



BUILD ELECTRONICS BETTER

# The Current Sentiment of the Global Electronics Manufacturing Supply Chain

*Monitoring the Pulse of the Global Electronics Industry*

October 2024

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# Executive Summary



## > Electronics Industry Sentiment Remains Subdued in October

- Industry sentiment in the electronics sector improved marginally in October after a sharp decline in September. Improvements in demand and costs combined to help lift sentiment.

## > Industry Demand Rebounds From Record-Low Levels

- The Demand Index rose 1.3% in October, but demand sentiment remains muted for the second consecutive month. The Backlog Index, already in contraction, dropped another 2 points to its lowest level in a year. Capacity Utilization fell into contractionary territory, while the New Orders Index remained there for the second consecutive month. The Shipment Index rose from an all-time low last month, bouncing back into expansionary territory.

## > Cost Pressures Recede to New Low

- Both the Material Costs Index and the Labor Costs Index declined this month, reaching new lows. Despite this decline, the majority of firms continue to report rising material and labor costs.

## > Industry Outlook Remains Positive in October Despite Cooling Demand Sentiment

- The electronics sector's outlook remains positive, but demand sentiment declined further in October. Despite some easing in cost pressures, the outlook for costs actually increased in October as more manufacturers reported an expectation for higher labor costs in the coming months.

## > Interest Rate Cuts to Only Have Minimal to Moderate Impact on Sector

- Electronics manufacturers expect interest rate cuts in Europe and the U.S. to have a moderate to minimal impact on the industry overall, with the greatest effect likely on capital investment, financing, and sales growth.

# Current Conditions for the Electronics Supply Chain

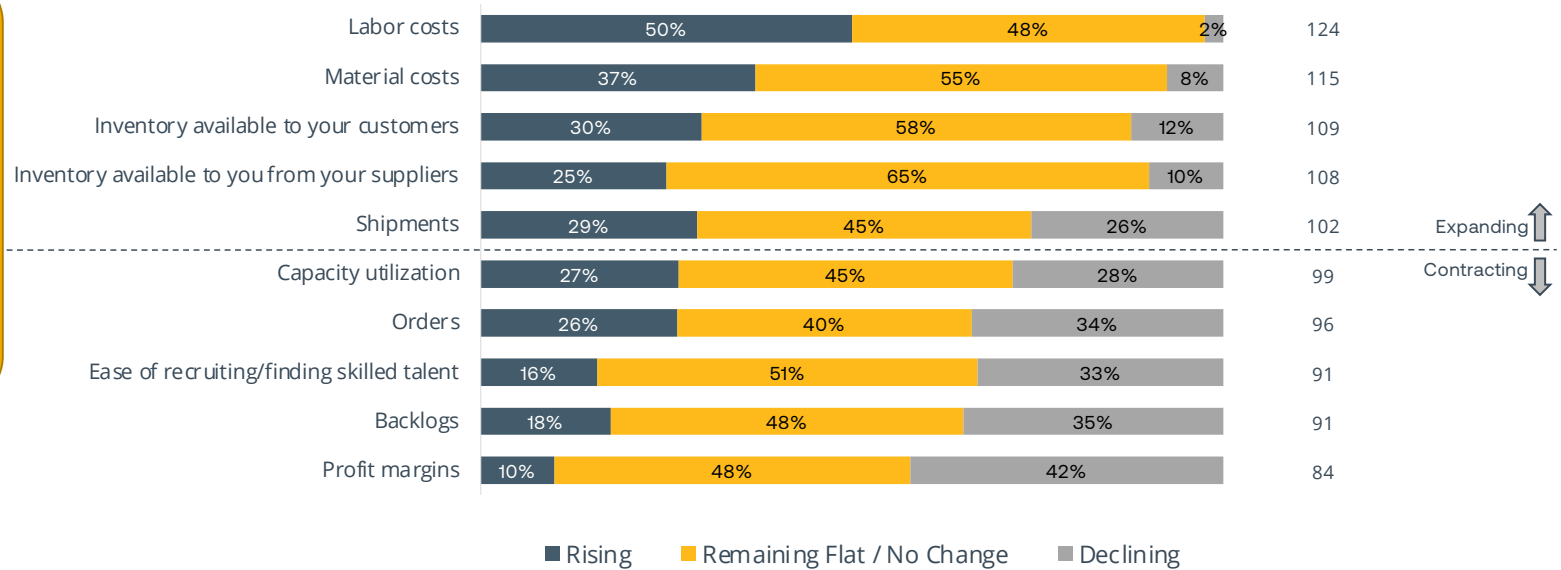


Notably, there are no significant differences in current conditions across all geographic regions.

## Current Direction of Key Business Indicators

-- Total --

Diffusion Index<sup>^</sup>



Half (50%) of electronics manufacturers are currently experiencing rising labor costs, with nearly two-fifths (37%) reporting increased material costs.

