The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

December 2024

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Executive Summary

> Electronics Industry Sentiment Dips in December

- Demand weakened in December, with the Demand Index declining 1.8% over the past month. It remained below 100 for the fourth consecutive month, signaling continued contraction. Among the four demand components, only the Backlog Index rose, but it too remained in contraction territory. The New Orders Index remained in contraction for the fourth consecutive month. Both the Shipment Index and the Capacity Utilization Index stayed positive but slipped lower compared to the previous month.

> Cost Pressures Challenge Operations

- The Labor Costs Index climbed two percentage points from its all-time low, while the Material Costs Index dropped four percentage points. The majority of firms continue to report ongoing increases in both labor and material costs, straining operations.

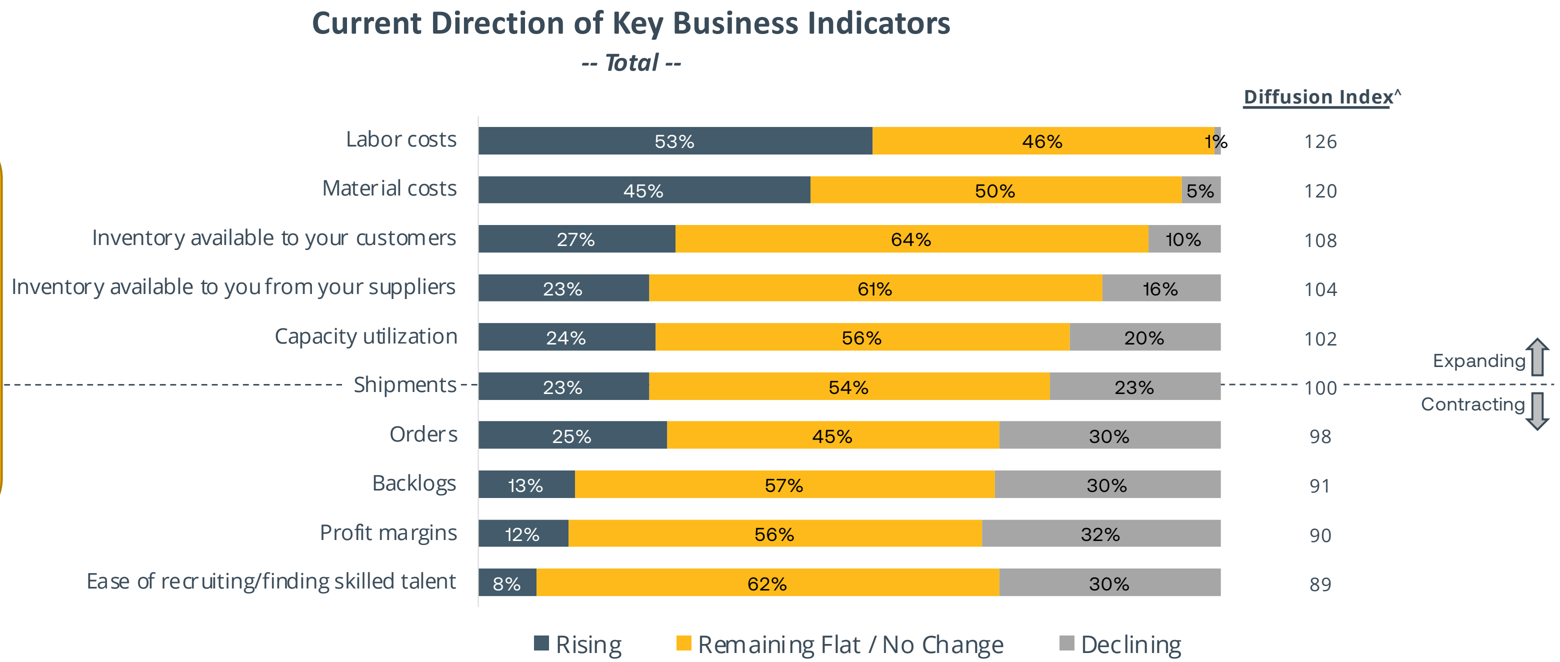
> Trade Concerns Loop Large for 2025

- A majority (68%) of electronics manufacturers and suppliers express at least moderate concern about the impact of potential tariffs on the electronics industry.
- A significant portion of electronics manufacturers—38%—plan to pass the full cost increase of any tariffs on to their customers. Another 19% intend to share the burden, passing along part of the expense while absorbing some internally. Only a small minority (4%) expect to absorb the entire cost without raising prices. These strategies suggest that most firms view transferring at least a portion of tariff-related costs to end-users as unavoidable.

Current Conditions for the Electronics Supply Chain

More than half (53%) of electronics manufacturers are currently experiencing rising labor costs, with 45% reporting rising material costs.

