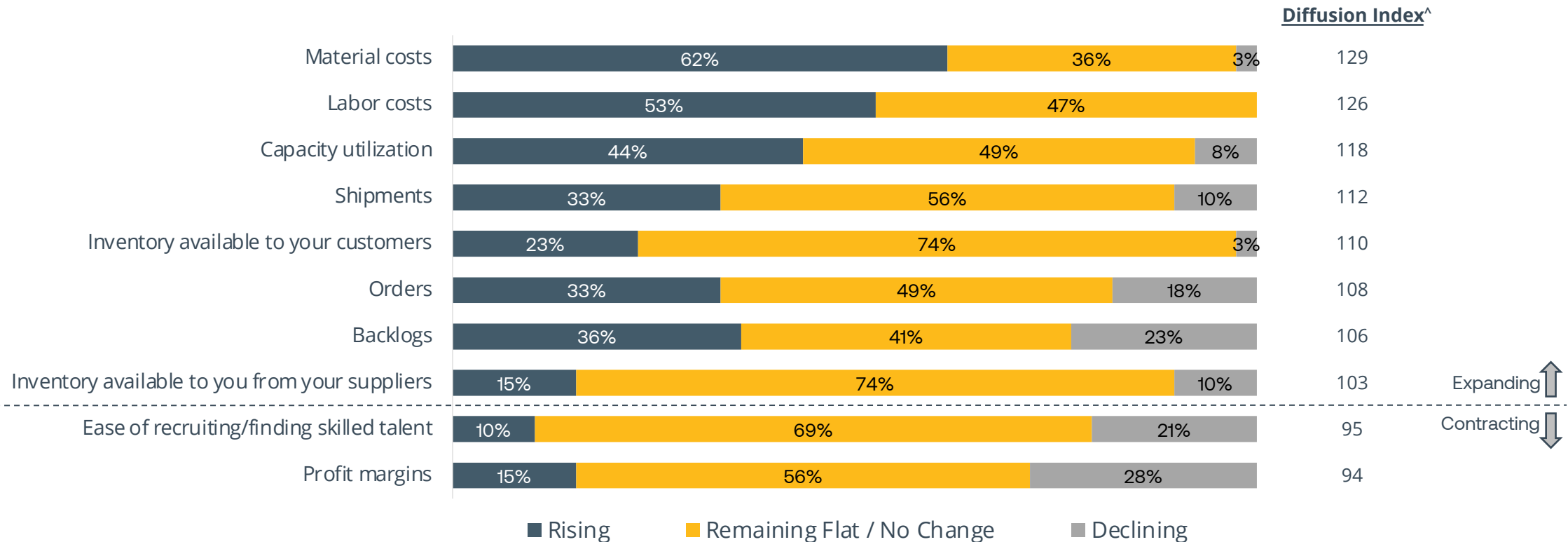
- **North American electronics manufacturers are experiencing a greater increase in backlogs when compared to European electronics manufacturers.**
  - Nearly two-fifths (36%) of electronics manufacturers in North America report that backlogs are currently rising, compared to 0% among European electronics manufacturers, who are instead more likely to say backlogs are holding steady at the present time (77%).

# The View From Companies Primarily Operating in North America



## Current Direction of Key Business Indicators

-- Primary Region: North America --



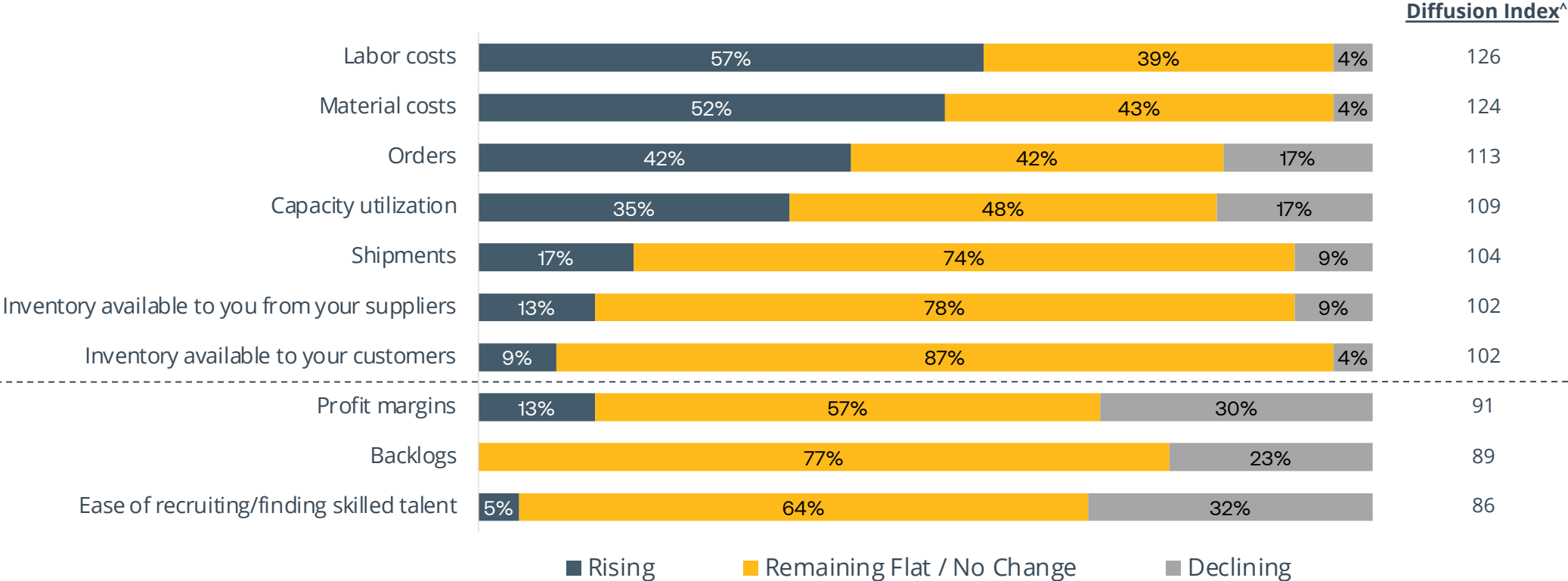
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in Europe



