BUILD ELECTRONICS BETTER

The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

February 2024

ipc.org

Executive Summary

- **Industry sentiment slipped slightly during the month but remains solid**
- **Demand remains positive**
  - Demand remains in expansionary territory, despite slipping this month and falling one point from 103 to 102.
  - The Capacity Utilization Index fell 2 points this month, while the Shipments Index dropped 5 points. The relatively sharp dedine in shipments could be weather-related.
  - The New Orders Index rose 3 points to 105, the highest level since November 2023.
  - While the current view of demand weakened somewhat, the Outlook for demand improved. The increase was led by strong rises in the Shipments Outlook Index which increased by 6 points and the Backlogs Outlook Index which rose 5 points and moved into expansionary territory.
- **Cost pressures moved higher this month**
  - While the Materials Cost Index fell 1 point, the Labor Costs Index rose by 5 points to the highest level since August 2023.
- **This month, IPC asked industry executives their expectations for a recession in 2024 and 2025 and the likely timing of any recession.**
  - On average, electronics manufacturers believe there is a 39% chance of a recession in 2024 and a 34% chance of a recession in 2025.
  - Among those who believe a recession is probable in 2024, 33% believe it would likely start in Q2. Notably, electronics manufacturers in Europe report a 2024 recession would be most likely to begin in Q1 when compared to those in North America (52% vs. 13%, respectively).

Current Conditions for the Electronics Supply Chain

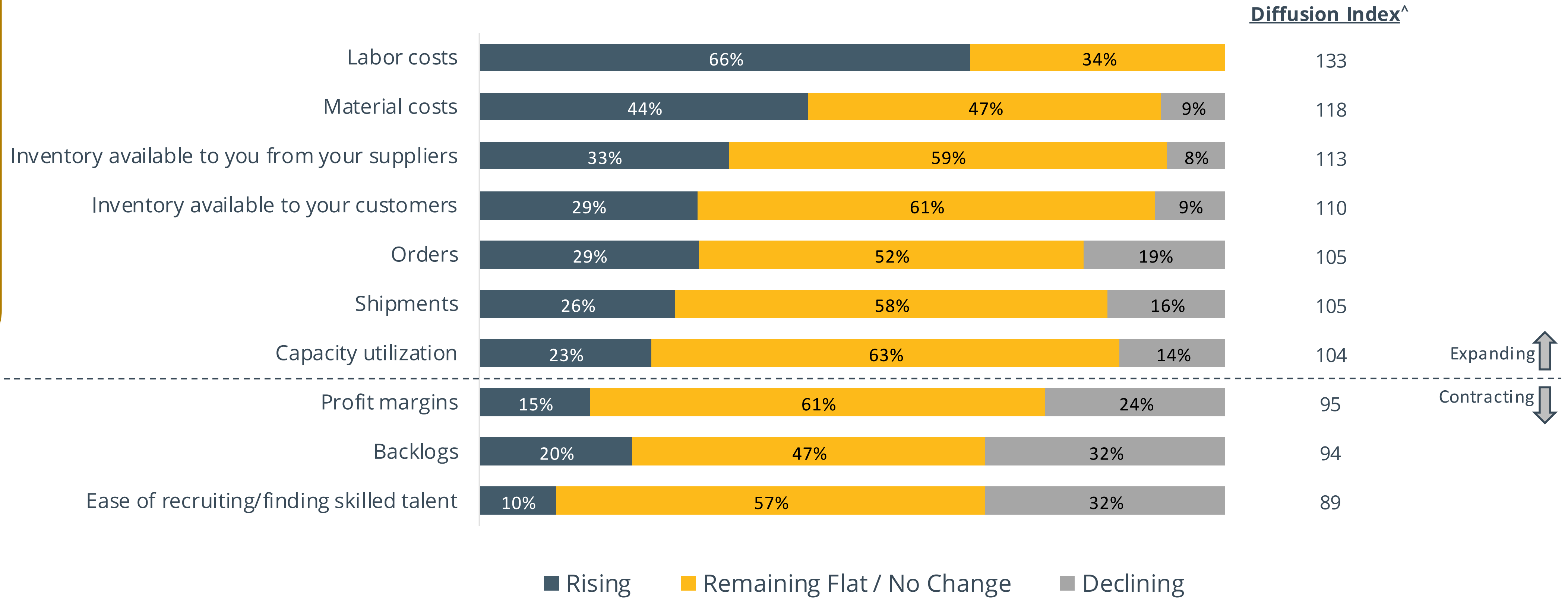
There are no significant differences in current conditions across all geographic regions.

Two-thirds (66%) of electronics manufacturers are currently experiencing rising labor costs, while more than two-fifths (44%) report rising material costs.