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

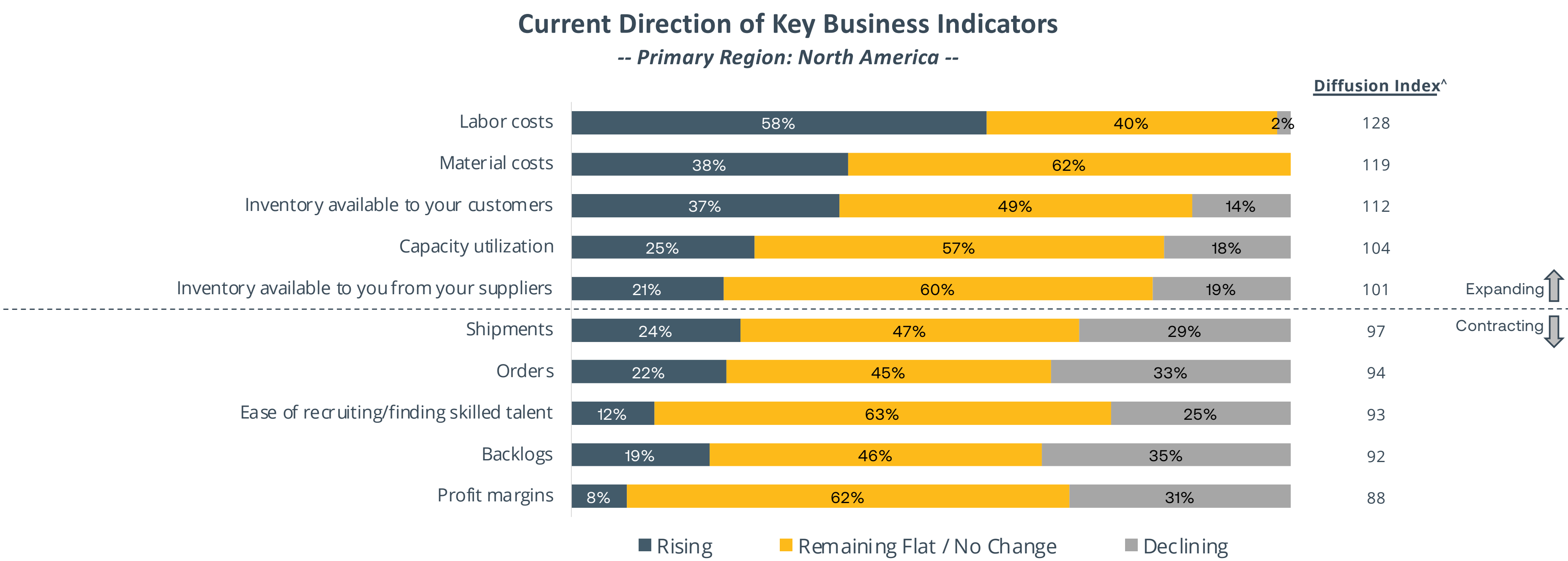


^A diffusion index is a statistical measure used to detect economic turning points.

Regional Differences in Current Conditions

- **North American electronics manufacturers, along with those operating globally, are experiencing rising backlogs more so than European manufacturers.**
  - One-fifth (19%) of electronics manufacturers in North America and one quarter (25%) of those with global operations are currently experiencing rising backlogs, which compares to 0% among European firms.
- **Material costs are declining more among electronics manufacturers in Europe and APAC vs. firms in North America.**
  - One-tenth (11%) of electronics manufacturers in Europe, along with one-fifth (18%) of those in APAC, indicate material costs are currently declining, whereas no (0%) manufacturers in North America are reporting a present decline.

The View From Companies Primarily Operating in North America



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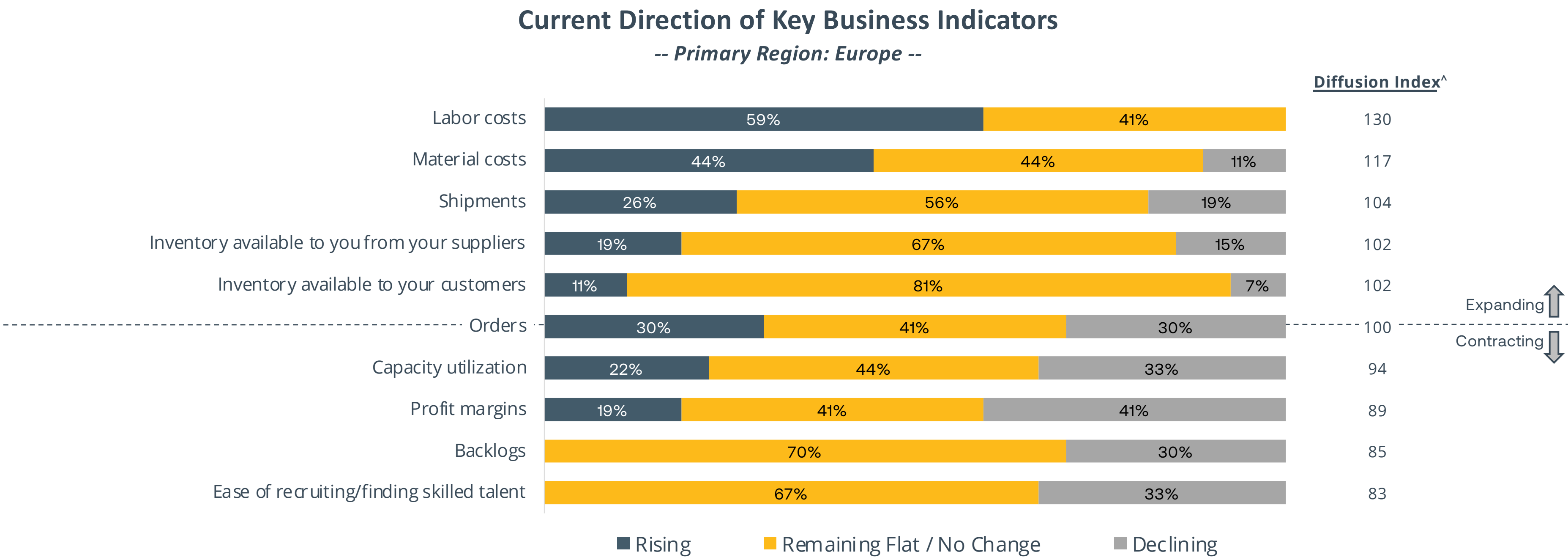
The View From Companies Primarily Operating in Europe



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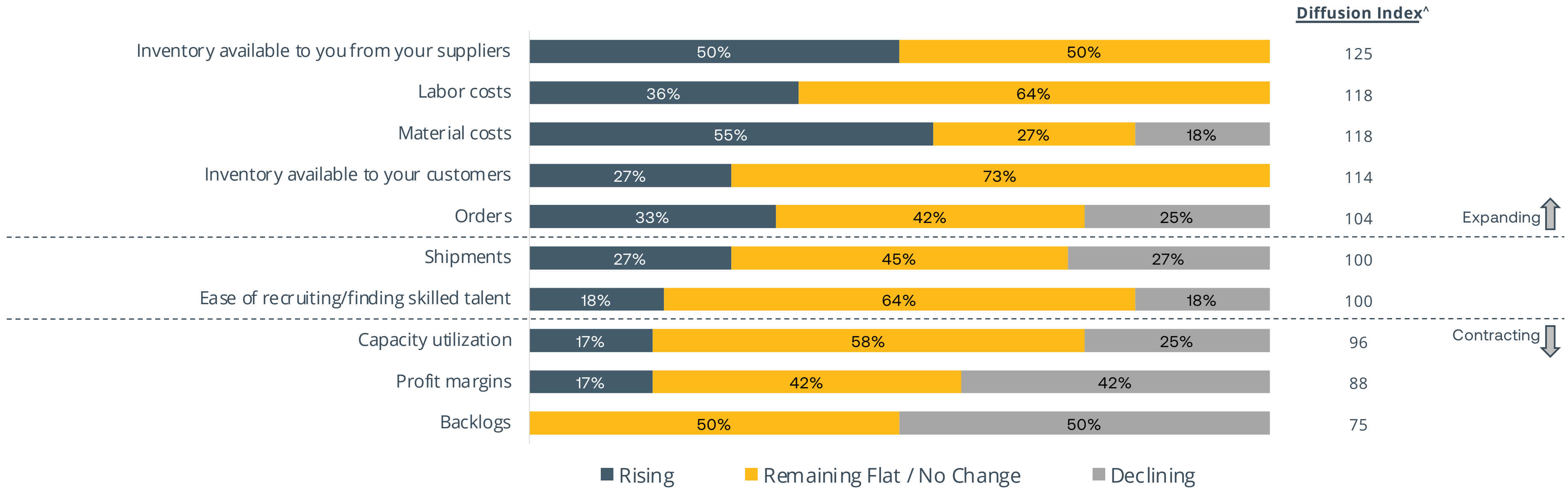
The View From Companies Primarily Operating in APAC