## Current Direction of Key Business Indicators

-- Primary Region: Europe --



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

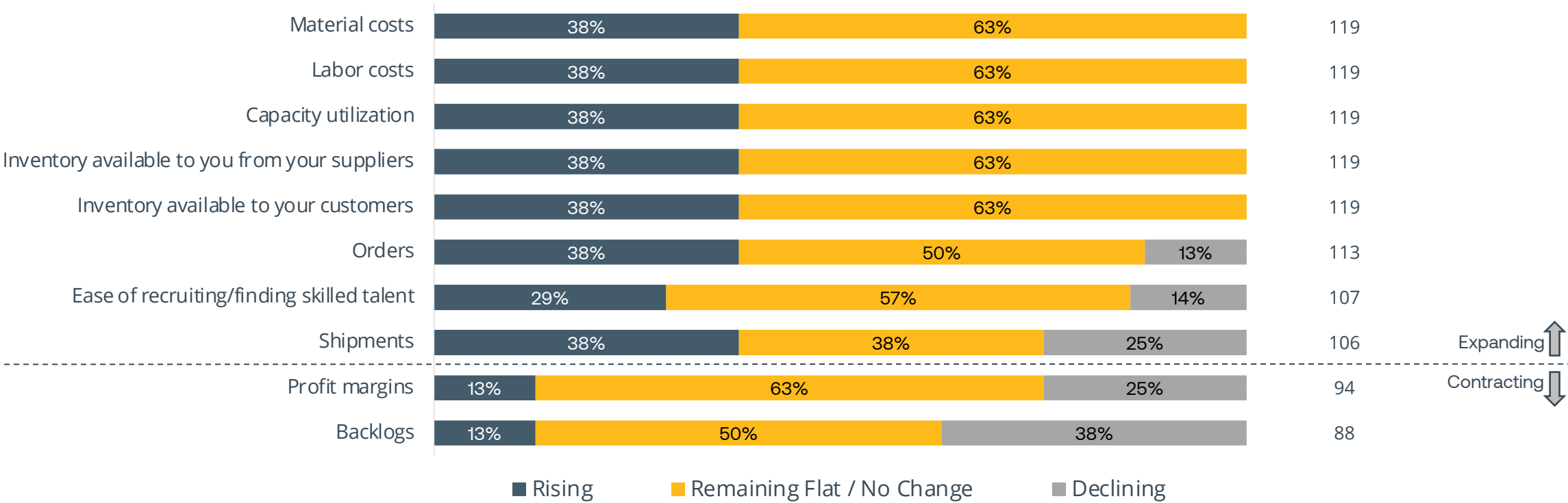
# The View From Companies Primarily Operating in APAC



## Current Direction of Key Business Indicators

-- Primary Region: APAC --

Diffusion Index<sup>^</sup>



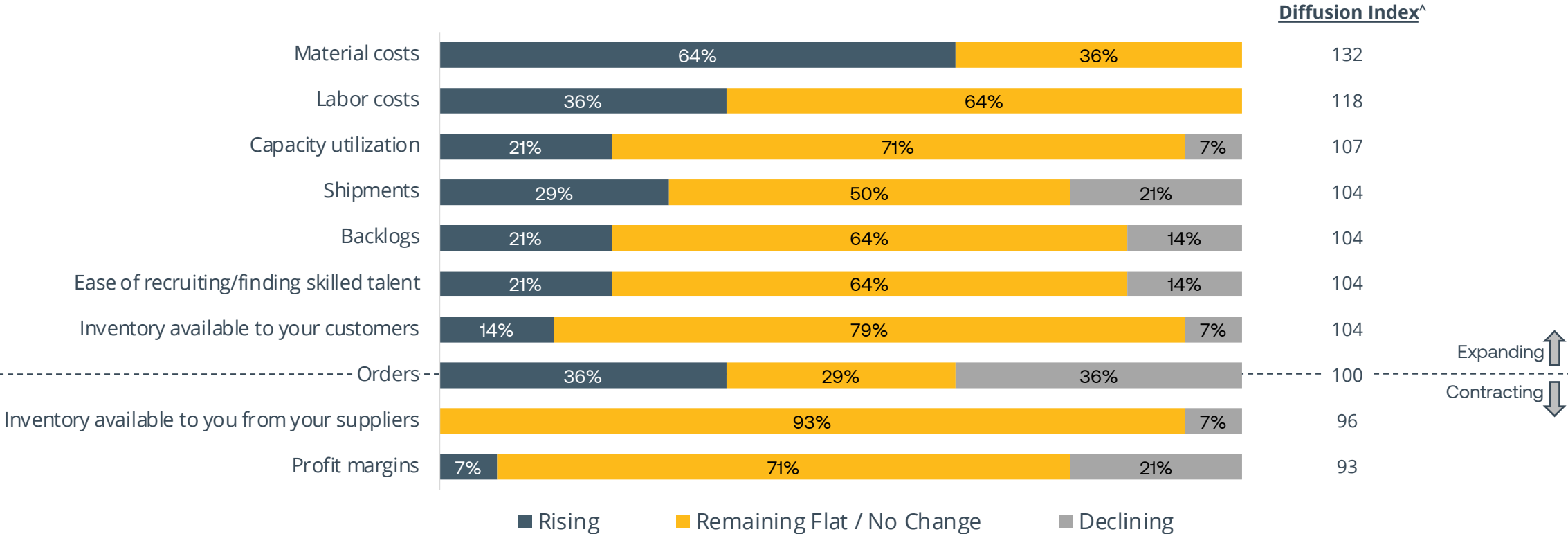
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating Globally