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

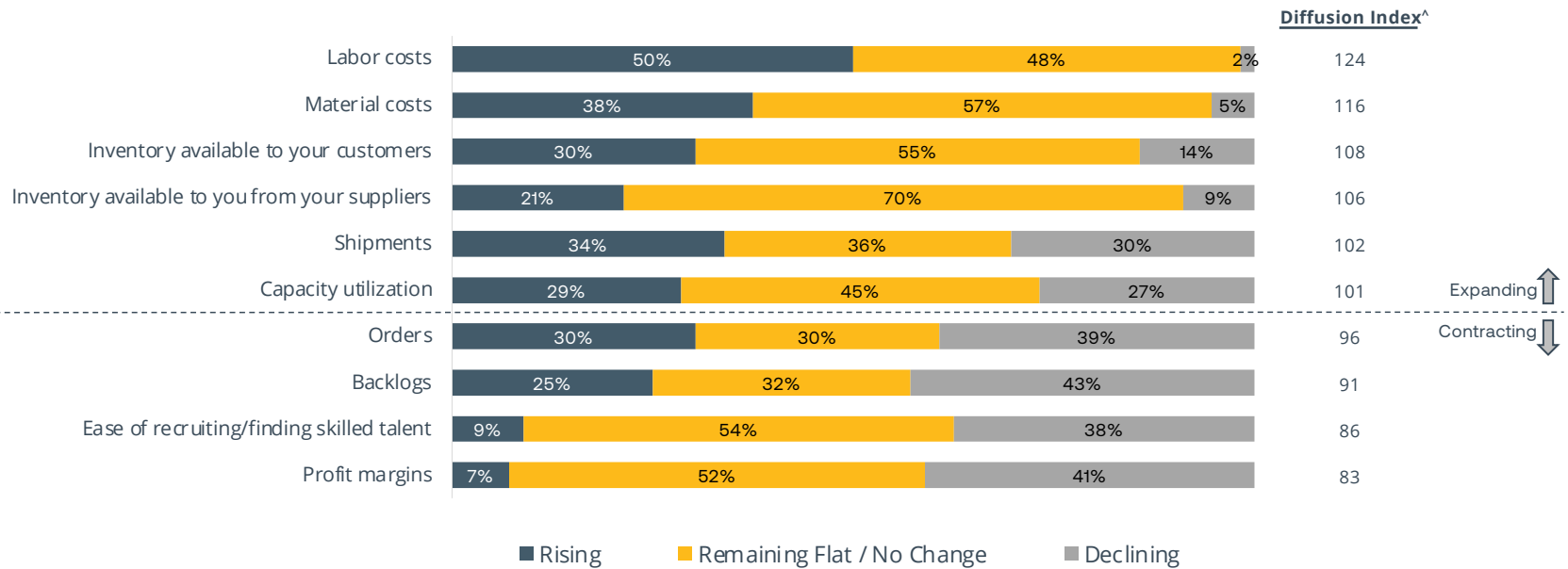
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in North America



## Current Direction of Key Business Indicators

-- Primary Region: North America --



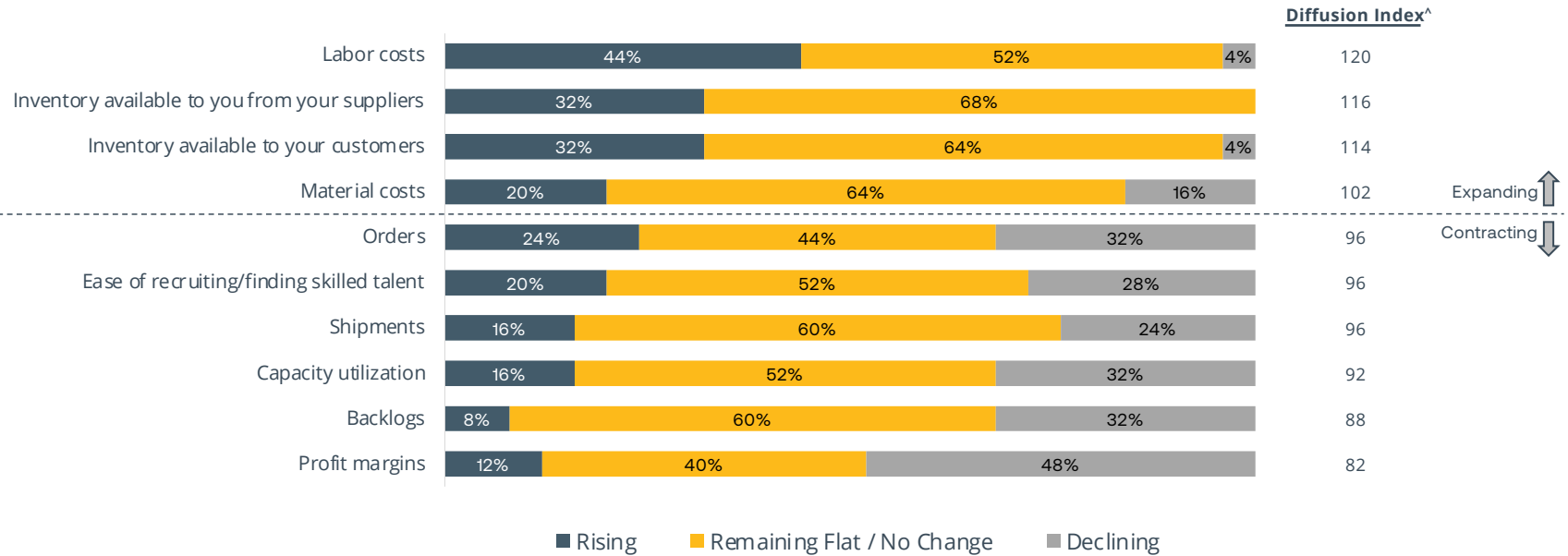
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# The View From Companies Primarily Operating in Europe



## Current Direction of Key Business Indicators

-- Primary Region: Europe --



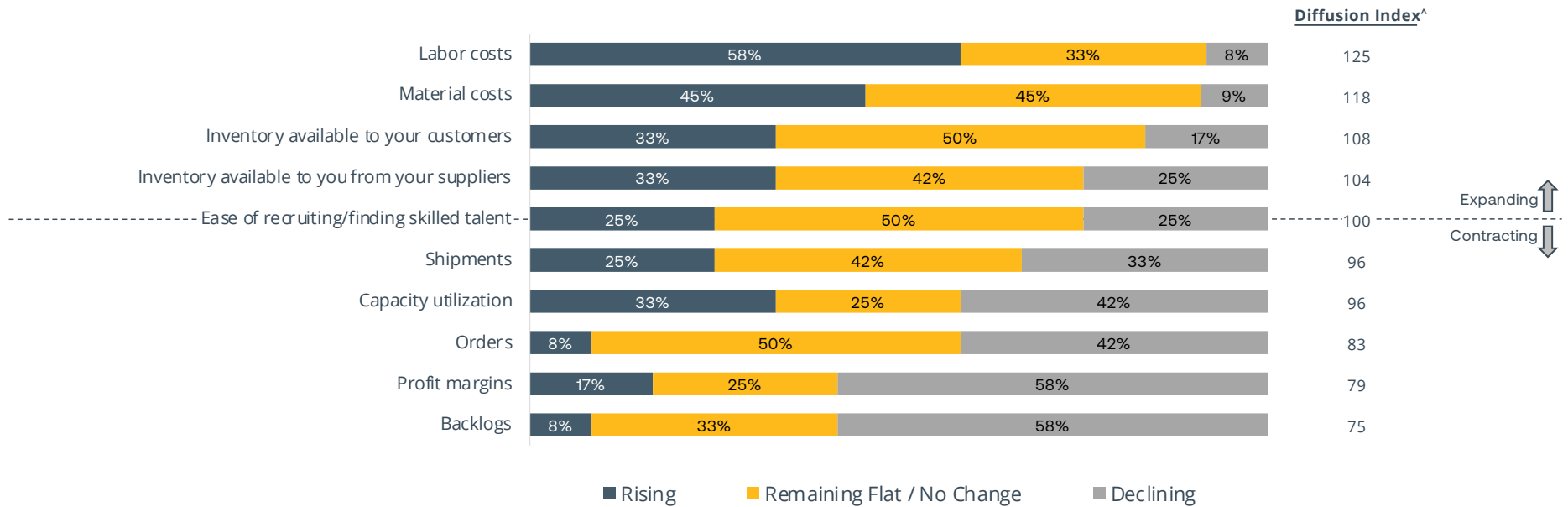
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in APAC