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

Current Direction of Key Business Indicators

-- Total --

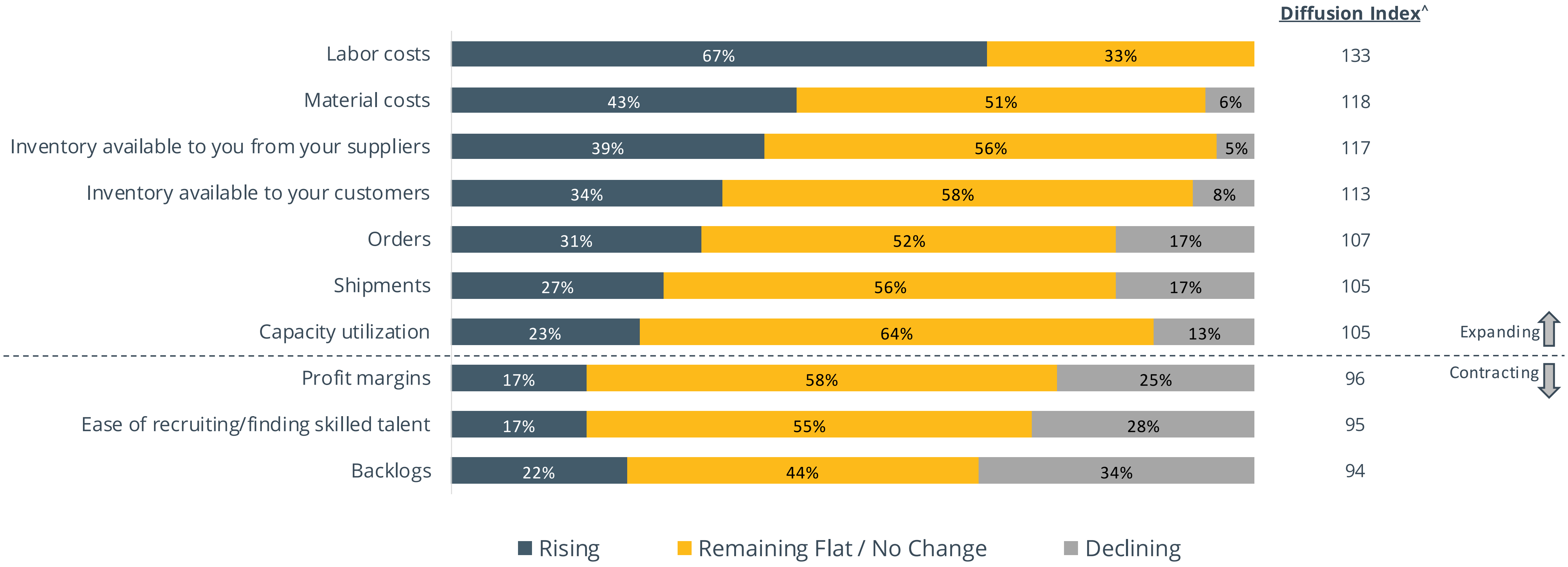


^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in North America

Current Direction of Key Business Indicators

-- Primary Region: North America --



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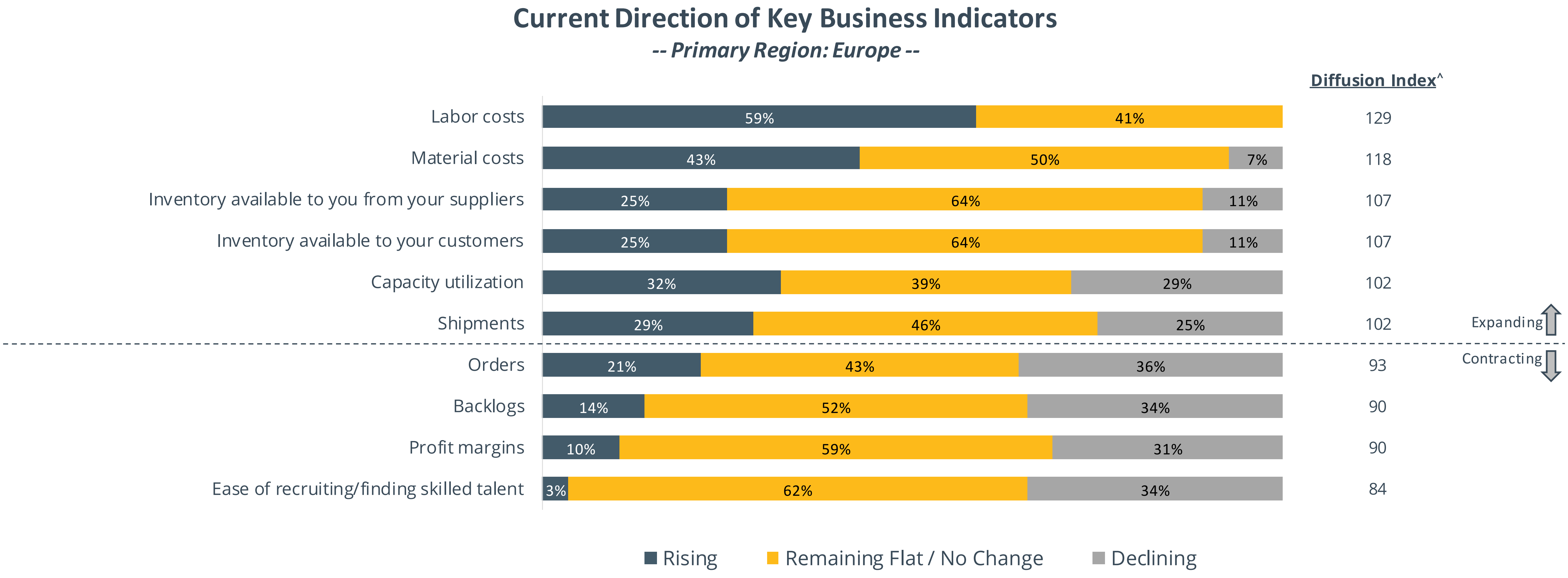
The View From Companies Primarily Operating in Europe



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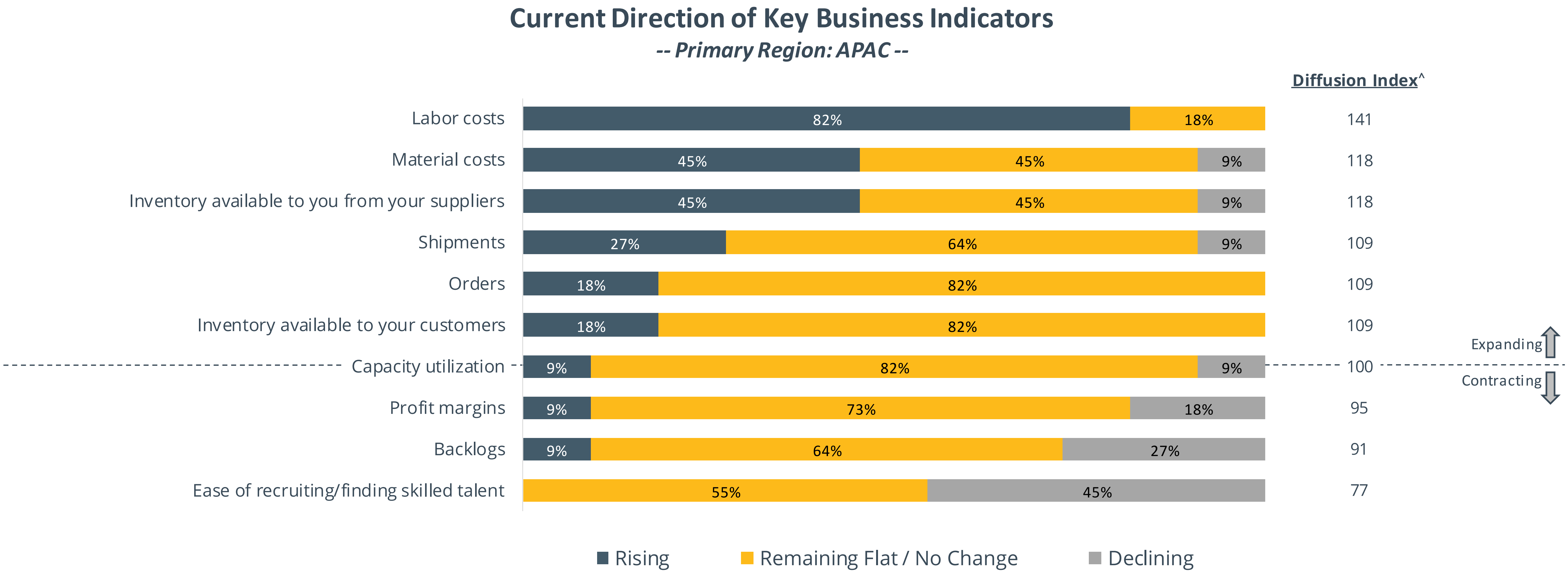
The View From Companies Primarily Operating in APAC