## Current Direction of Key Business Indicators

-- Primary Region: Global --



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



# The Outlook for the Next 6 Months



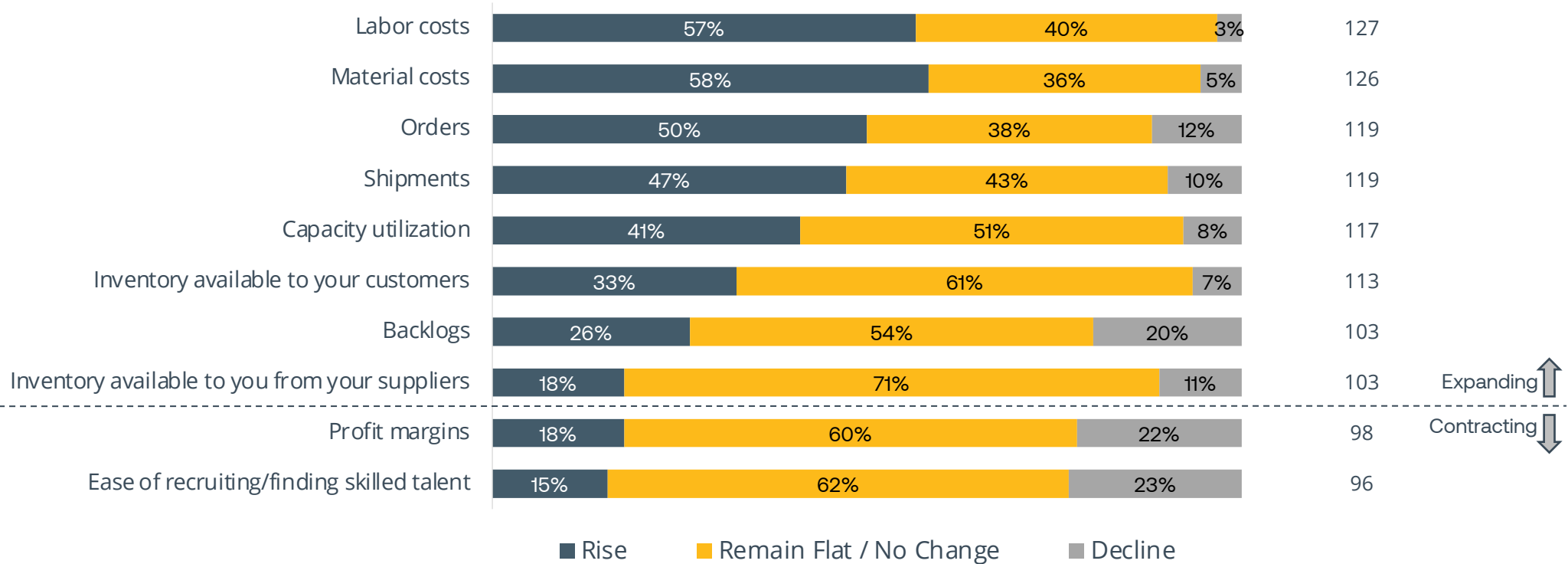
## Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --

Diffusion Index<sup>^</sup>

Over the next six months, electronics manufacturers expect labor and material costs to remain high, with a notable increase in both orders and shipments.

Concurrently, electronics manufacturers expect ease of recruitment and profit margins to remain challenging.



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

# Regional Differences in the Outlook



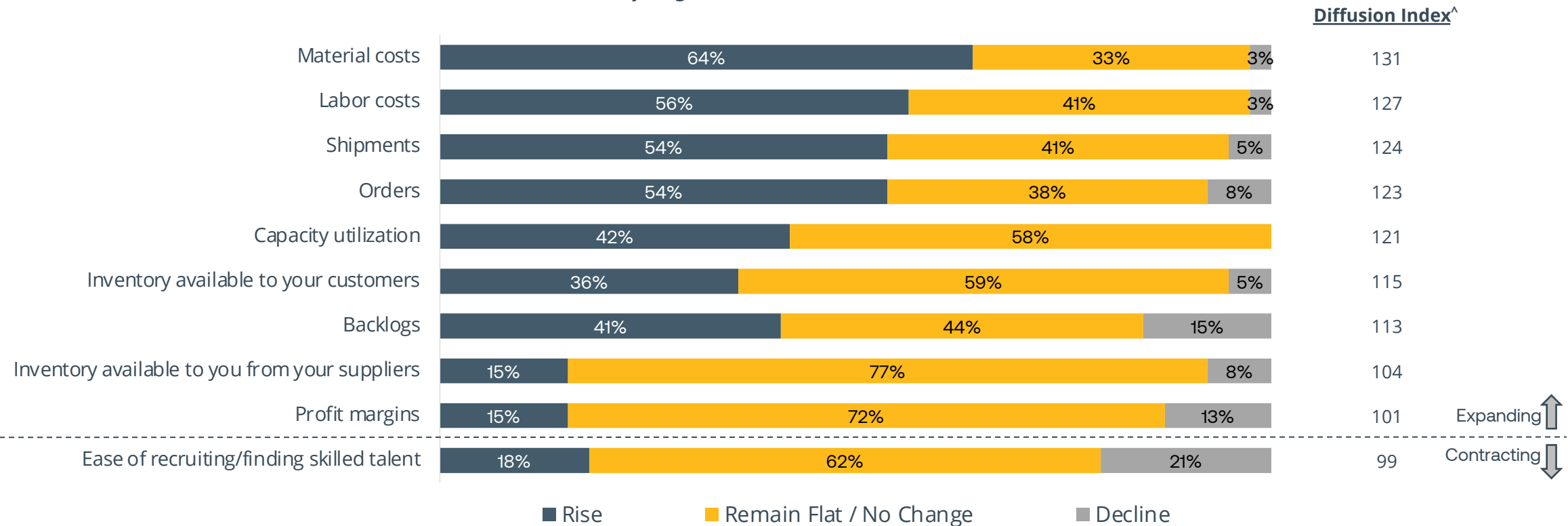
- **European electronics manufacturers anticipate a greater decline in capacity utilization over the next six months when compared to North American electronics manufacturers.**
  - Nearly one-fifth (17%) of electronics manufacturers in Europe expect capacity utilization to decline over the next six months vs. 0% among North American firms.