## Current Direction of Key Business Indicators

-- Primary Region: APAC --



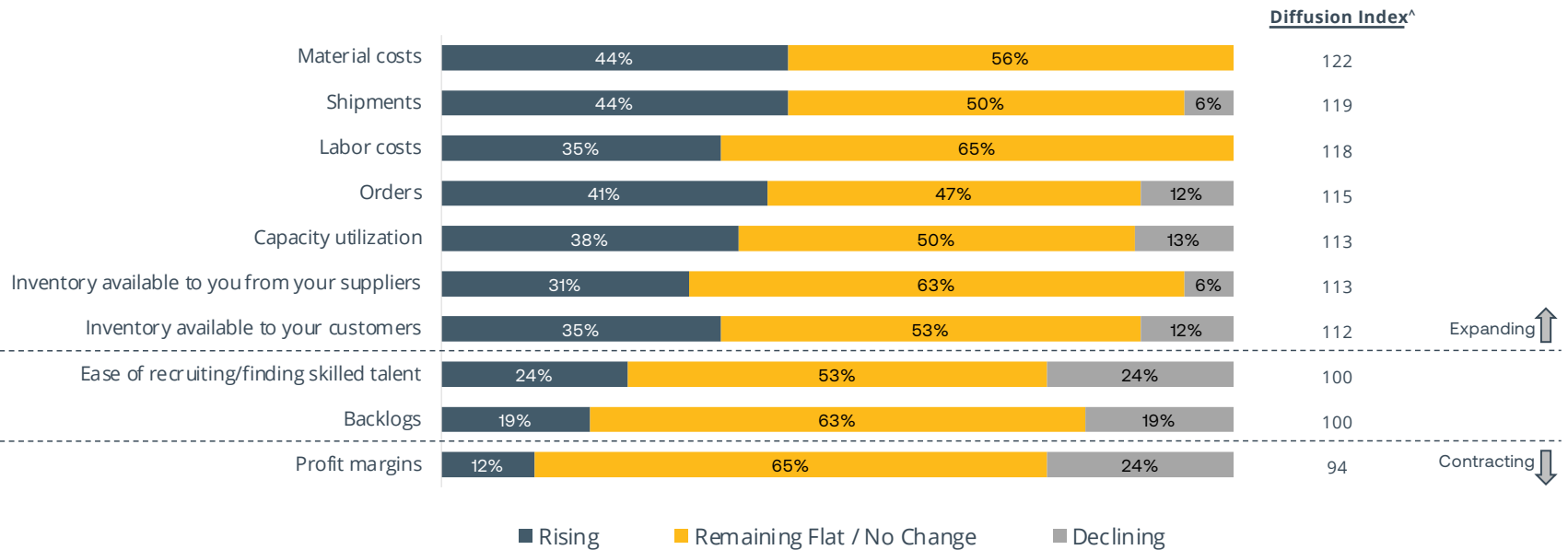
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# 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