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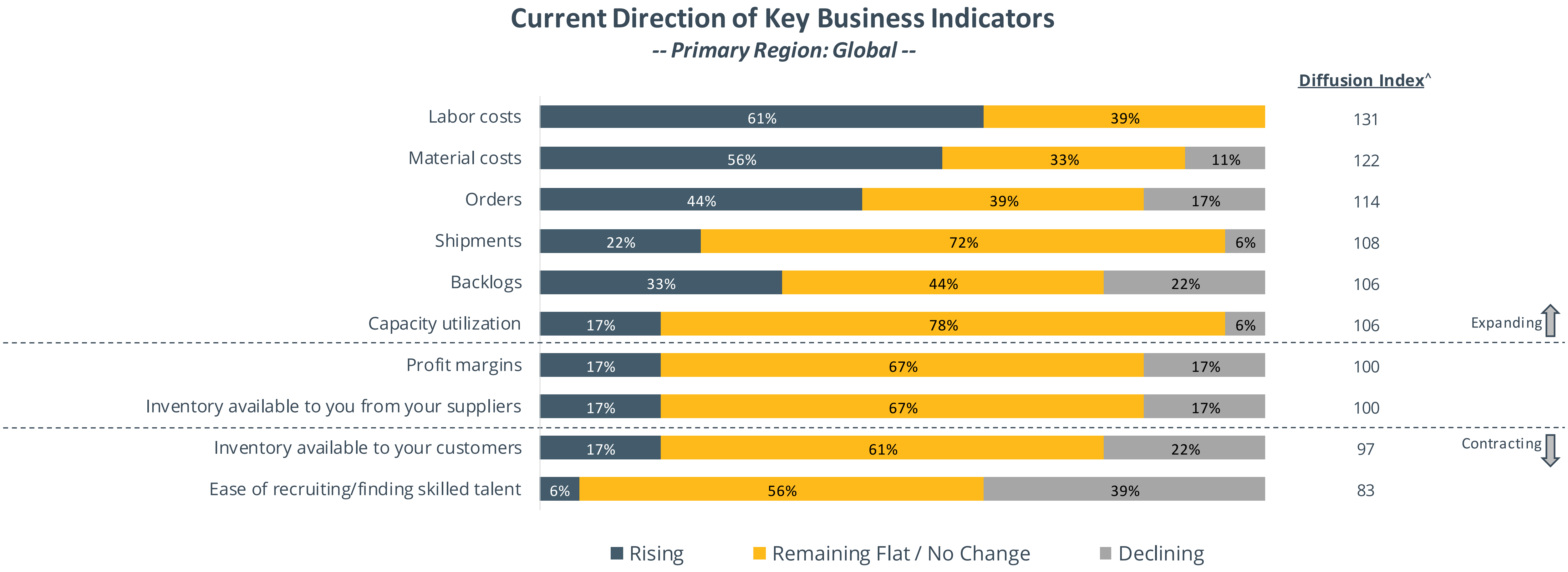
The View From Companies Primarily Operating Globally



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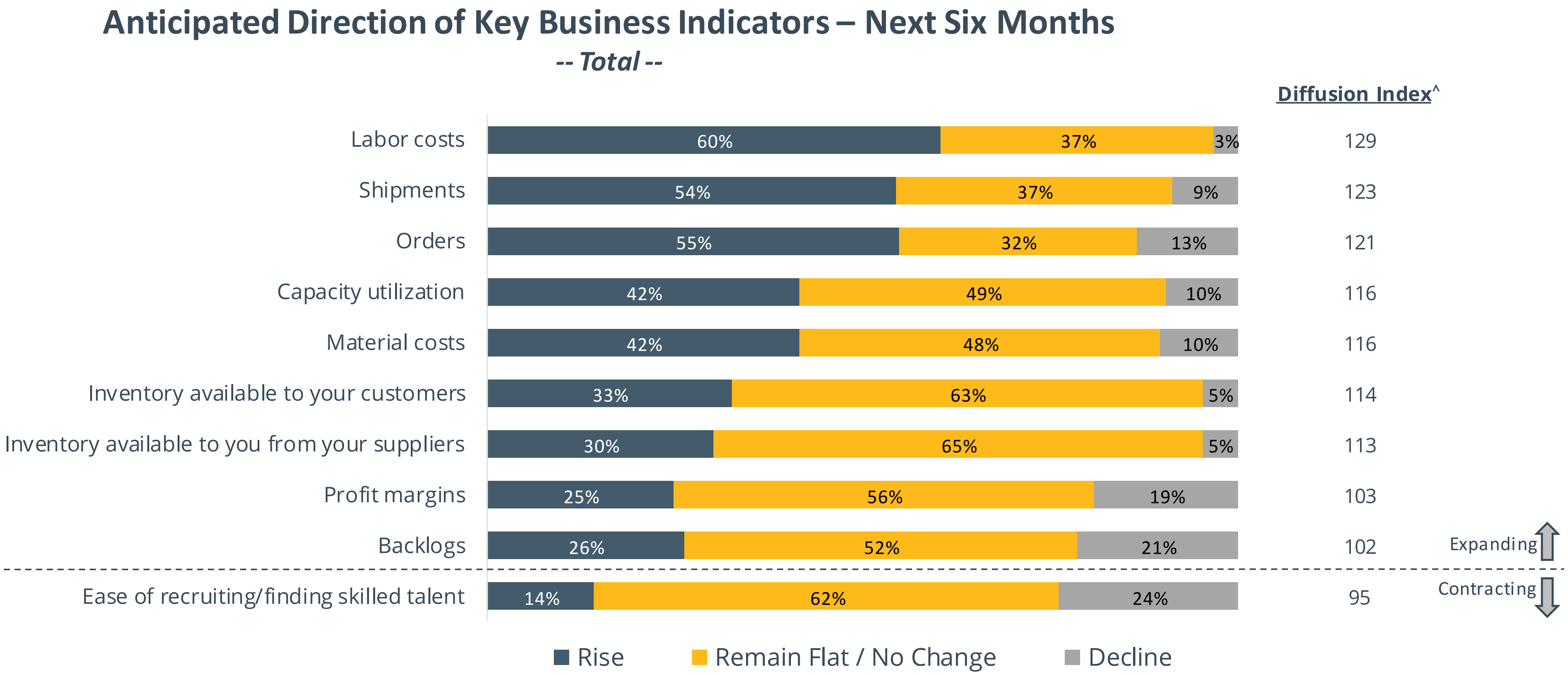
The Outlook for the Next 6 Months

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, while ease of recruitment is likely to remain challenging.

Notably, shipments, orders, capacity utilization, profit margins, and backlogs are all expected to rise.