Current Direction of Key Business Indicators

-- Primary Region: APAC --



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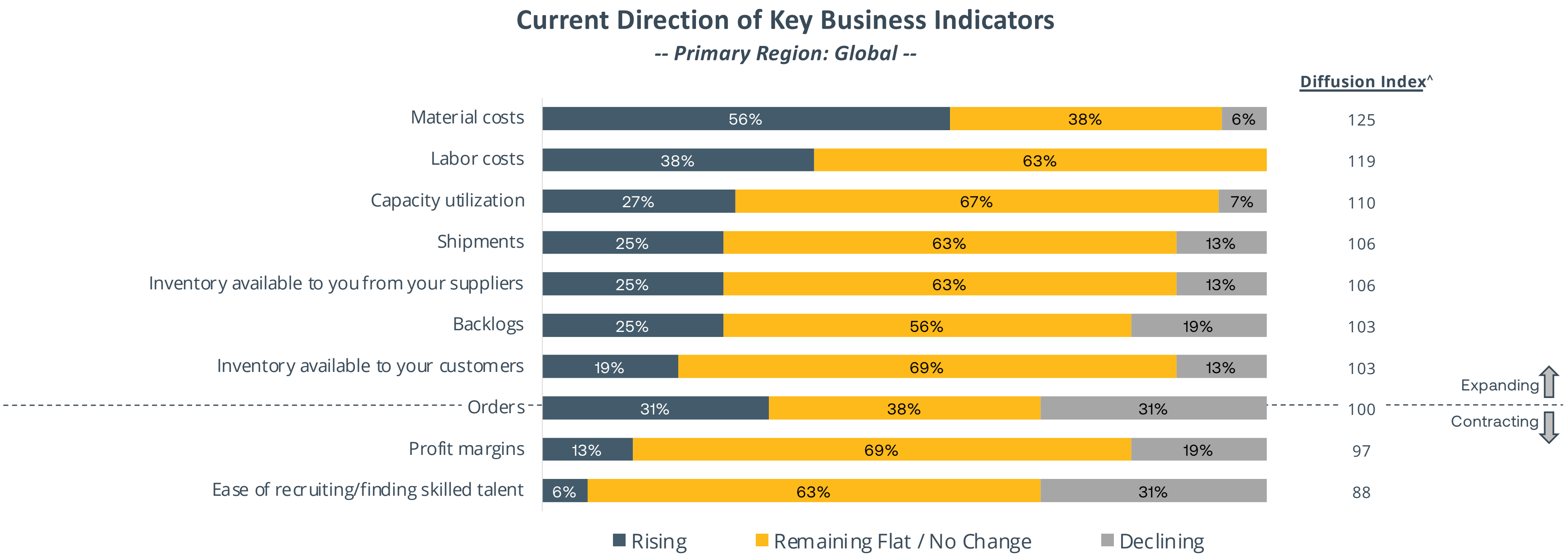
The View From Companies Primarily Operating Globally



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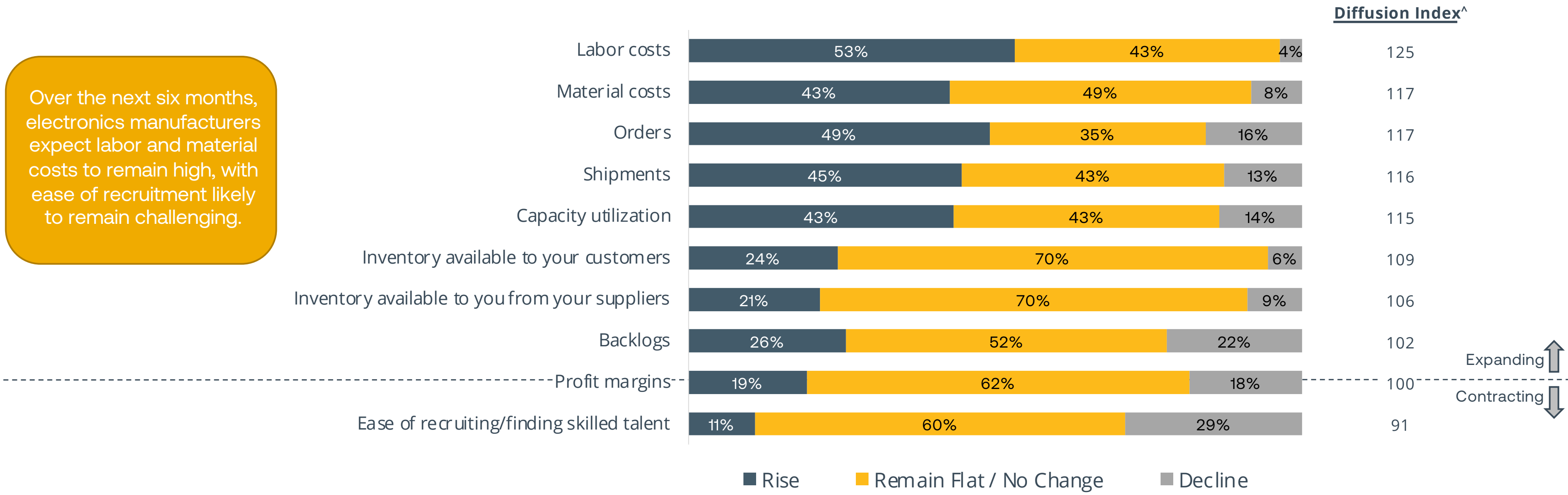
The Outlook for the Next 6 Months

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

Over the next six months, electronics manufacturers expect labor and material costs to remain high, with ease of recruitment likely to remain challenging.

Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --



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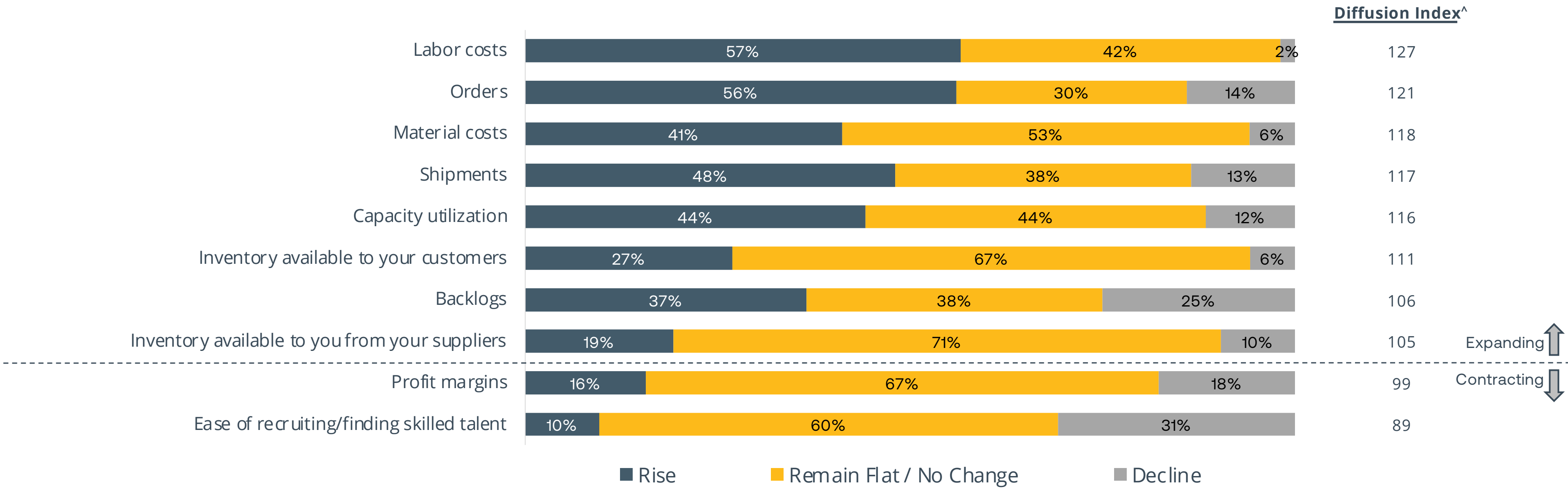
The View From Companies Primarily Operating in North America

Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --



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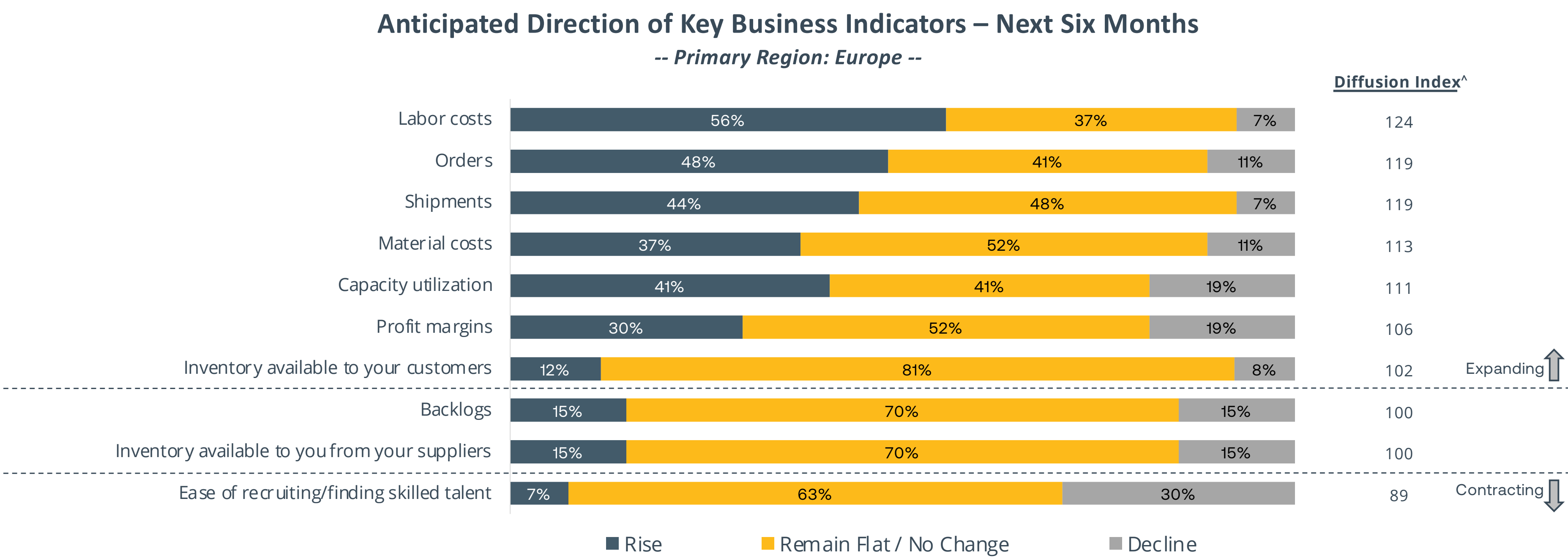
The View From Companies Primarily Operating in Europe