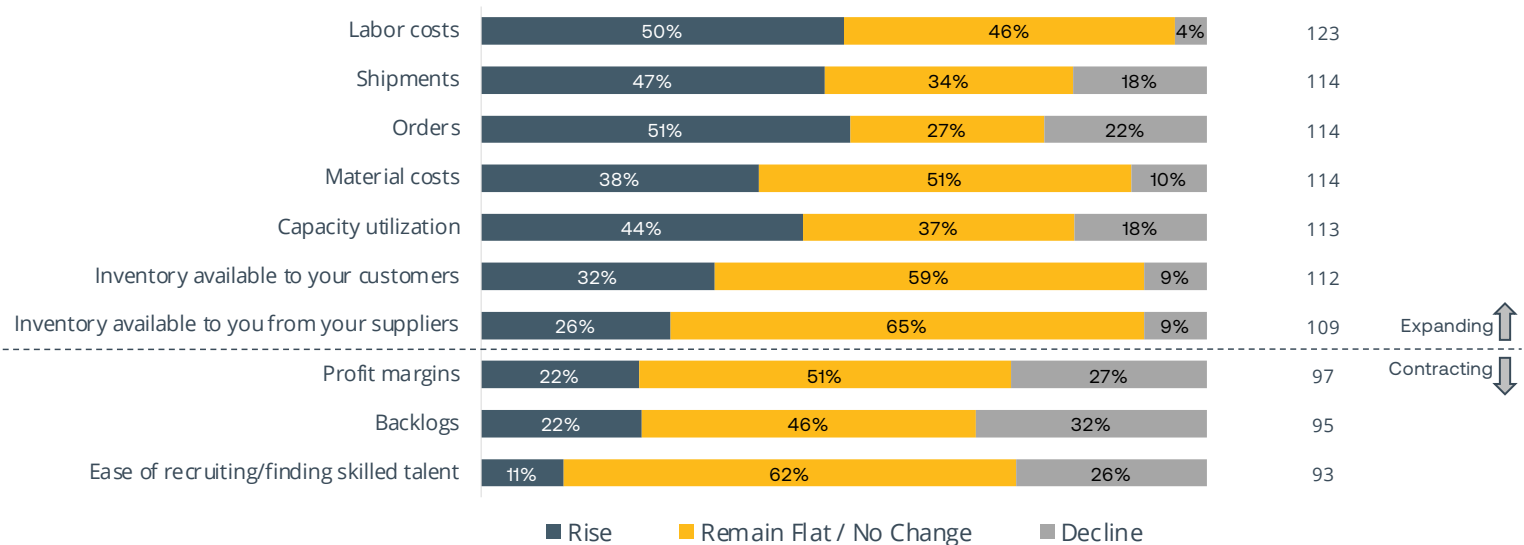


## Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --

Diffusion Index<sup>^</sup>

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



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



## Regional Differences in the Outlook



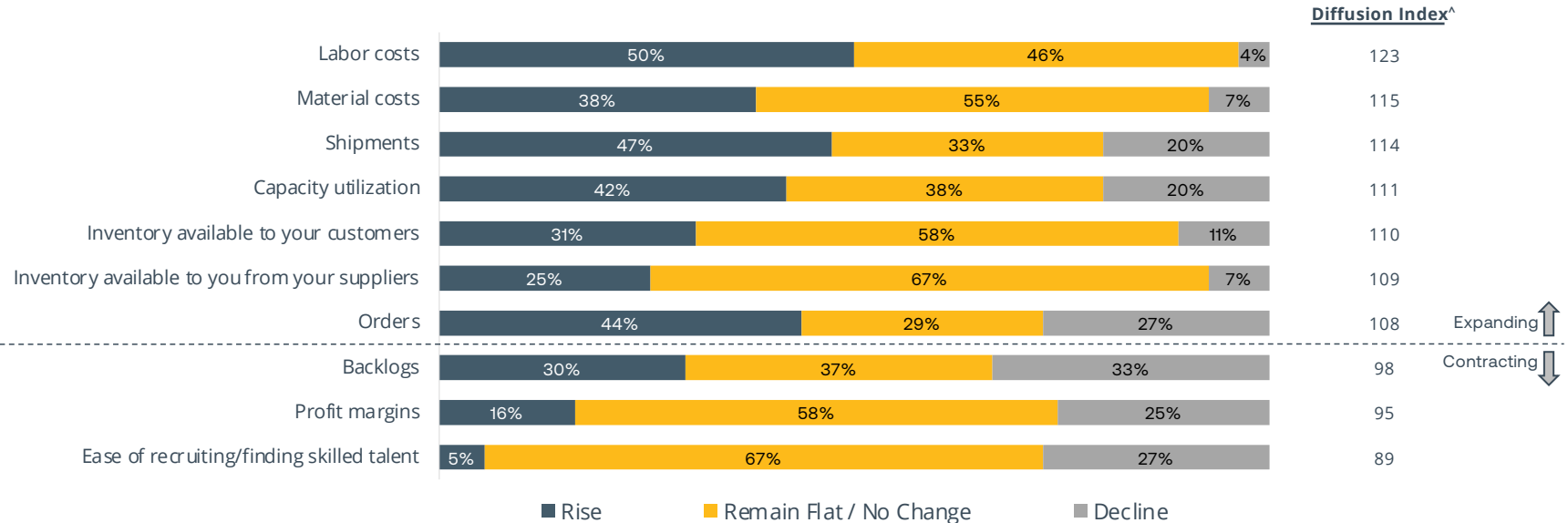
- **Electronics manufacturers in APAC expect backlogs to decline more so over the next six months when compared to firms operating globally.**
  - Nearly two-thirds (64%) of electronics manufacturers in APAC anticipate backlogs to decline over the next six months, which compares to a significantly lower 6% of firms that operate globally.

# The View From Companies Primarily Operating in North America



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

-- Primary Region: North America --



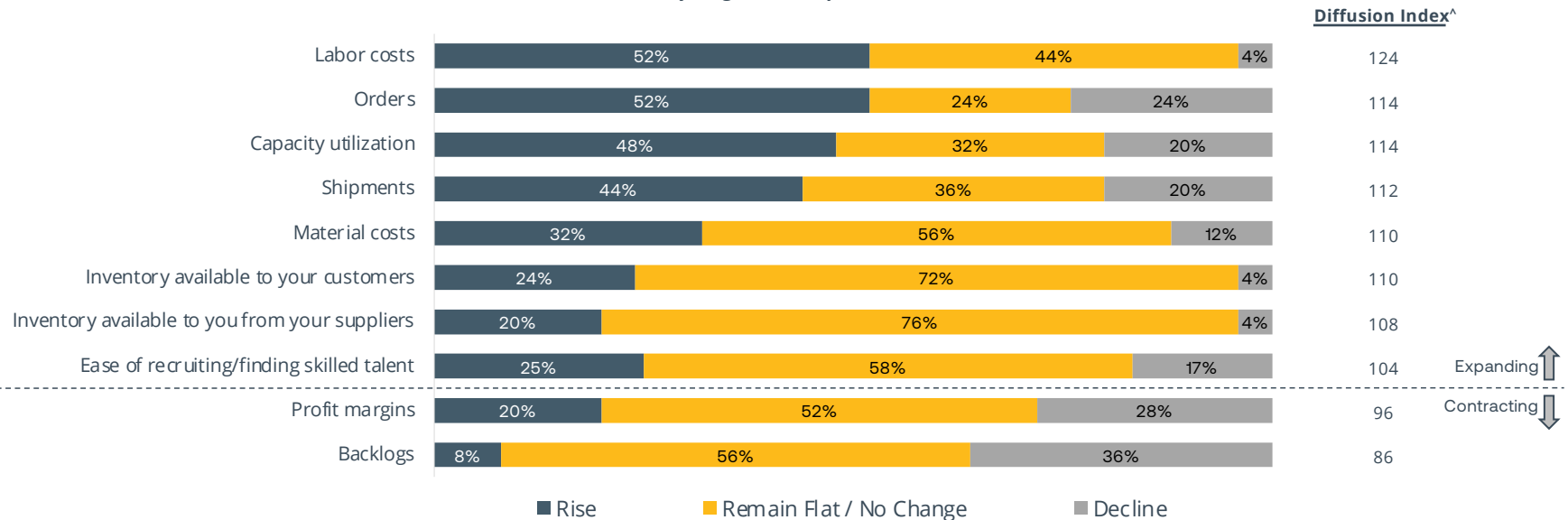
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in Europe