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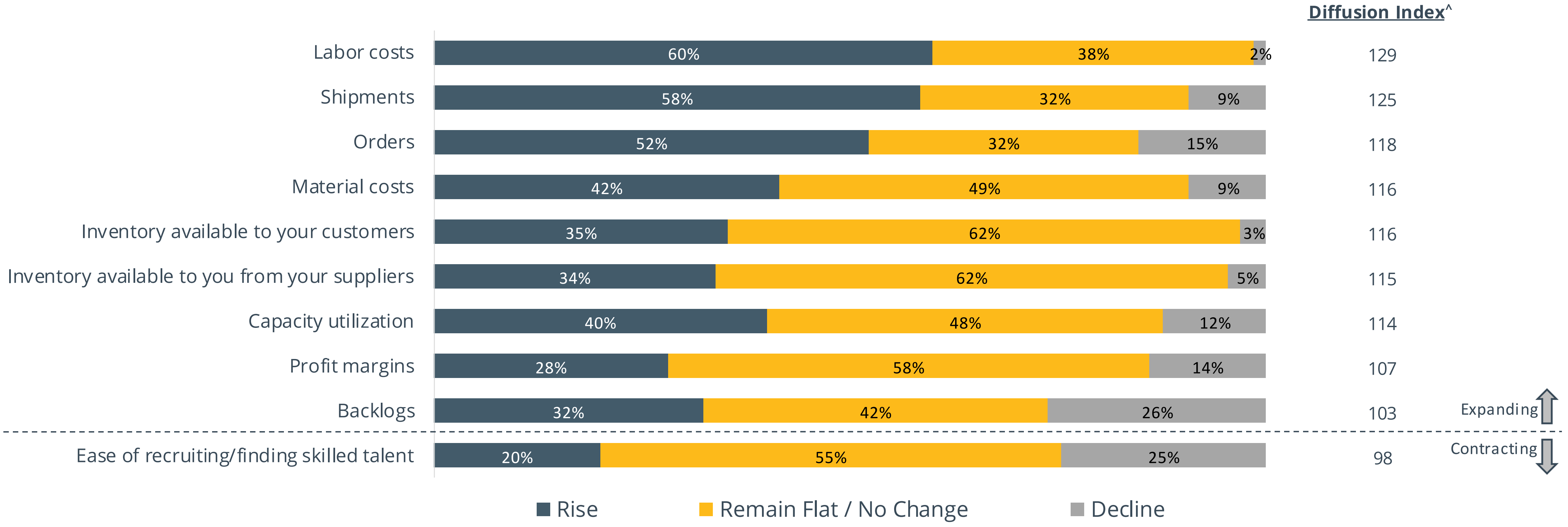
The View From Companies Primarily Operating in North America

Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --



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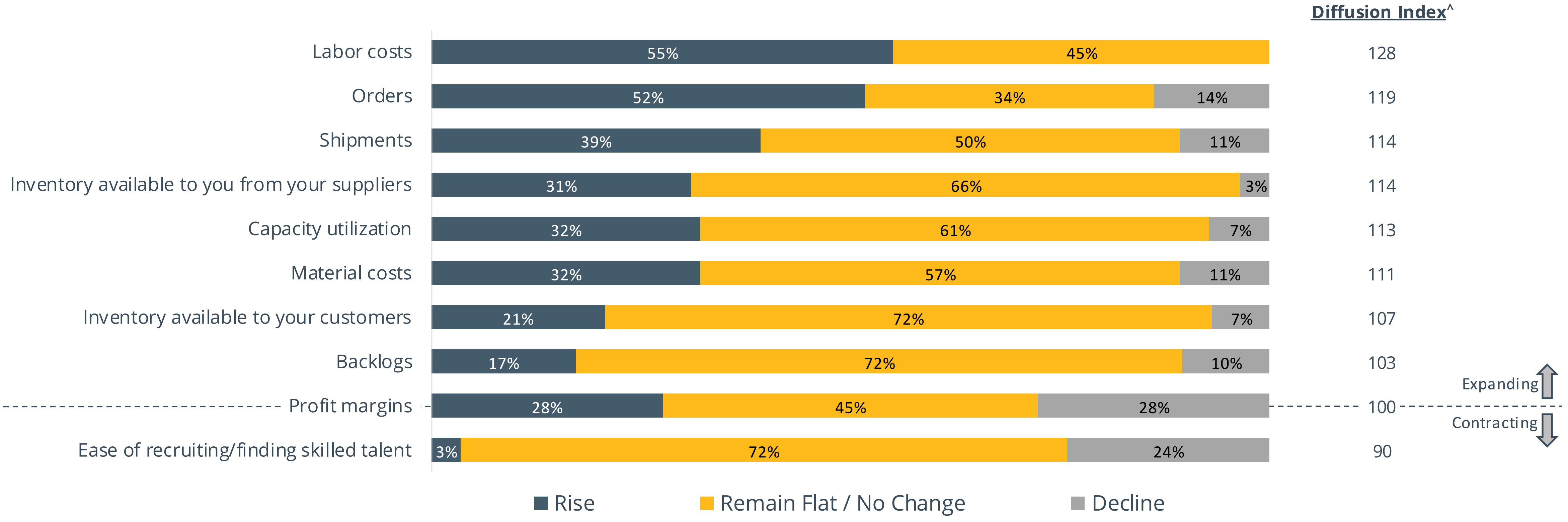
The View From Companies Primarily Operating in Europe

Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Europe --



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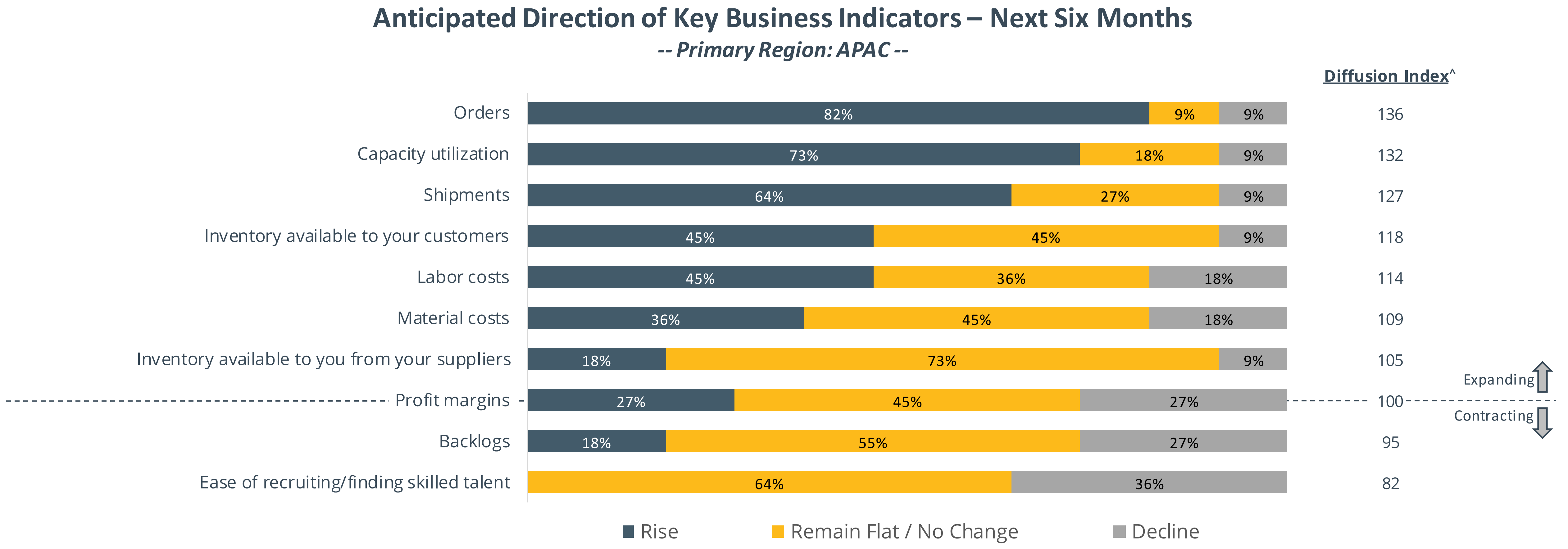
The View From Companies Primarily Operating in APAC