# The View From Companies Primarily Operating in North America



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

-- Primary Region: North America --



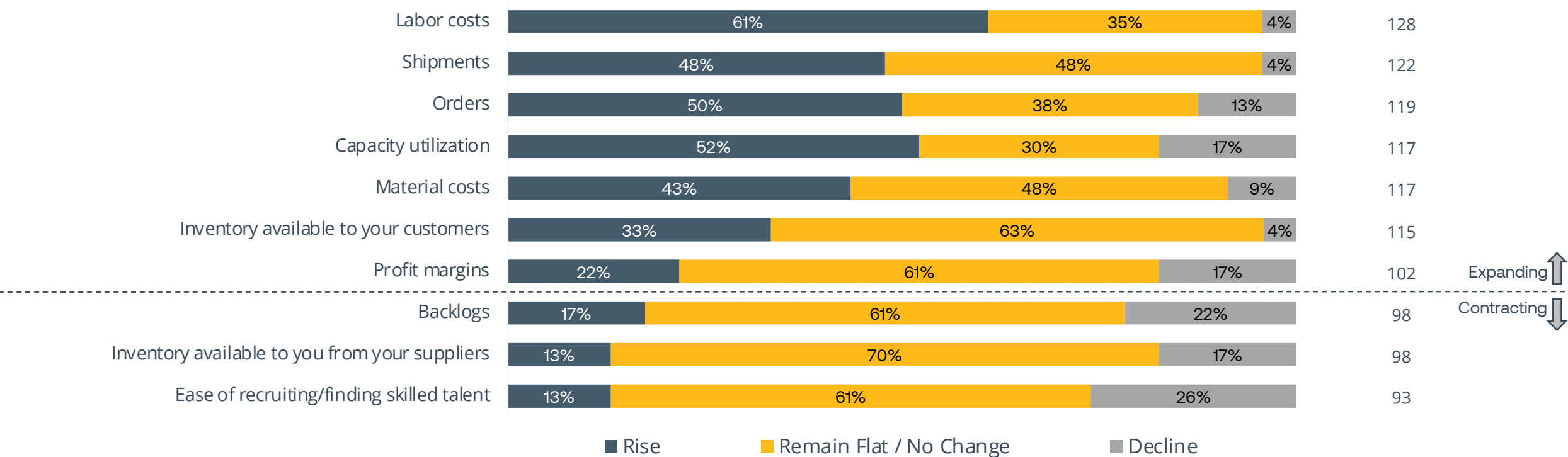
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in Europe



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

Diffusion Index<sup>^</sup>



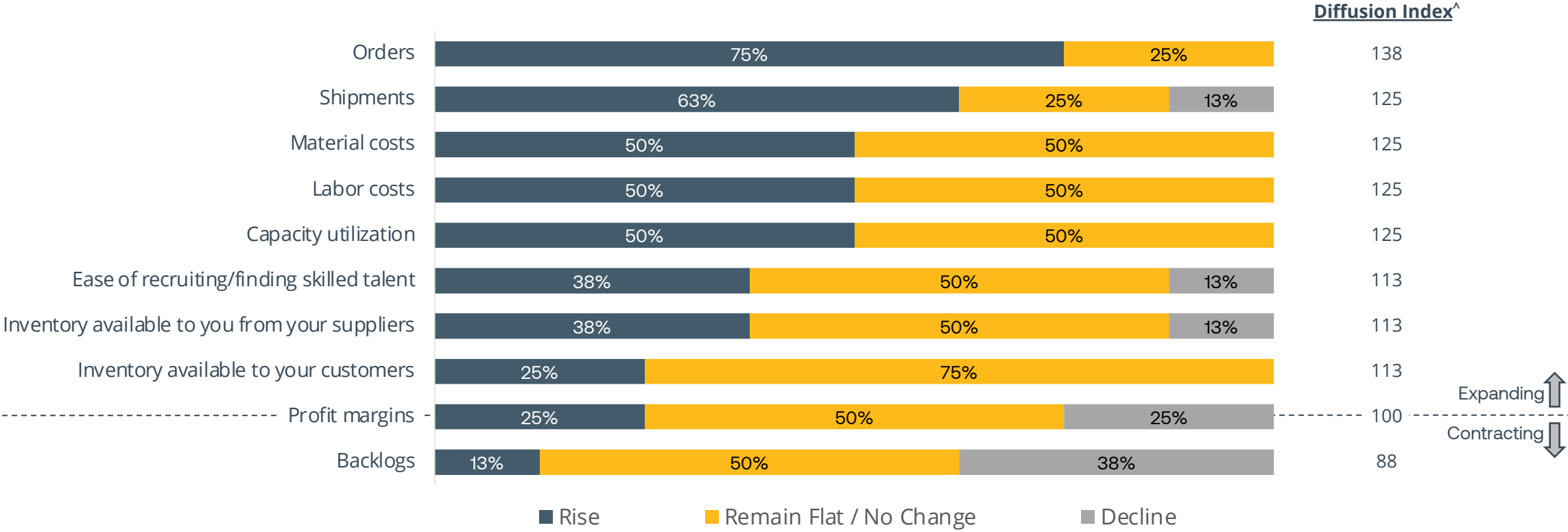
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in APAC