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

-- Primary Region: Europe --



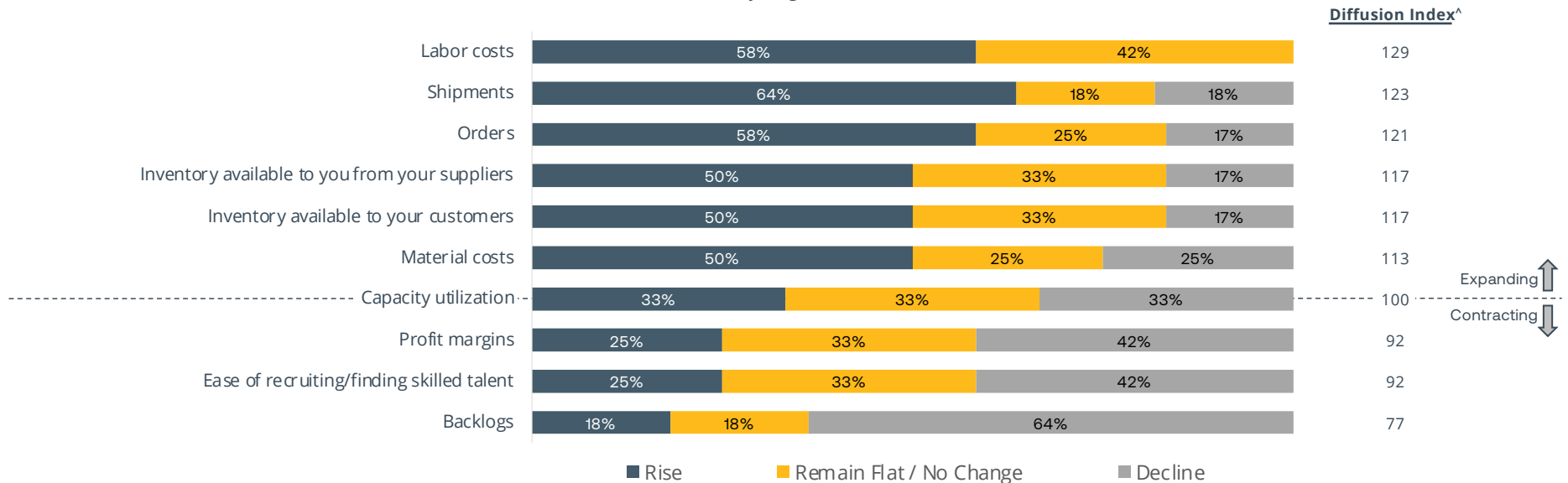
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# The View From Companies Primarily Operating in APAC



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

-- Primary Region: APAC --



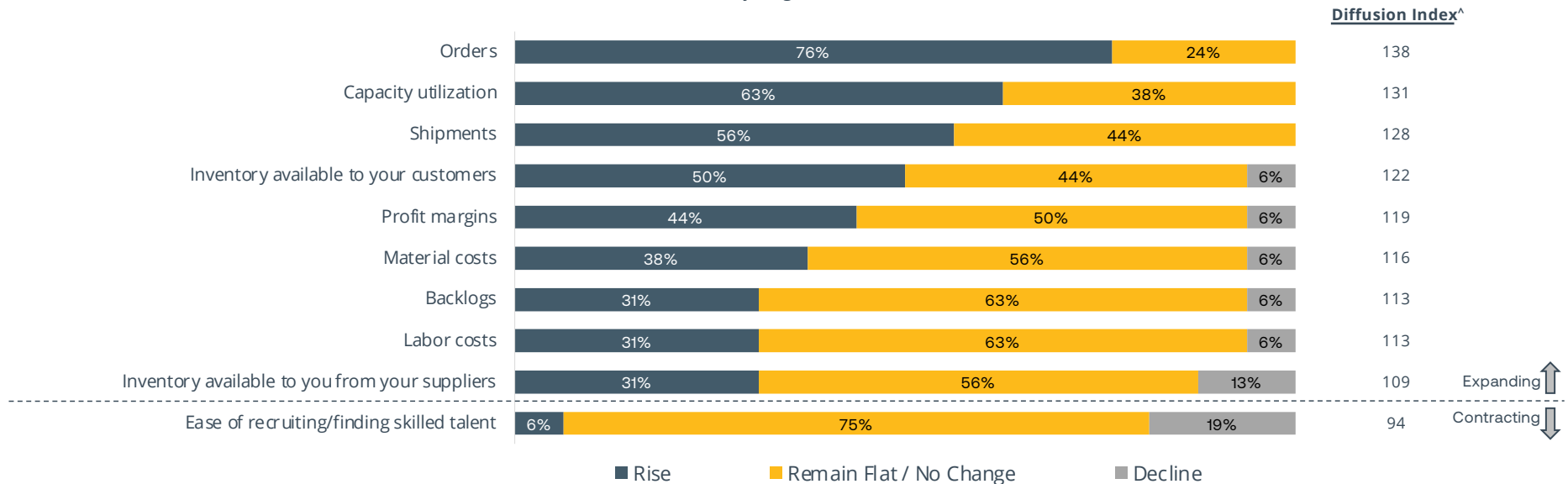
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# The View From Companies Primarily Operating Globally