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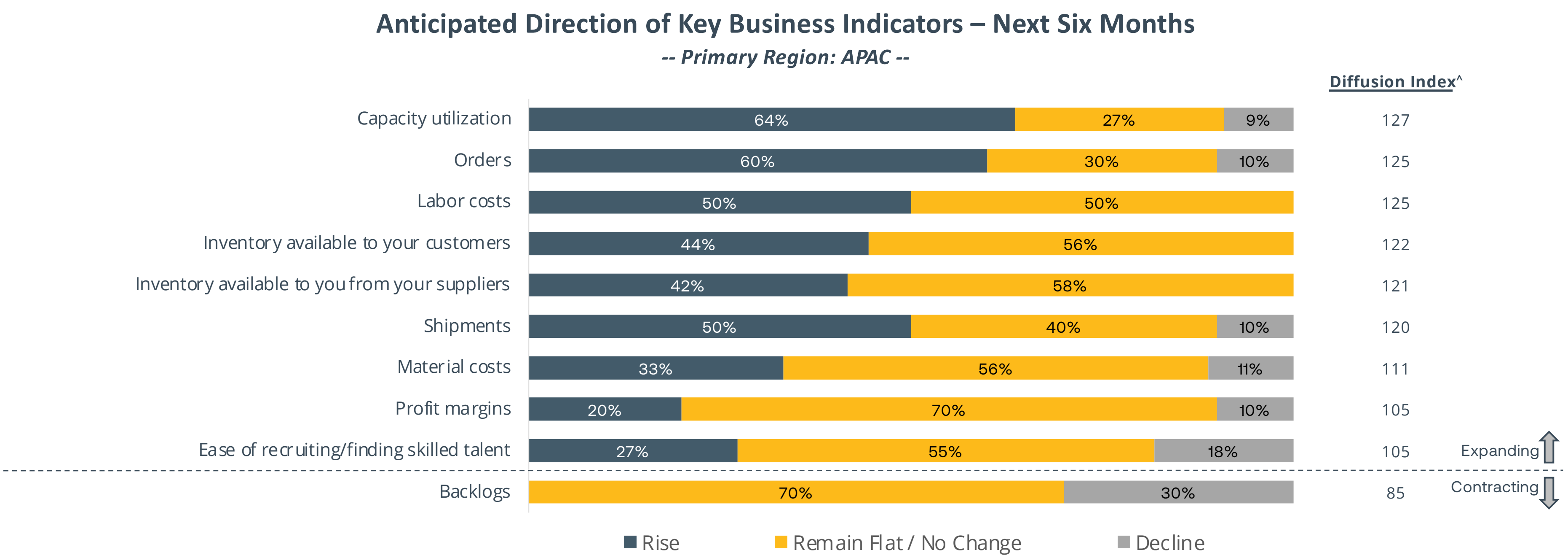
The View From Companies Primarily Operating in APAC



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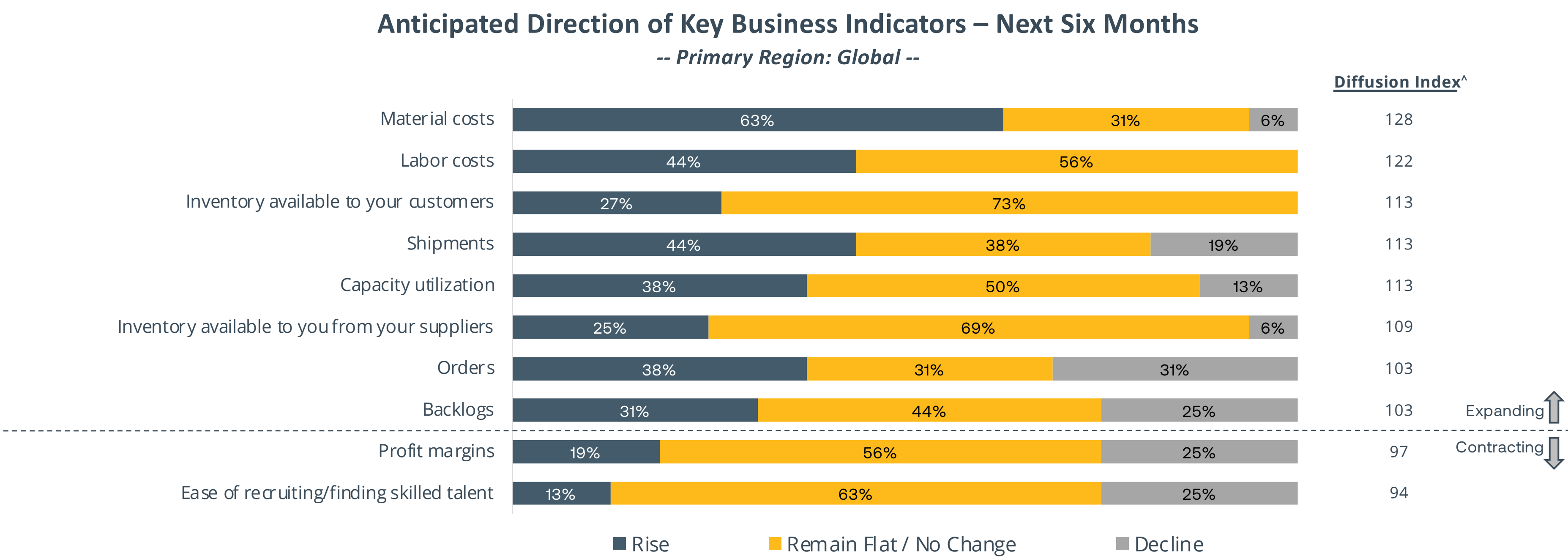
The View From Companies Primarily Operating Globally



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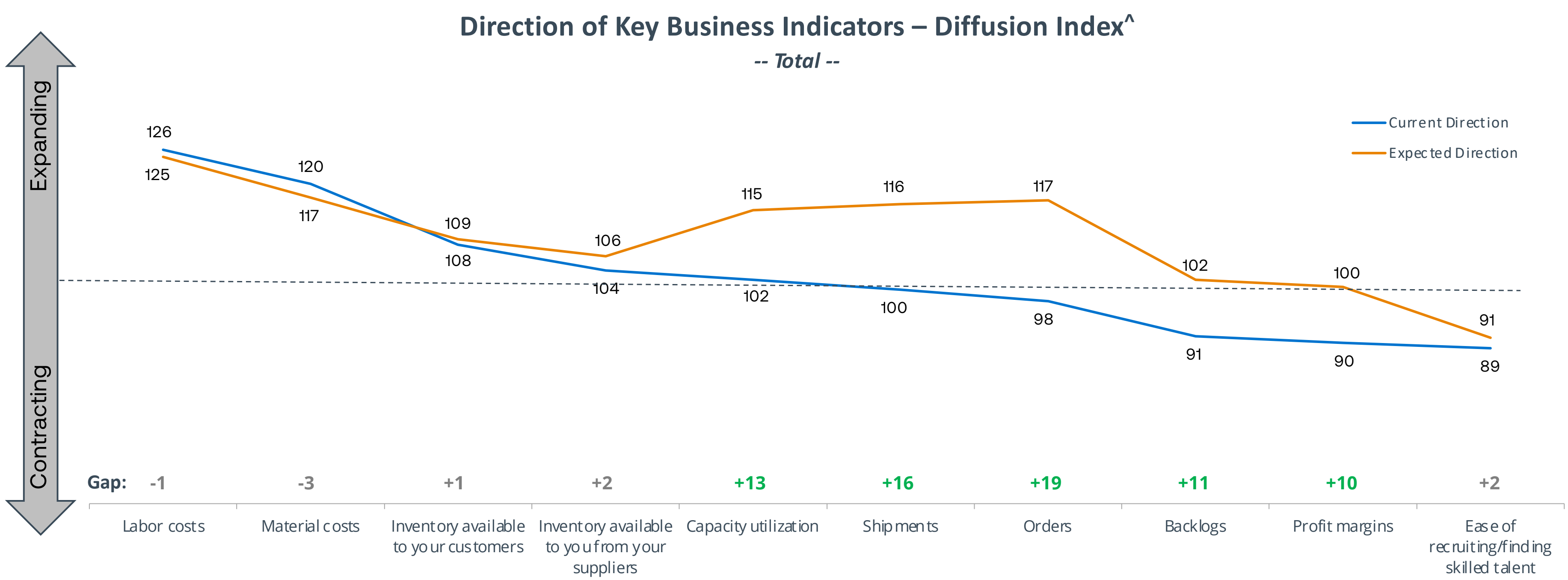
Orders, Shipments, Capacity Utilization, Backlogs, and Profit Margins are Expected to Rise Over the Next Six Months