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

-- Primary Region: APAC --



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

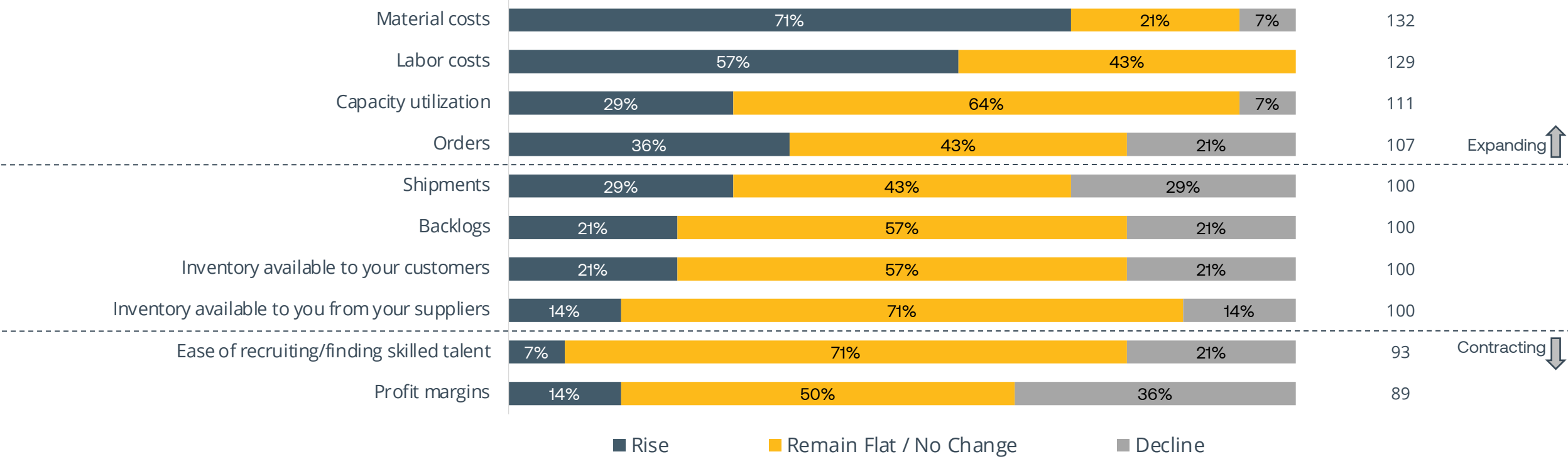
# The View From Companies Primarily Operating Globally



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

-- Primary Region: Global --

**Diffusion Index<sup>^</sup>**



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

# Orders, Shipments, and Profit Margins are Expected to Rise Over the Next Six Months



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

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

-- Total --



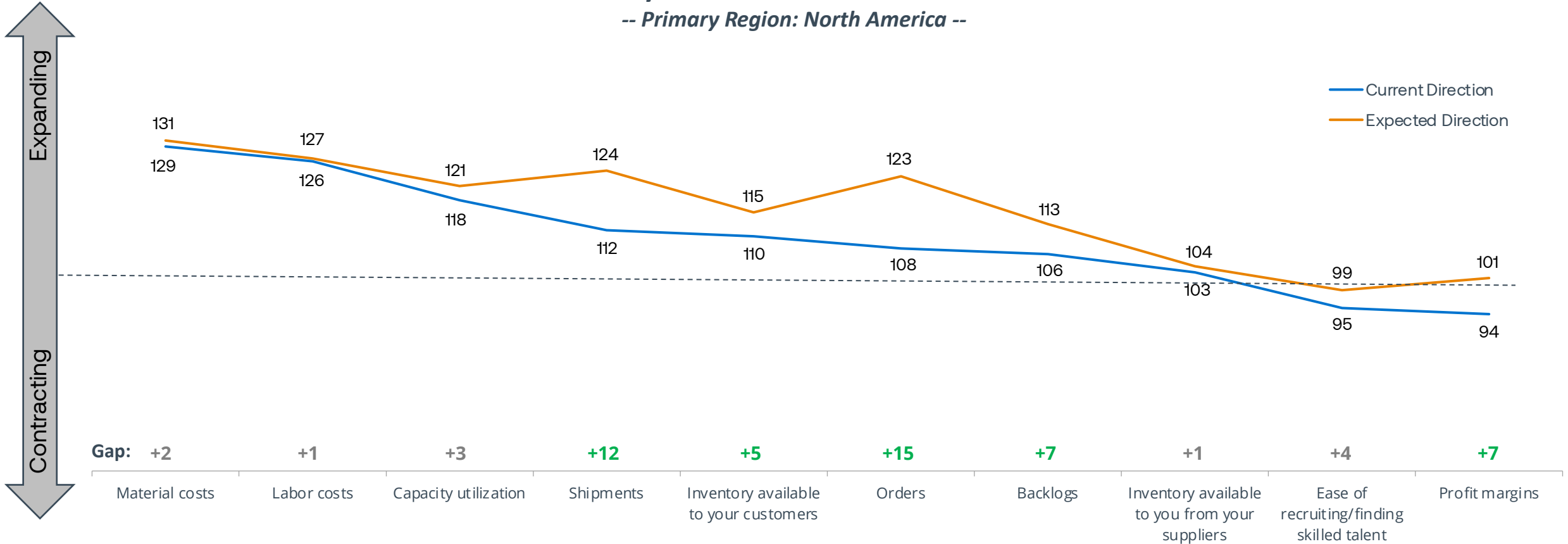
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in North America