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

-- Primary Region: Global --



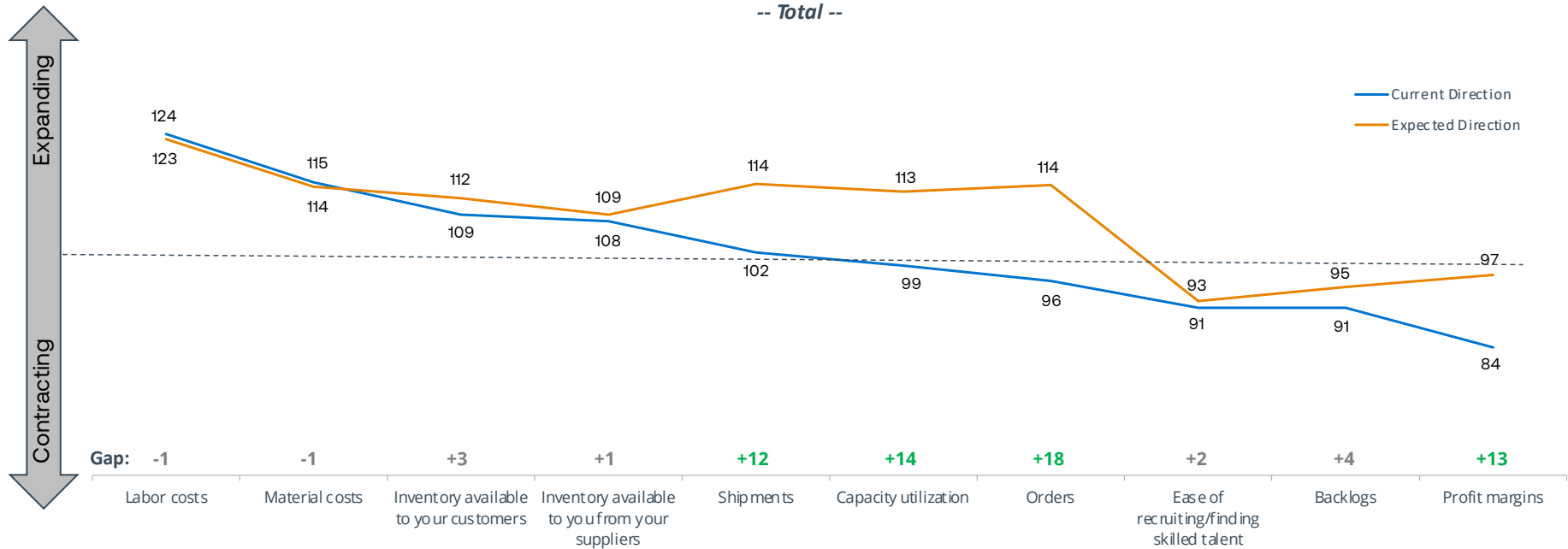
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# Orders, Capacity Utilization, Profit Margins, and Shipments are Expected to Rise Over the Next Six Months, While All Other Key Business Indicators are Expected to Remain Relatively Stable