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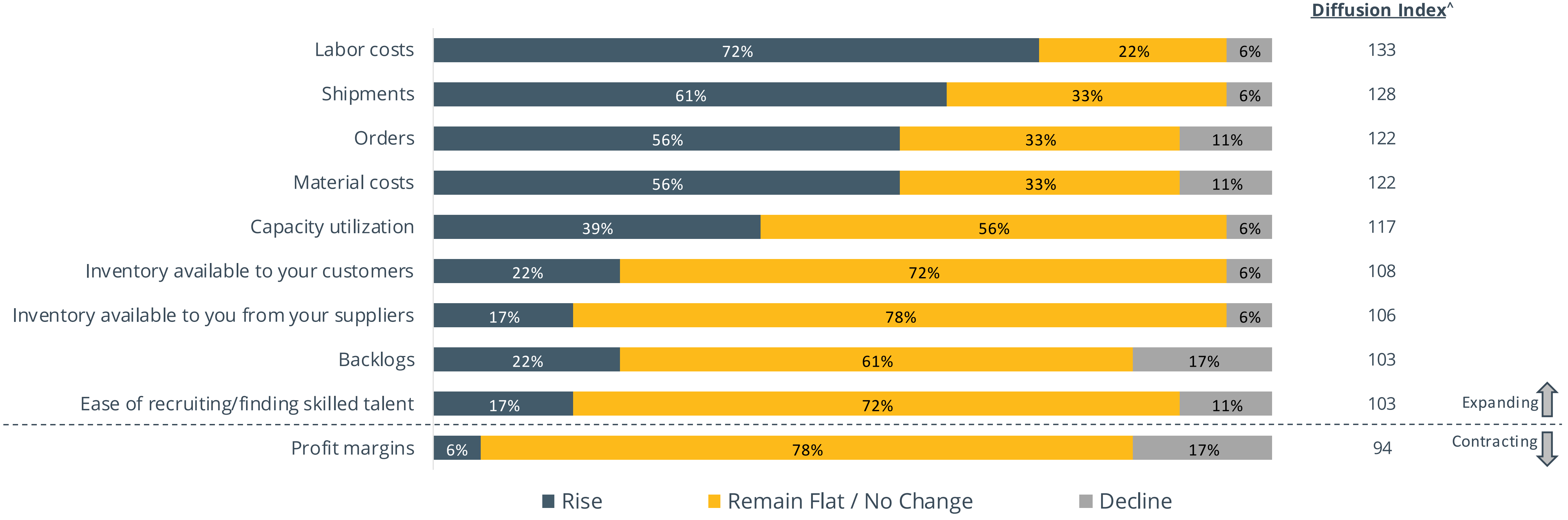
The View From Companies Primarily Operating Globally

Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Global --



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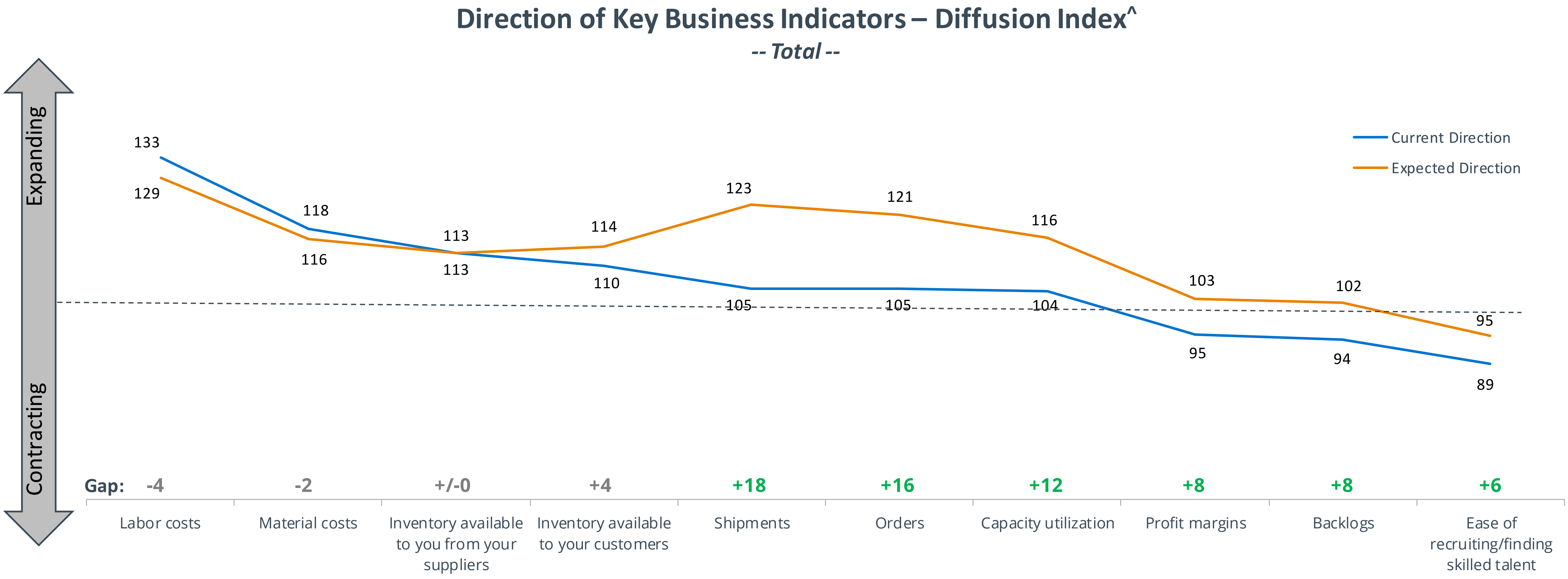
Shipments, Orders, Capacity Utilization, Profit Margins, Backlogs, and Ease of Recruitment are Expected to Rise Over the Next Six Months