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

-- Primary Region: North America --



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



# 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 --



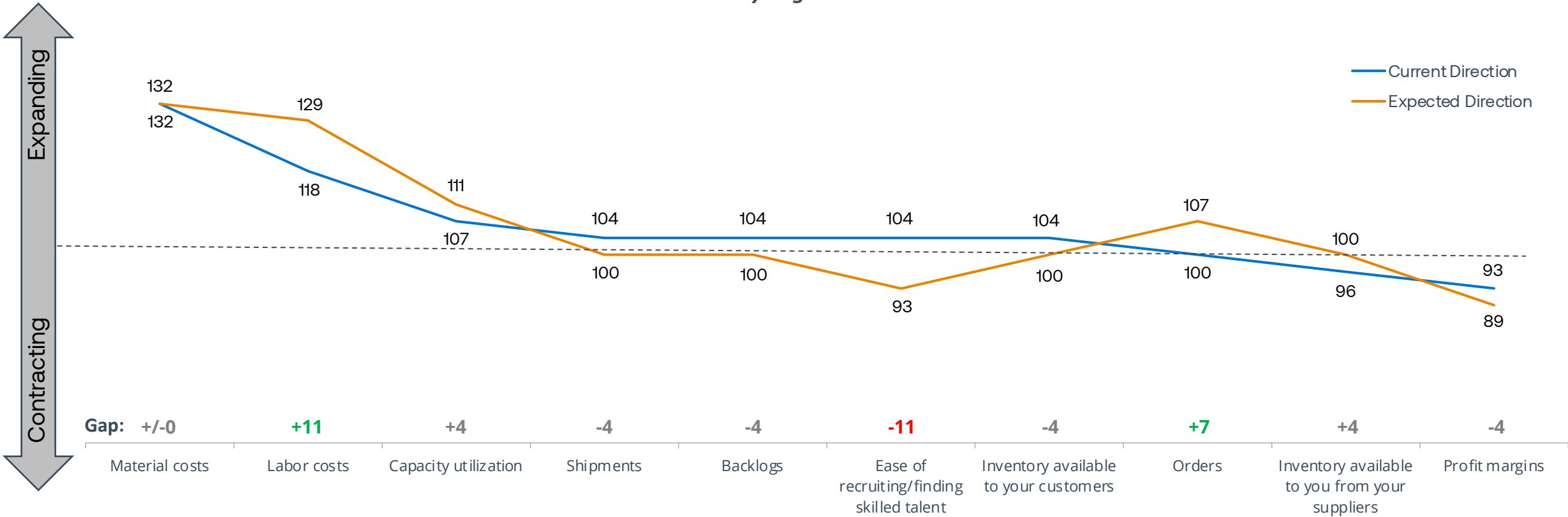
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating Globally



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

-- Primary Region: Global --



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

# March 2025 Special Questions

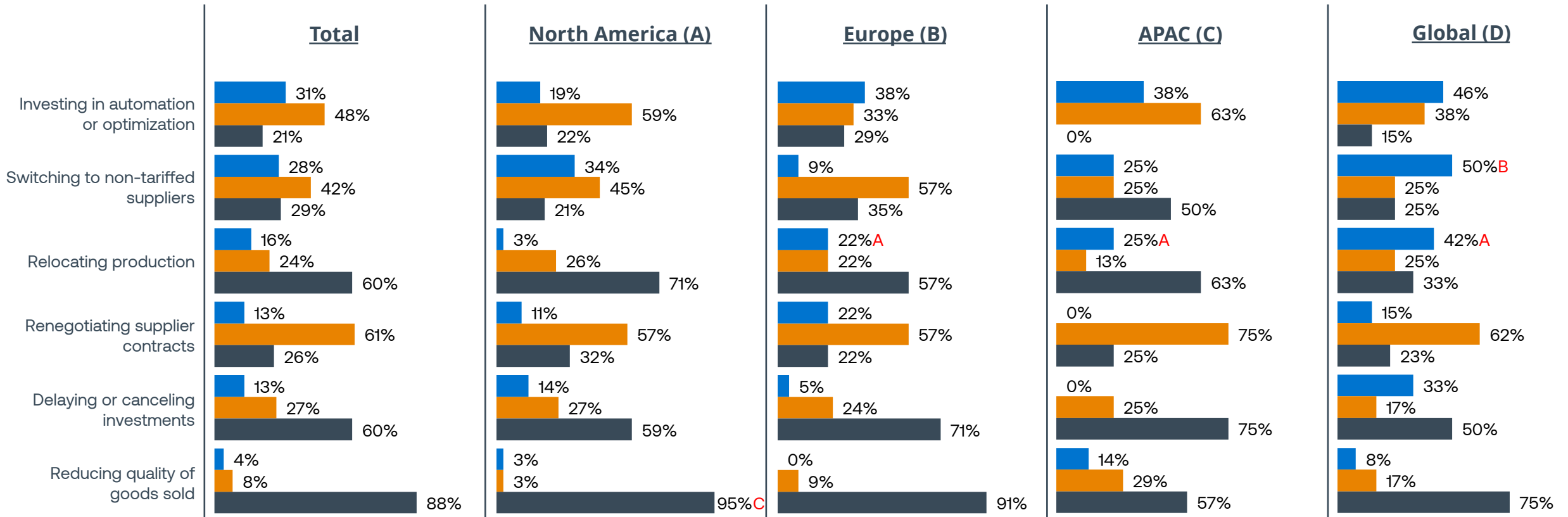
# Three in Ten Electronics Manufacturers Have Invested in Automation (31%) and Switched to Non-tariffed Suppliers (28%) to Address the Impact of Tariffs, With Three-fifths (61%) Considering the Renegotiation of Supplier Contracts



- Global manufacturers are more likely switching to non-tariffed suppliers vs. European manufacturers, and, along with firms in Europe and APAC, are more likely relocating production when compared to North American firms.
- Notably, North American firms are more likely to indicate they will not reduce the quality of goods sold vs. manufacturers primarily operating in APAC.