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



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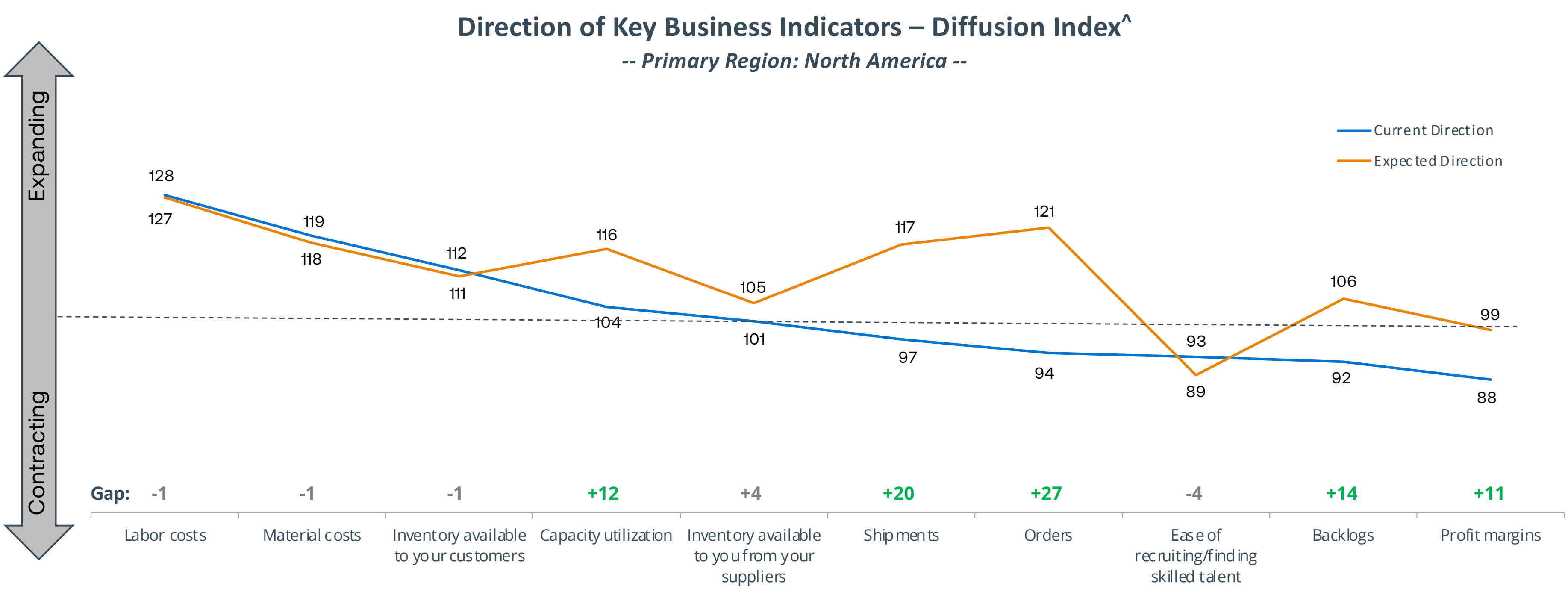
The View From Companies Primarily Operating in North America



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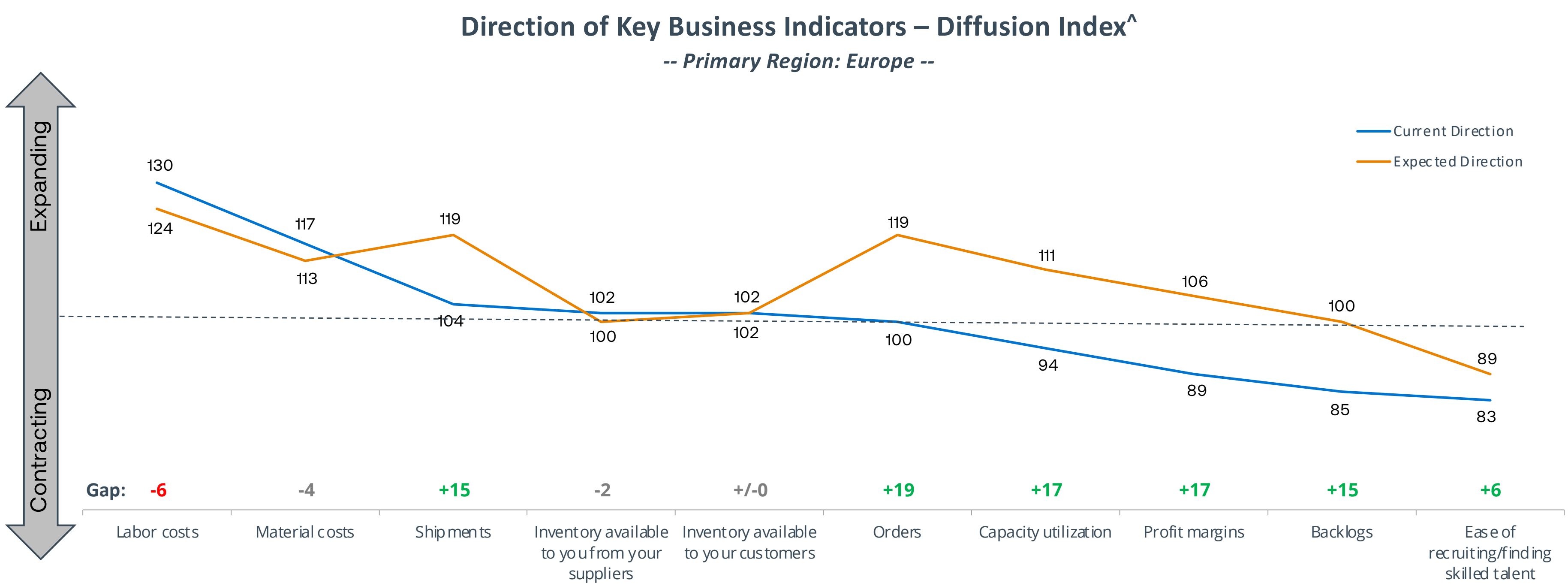
The View From Companies Primarily Operating in Europe