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



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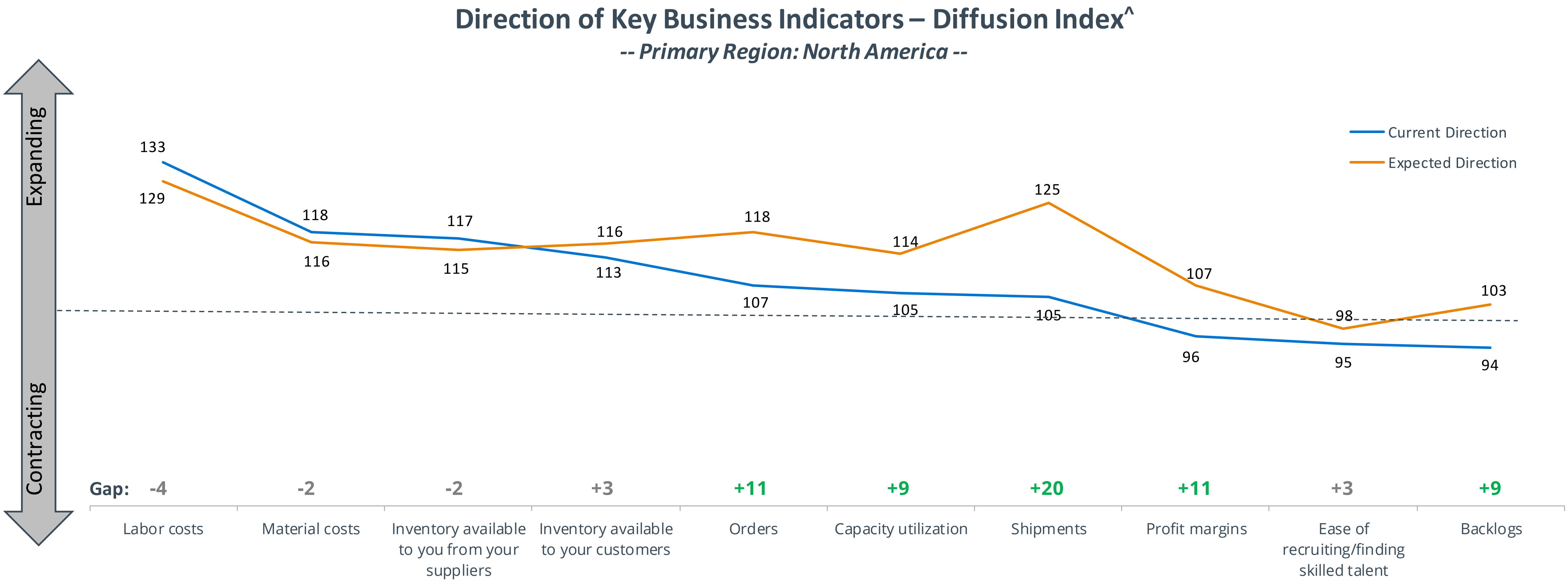
The View From Companies Primarily Operating in North America



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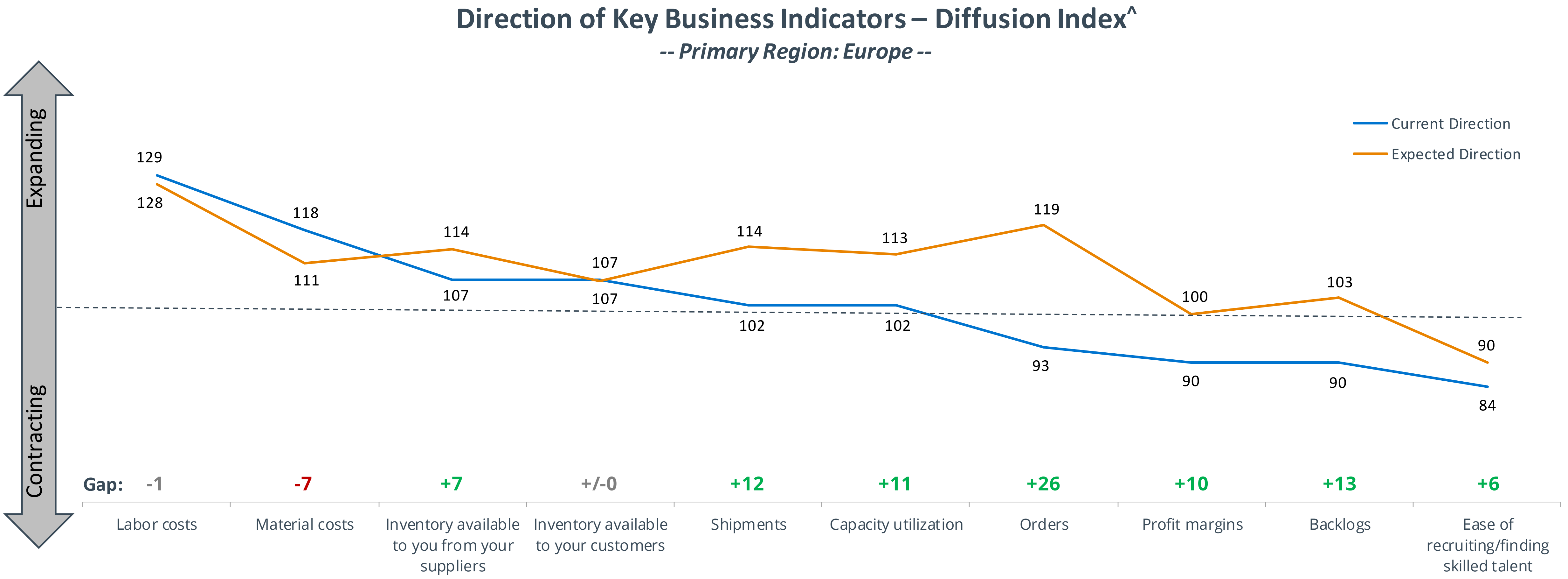
The View From Companies Primarily Operating in Europe