## Supply Chain Management Strategies to Address the Impact of Recent/Proposed Tariffs

■ Has started implementing ■ Is considering implementing ■ Will not implement



Q: Which of the following supply chain management strategies has your company considered or implemented to address the impact of recent or proposed tariffs?

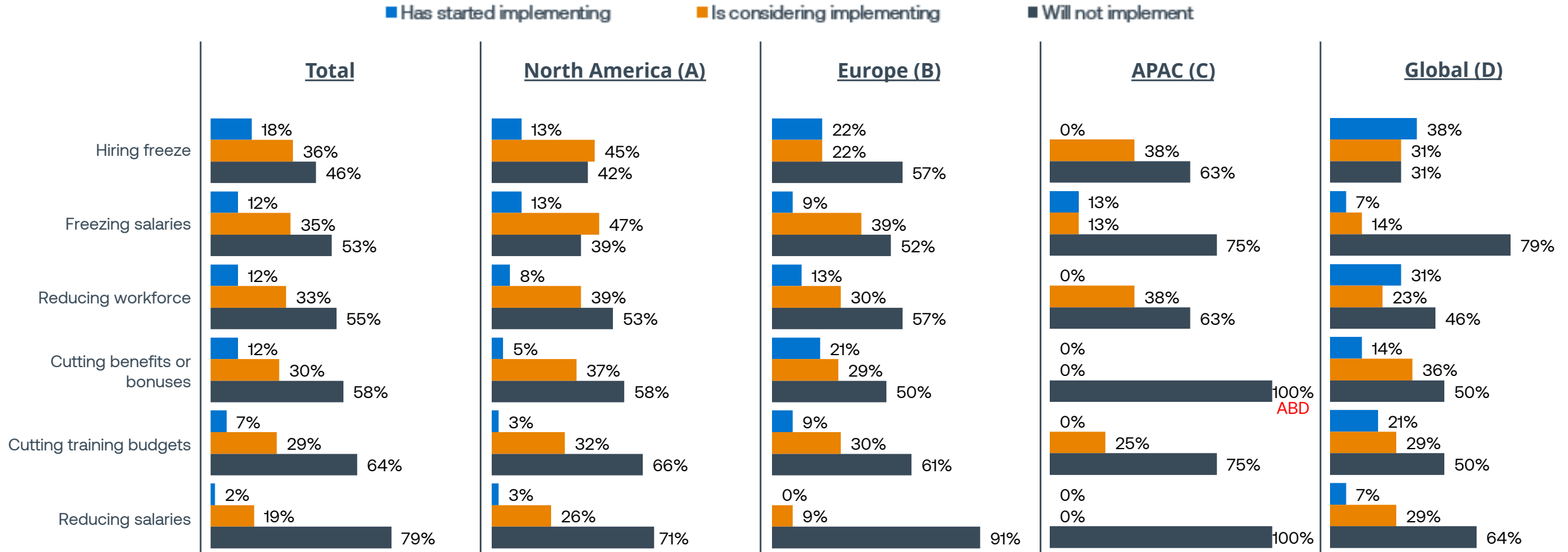
A/B/C/D Statistically significant at 90% confidence interval

# From a Workforce-related Perspective, One-fifth (18%) of Electronics Manufacturers Have Implemented a Hiring Freeze to Address the Impact of Tariffs, With an Additional 36 Percent Considering Implementing This Action



Notably, firms in APAC are more likely to indicate they will not cut benefits or bonuses when compared to all other markets.

## Workforce-related Strategies to Address the Impact of Recent/Proposed Tariffs



Q: Which of the following workforce-related strategies has your company considered or implemented to address the impact of recent or proposed tariffs?

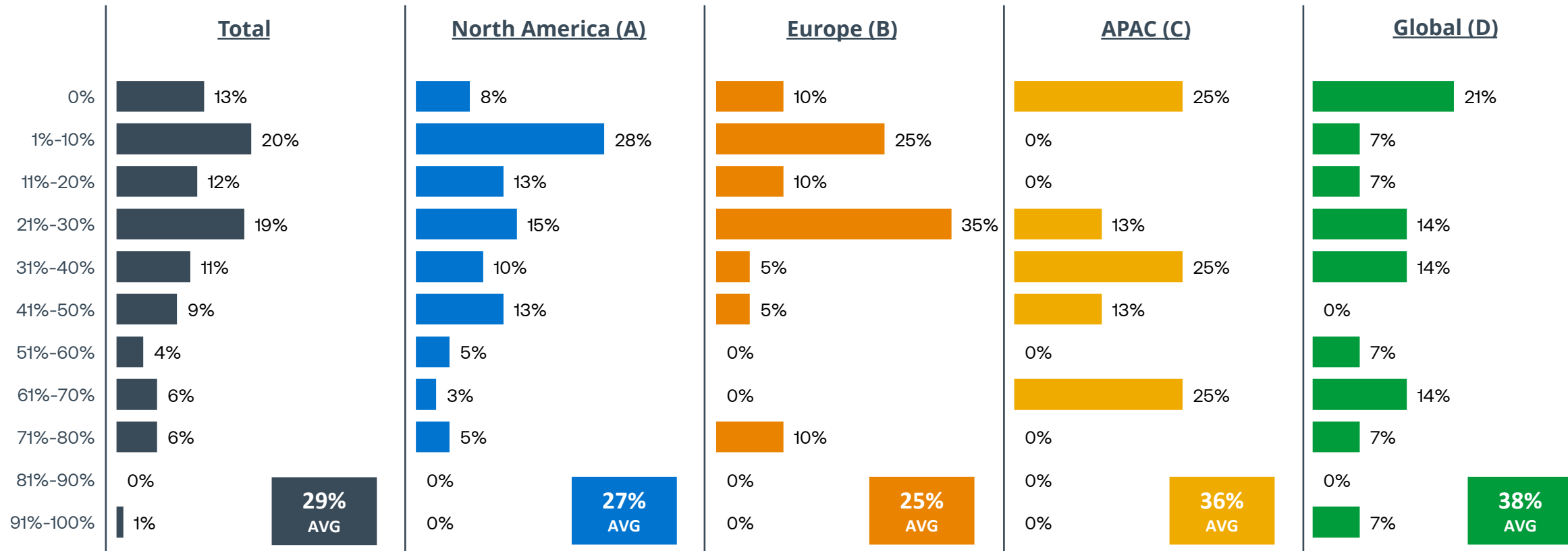
A/B/C/D Statistically significant at 90% confidence interval