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

-- Total --

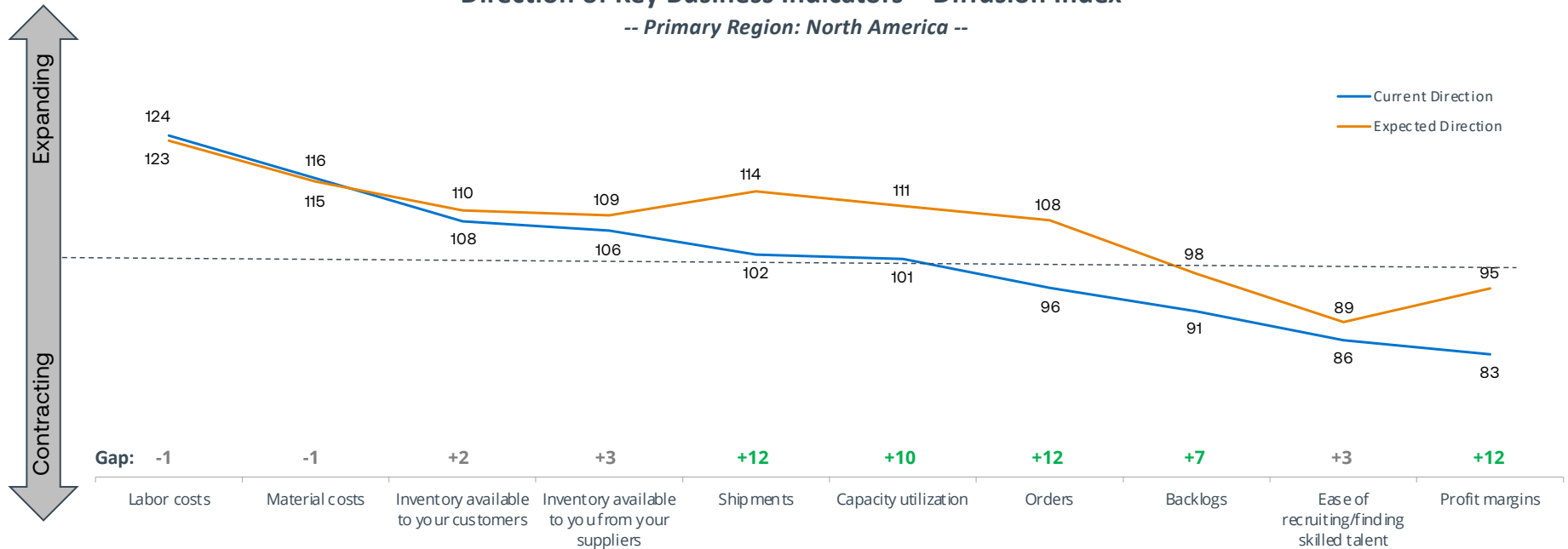


<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in North America



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



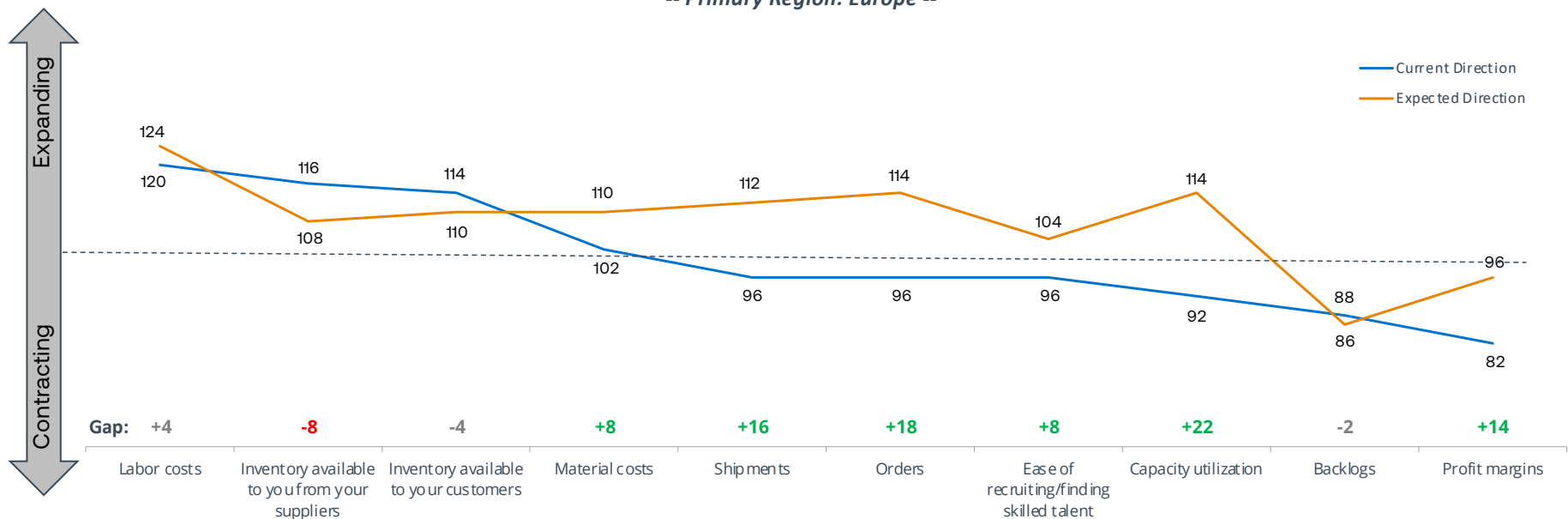
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# 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.

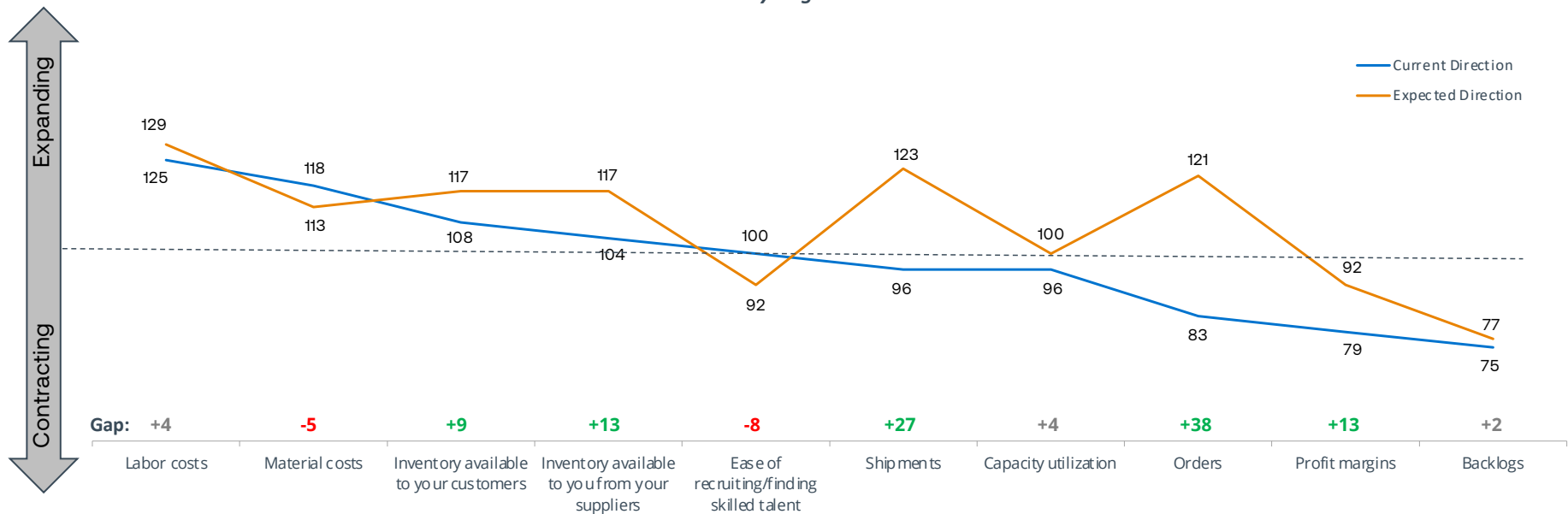


# The View From Companies Primarily Operating in APAC



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

-- Primary Region: APAC --



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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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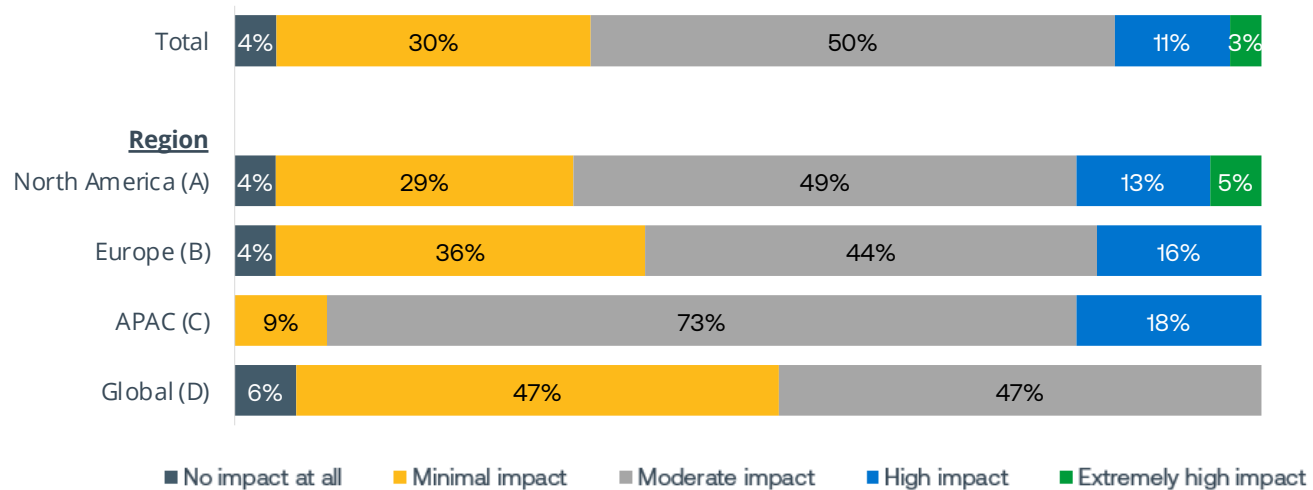
# October 2024 Special Questions