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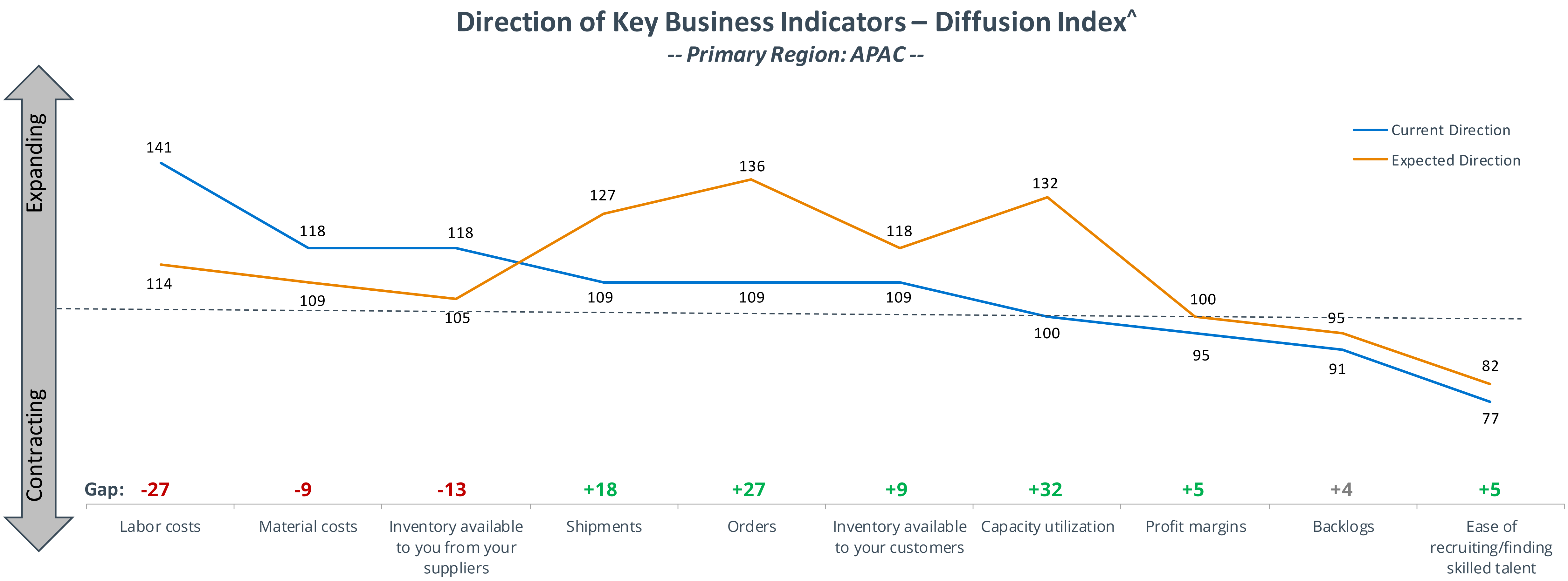
The View From Companies Primarily Operating in APAC



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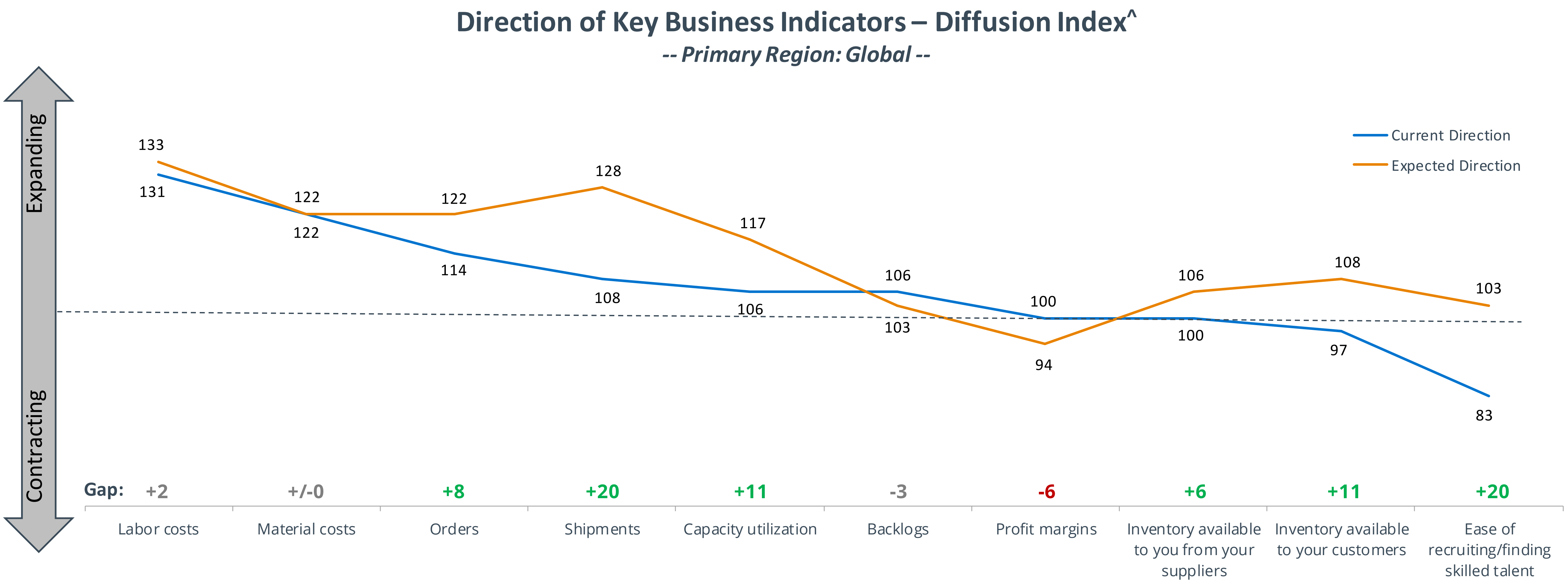
The View From Companies Primarily Operating Globally



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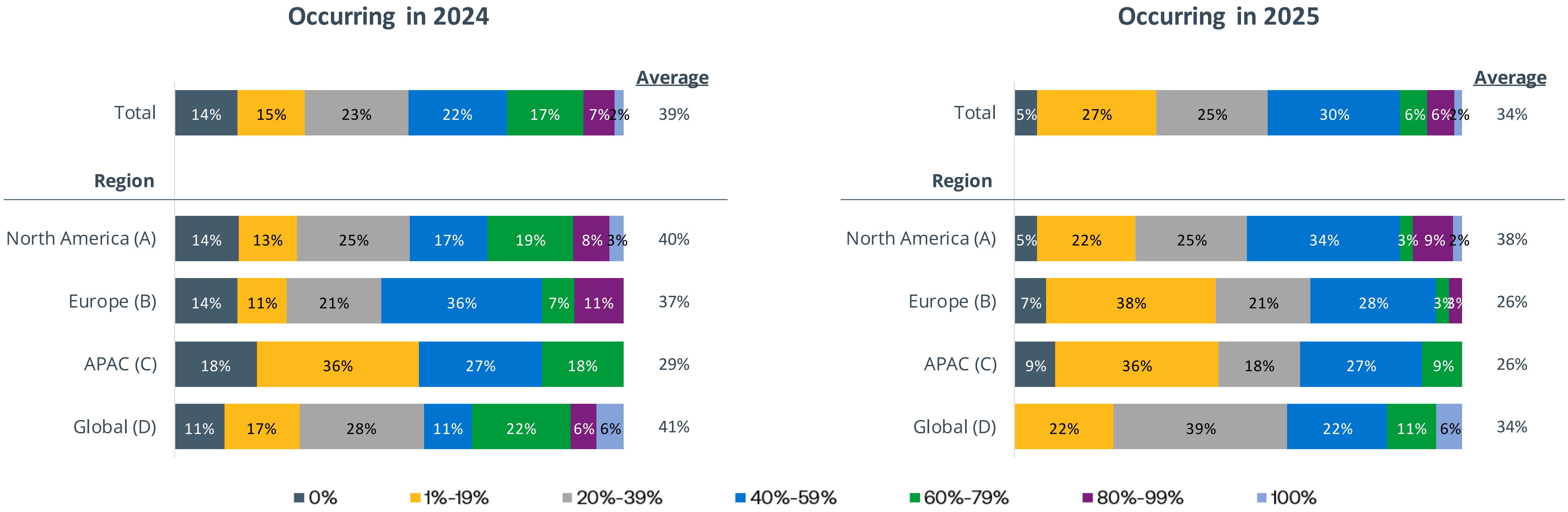
February 2024 Special Questions

Electronics Manufacturers Believe the Probability of a Recession Occurring in 2024 is 39%, on Average, Which Drops Slightly to 34% Likelihood in 2025

Notably, there are no significant differences in expectations surrounding probability of a recession occurring in either 2024 or 2025 across all geographic regions.