# On Average, 29 Percent of Manufacturers' Supply Chains are Currently Reliant on Chinese Suppliers



While firms in APAC, along with those operating globally, tend to rely more heavily on Chinese suppliers than do those in North America and Europe, the difference is not significant.

## Percent of Supply Chain Reliant on Chinese Suppliers



Q: What percentage of your supply chain is currently reliant on Chinese suppliers?

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

# Electronics Manufacturers Express Greatest Concern Regarding U.S. Trade Policies as it Relates to Overall Economic Impact (47%) and Impact on Business Operations (32%)



Notably, concern surrounding tariffs is significantly higher among firms in Europe, APAC, and among those operating globally when compared to North American firms, with those in APAC also expressing a greater level of concern as it relates to U.S. policy and governance vs. manufacturers in Europe.

## Concerns Regarding Current and Proposed U.S. Trade Policies

-- open end responses; mentions of 10% or more --

	Total	North America (A)	Europe (B)	APAC (C)	Global (D)
<b>Economic Impact (NET)</b>	<b>47%</b>	<b>42%</b>	<b>59%</b>	<b>29%</b>	<b>50%</b>
Rising Costs (SUBNET)	28%	33%	35%	-	14%
<i>Inflation/Increased costs/price</i>	15%	19%	12%	-	14%
<i>Increased material/manufacturing costs</i>	9%	8%	18%	-	-
Tariffs (SUBNET)	18%	8%	24% <b>A</b>	29% <b>A</b>	29% <b>A</b>
<i>Tariffs/High tariffs</i>	14%	6%	18%	29% <b>A</b>	21%
<i>Reciprocal/retaliatory tariffs</i>	4%	3%	-	-	14%
<b>Impact on Business Operations (NET)</b>	<b>32%</b>	<b>39%</b>	<b>24%</b>	<b>29%</b>	<b>29%</b>
Impact on Sales (SUBNET)	15%	14%	18%	14%	14%
<i>Impact on sales/orders/demand/volume</i>	10%	8%	6%	14%	14%
<i>Lower sales from the USA</i>	3%	-	12%	-	-
Need/drive reshoring/onshoring	5%	6%	-	-	14%
No/find alternative(s) to China supply	4%	6%	-	14%	-
<b>U.S. Policy &amp; Governance (NET)</b>	<b>14%</b>	<b>14%</b>	<b>6%</b>	<b>29% <b>B</b></b>	<b>21%</b>
U.S. government leadership/strategy	8%	6%	6%	14%	14%
Impact on trade policy	1%	-	-	14%	-
<b>Uncertainty/Changes/Lack of clarity</b>	<b>9%</b>	<b>14%</b>	<b>-</b>	<b>14%</b>	<b>7%</b>
<b>Labor &amp; Employment (NET)</b>	<b>6%</b>	<b>14%</b>	<b>-</b>	<b>-</b>	<b>-</b>

Q: What is your biggest concern regarding current and proposed U.S. trade policies?

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



# Appendix

# Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)



	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025	February 2025	March 2025
Shipments	113	112	107	106	105	108	95	102	105	100	104	104	109
Orders	113	111	106	104	102	105	95	96	99	98	102	108	108
Profit margins	96	97	89	90	95	95	89	84	92	90	94	95	92
Backlogs	98	101	99	97	93	96	93	91	89	91	91	98	99
Ease of recruiting/finding skilled talent	90	92	92	91	92	91	91	91	88	89	94	86	95
Material costs	121	117	121	127	122	121	120	115	124	120	123	122	127
Labor costs	130	126	129	127	125	124	129	124	124	126	126	127	125
Capacity utilization	109	108	107	99	99	104	100	99	105	102	103	109	113
Inventory available to you from your suppliers	108	116	112	112	103	108	107	108	105	104	109	107	103
Inventory available to your customers	113	114	115	111	108	108	110	109	111	108	110	111	109

Δ+5 points or more vs. previous month

Δ-5 points or more vs. previous month

# Outlook Diffusion Indices

## Past 12 Month Comparisons (TOTAL)



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

Δ+5 points or more vs. previous month

Δ-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 February 13 and February 28, 2025.



Questions? Please contact:

Shawn DuBravac,  
IPC Chief Economist

[ShawnDuBravac@ipc.org](mailto:ShawnDuBravac@ipc.org)