# Electronics Manufacturers Expect Interest Rate Cuts in Europe and the US to Have Moderate to Minimal Impact on the Industry



While manufacturers in APAC are more likely anticipating moderate impact from interest rate cuts, the difference is not significant.

Impact of Interest Rate Cuts in Europe and the United States



Q: How much impact do you expect interest rate cuts in Europe and the US to have on your business operations?

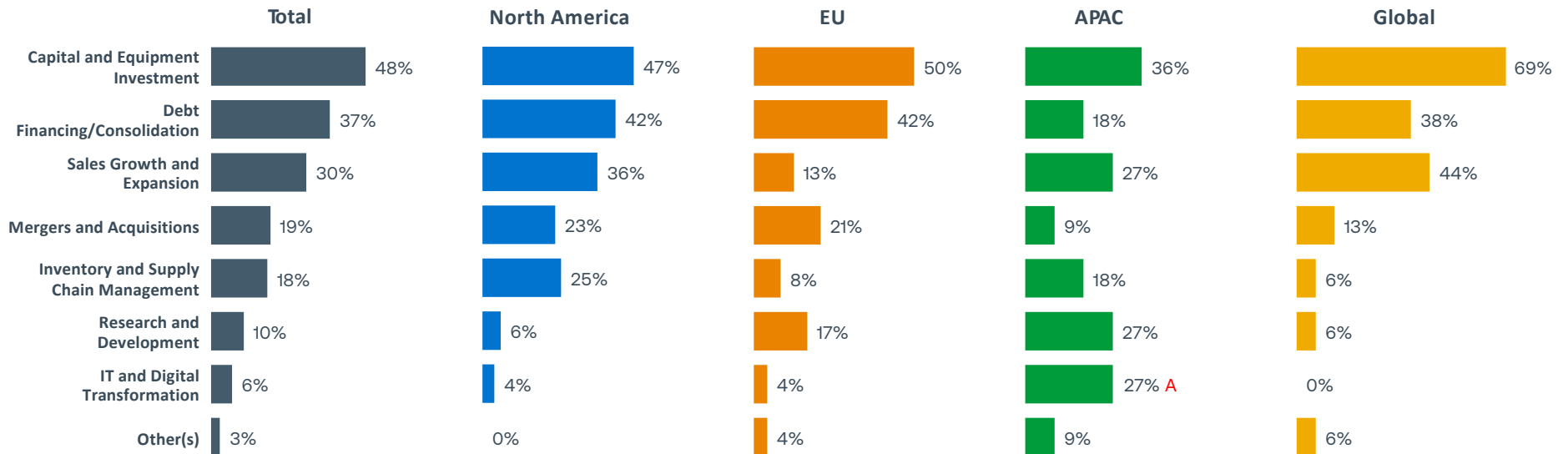
A/B/C/D Statistically significant at 90% confidence interval

# Interest Rate Cuts in Europe and the US are Expected to Have Greatest Impact on Capital and Investment, Financing, and Sales Growth



Notably, manufacturers in APAC expect interest rate cuts to have significantly greater impact on IT and digital transformation when compared to manufacturers in North America.

## Business Sectors Expected to Benefit Most From Interest Rate Cuts in Europe and the United States



Q: What sectors of your business do you anticipate will benefit most from interest rate cuts in Europe and the US? Please select all that apply.  
 Note: Only asked among those expecting interest rate cuts in Europe and the US to impact their business operations.

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

# Appendix

# Current Conditions Diffusion Indices

## Past 12 Month Comparisons (TOTAL)



	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024
Shipments	104	107	105	110	105	113	112	107	106	105	108	95	102
Orders	100	105	101	102	105	113	111	106	104	102	105	95	96
Profit margins	92	94	95	96	95	96	97	89	90	95	95	89	84
Backlogs	91	96	94	94	94	98	101	99	97	93	96	93	91
Ease of recruiting/finding skilled talent	88	87	88	88	89	90	92	92	91	92	91	91	91
Material costs	122	118	119	119	118	121	117	121	127	122	121	120	115
Labor costs	129	130	128	128	133	130	126	129	127	125	124	129	124
Capacity utilization	102	106	106	106	104	109	108	107	99	99	104	100	99
Inventory available to you from your suppliers	111	112	111	116	113	108	116	112	112	103	108	107	108
Inventory available to your customers	108	107	110	118	110	113	114	115	111	108	108	110	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)



	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024
Shipments	114	116	116	117	123	124	121	122	116	115	119	113	114
Orders	114	114	116	120	121	127	122	125	117	117	119	114	114
Profit margins	100	102	100	105	103	106	101	101	100	96	100	96	97
Backlogs	97	104	97	97	102	106	104	101	97	98	106	100	95
Ease of recruiting/finding skilled talent	91	89	93	94	95	92	93	90	98	92	95	93	93
Material costs	120	116	116	116	116	119	119	118	122	120	119	114	114
Labor costs	128	132	130	129	129	127	128	124	122	121	125	119	123
Capacity utilization	111	114	114	117	116	124	117	117	115	113	113	114	113
Inventory available to you from your suppliers	113	112	114	116	113	111	110	112	110	106	107	107	109
Inventory available to your customers	112	111	115	117	114	114	115	112	110	106	113	110	112

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 September 16 and September 30, 2024.





Questions? Please contact:

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