Probability of Recession

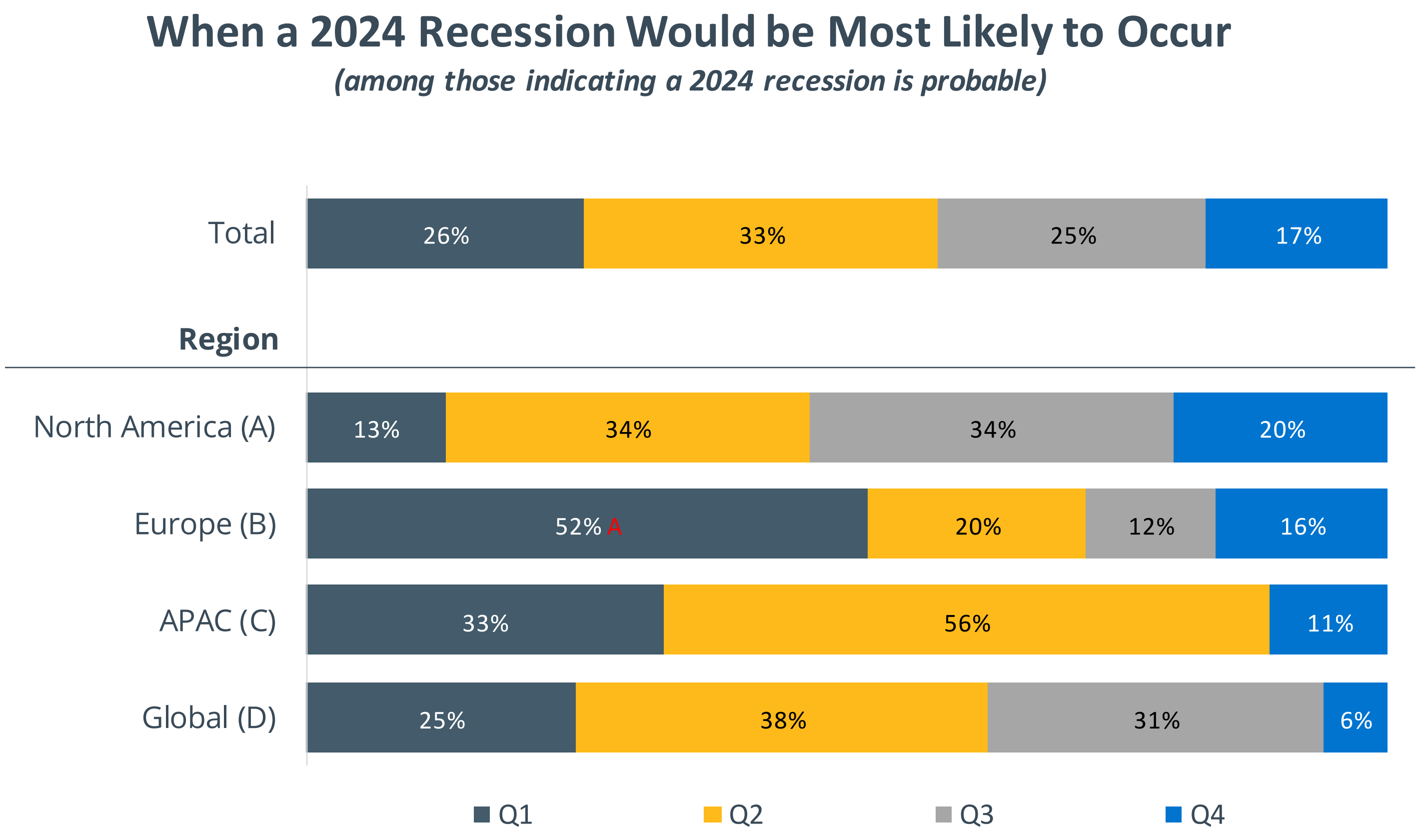


Q. In your opinion, what is the probability of a recession occurring in your home country in 2024? Please provide your response as a percentage (0%-100%).
Q. And, what is the probability of a recession occurring in your home country in 2025? Please provide your response as a percentage (0%-100%).

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

Electronics Manufacturers Who Indicate a Recession is Probable in 2024 Believe it Would be Most Likely to Occur During Q2

Of interest, electronics manufacturers in Europe are more likely to believe a 2024 recession would be most likely to begin in Q1 when compared to those in North America (52% vs. 13%, respectively).



Q. If a recession were to occur this year (2024), in which month do you think it would begin?

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

Appendix

Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)

	February 2023	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024
Shipments	110	111	110	109	108	103	110	106	104	107	105	110	105
Orders	111	112	105	101	107	103	104	101	100	105	101	102	105
Profit margins	86	90	93	95	96	91	96	93	92	94	95	96	95
Backlogs	101	104	97	99	95	93	98	90	91	96	94	94	94
Ease of recruiting/finding skilled talent	84	91	89	92	90	92	92	89	88	87	88	88	89
Material costs	135	133	130	128	126	123	128	124	122	118	119	119	118
Labor costs	137	136	131	128	129	129	133	131	129	130	128	128	133
Capacity utilization	108	110	105	103	108	103	108	104	102	106	106	106	104
Inventory available to you from your suppliers	102	106	108	110	112	112	110	109	111	112	111	116	113
Inventory available to your customers	106	108	111	116	115	109	109	108	108	107	110	118	110

△+5 points or more vs. previous month

△-5 points or more vs. previous month

Outlook Diffusion Indices

Past 12 Month Comparisons (TOTAL)

	February 2023	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024
Shipments	119	116	118	118	112	115	117	110	114	116	116	117	123
Orders	116	114	118	111	111	116	117	113	114	114	116	120	121
Profit margins	100	98	98	99	99	96	104	100	100	102	100	105	103
Backlogs	97	100	95	93	92	98	100	95	97	104	97	97	102
Ease of recruiting/finding skilled talent	95	93	95	95	93	95	95	91	91	89	93	94	95
Material costs	127	128	126	122	123	120	123	122	120	116	116	116	116
Labor costs	133	134	132	124	128	126	126	129	128	132	130	129	129
Capacity utilization	115	115	112	110	111	113	115	114	111	114	114	117	116
Inventory available to you from your suppliers	113	112	113	113	113	118	113	113	113	112	114	116	113
Inventory available to your customers	114	111	110	114	111	117	112	112	112	111	115	117	114

△+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 January 15 and January 31, 2024.

Questions? Please contact:

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