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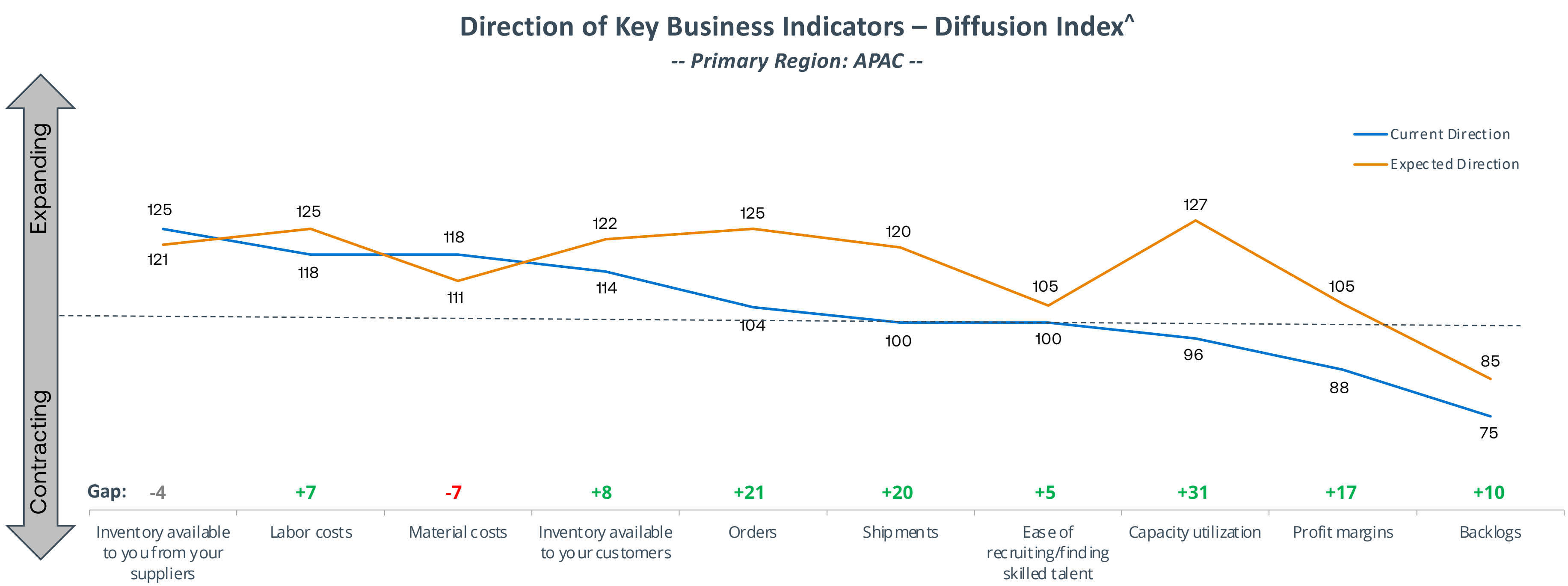
The View From Companies Primarily Operating in APAC



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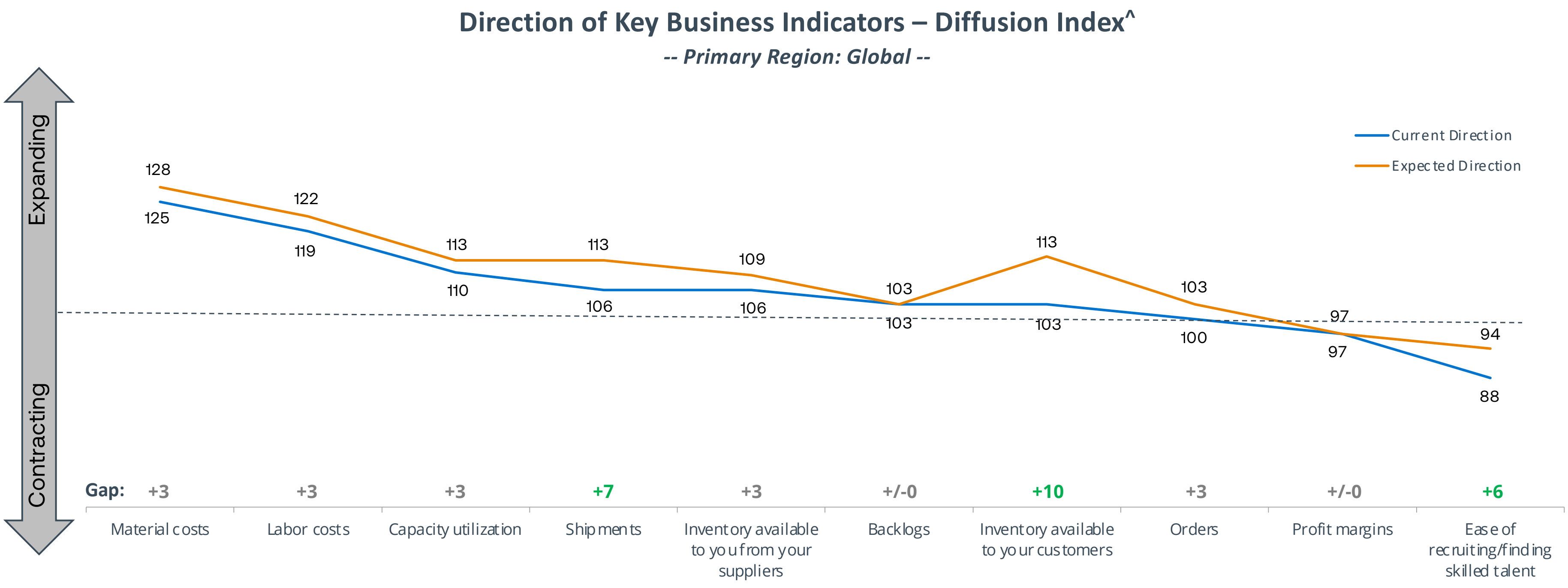
The View From Companies Primarily Operating Globally



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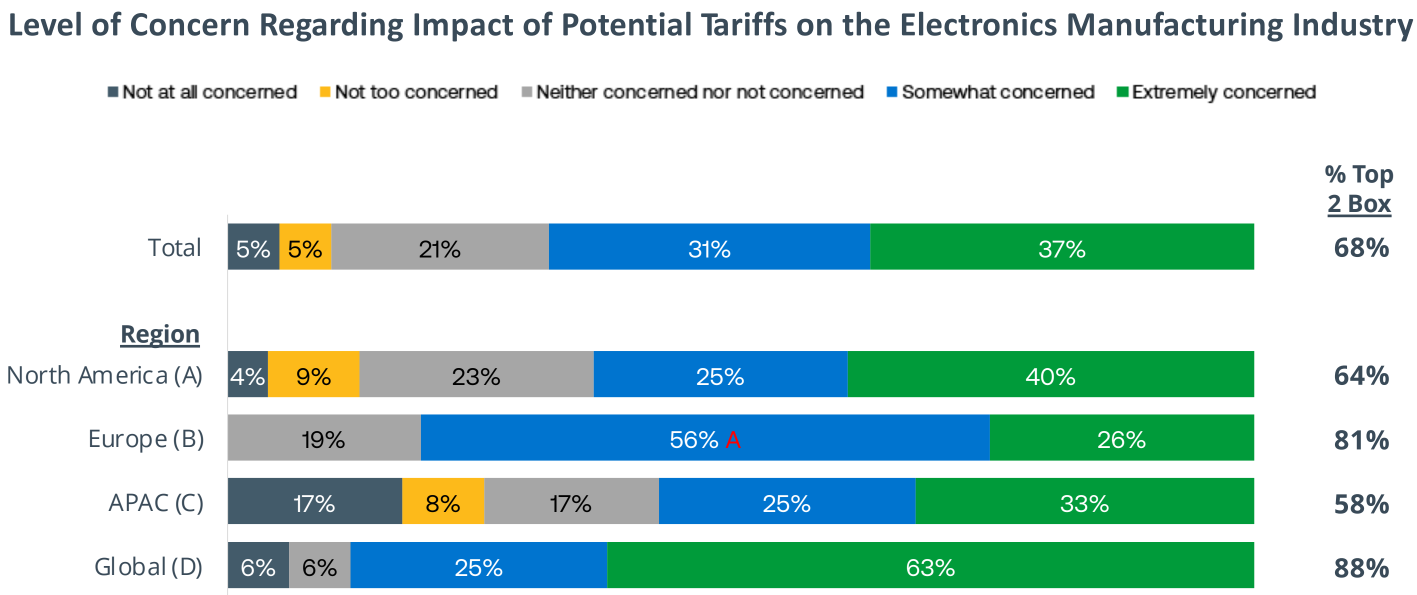
December 2024 Special Questions

Seven in Ten (68%) Electronics Manufacturers Indicate Concern Surrounding the Impact of Potential Tariffs on the Electronics Manufacturing Industry as Proposed by President-elect Donald Trump

Notably, European manufacturers (56%) are significantly more likely to indicate they are “somewhat concerned” about impact when compared to North American manufacturers (25%).



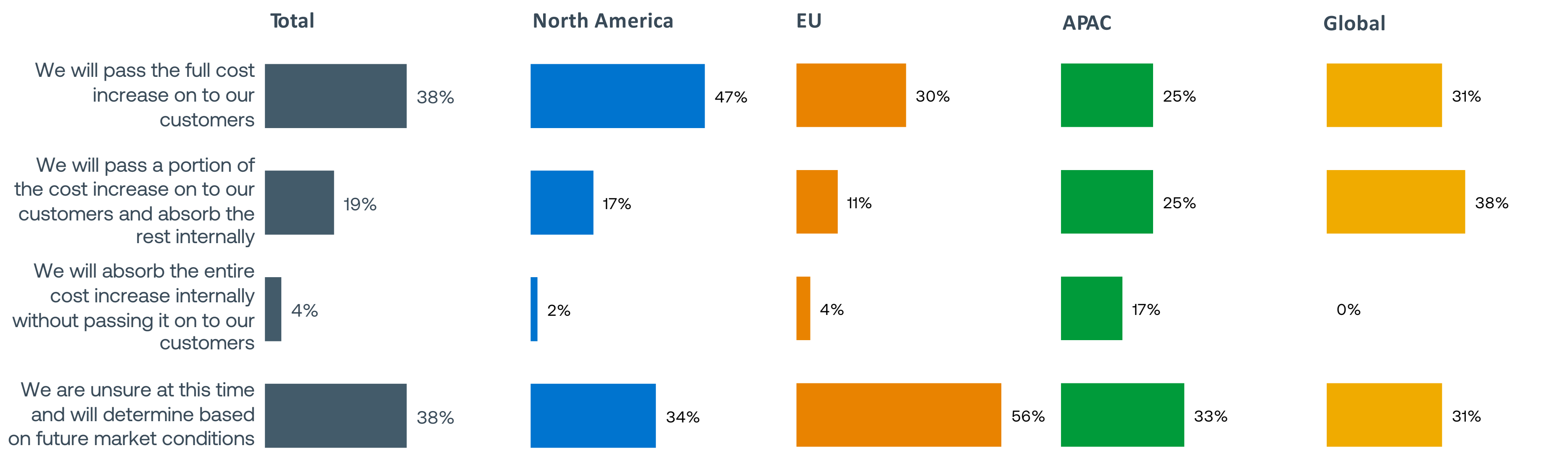
Q: President-elect Donald Trump has proposed tariffs of 10% to 20% on all imports into the U S , with additional tariffs of 60% to 100% on goods brought in from China. How concerned are you about the impact of these potential tariffs on the electronics manufacturing industry?

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

Approximately Two-fifths (38%) Say They Will Pass the Full Cost Increase Related to Any Tariffs on to Their Customers, With an Additional One-fifth (19%) Who Will Pass on a Portion, While Absorbing the Rest Internally

Another two-fifths (38%) are unsure at this time as to what they will do in response to any related cost increases, indicating they will decide based on future market conditions.

Response to Tariffs on Imports if Enacted



Q: If President-elect Donald Trump enacts new tariffs on imports into the U S , how will your company respond?

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

Appendix

Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)

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

△+5 points or more vs. previous month

△-5 points or more vs. previous month

Outlook Diffusion Indices

Past 12 Month Comparisons (TOTAL)

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

△+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 November 15 and November 30, 2024.

Questions? Please contact:

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