



BUILD ELECTRONICS BETTER

The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

March 2022

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Executive Summary



- > Sentiment improved subtly this month and in ways that suggest supply chain constraints are continuing to dissipate
 - Orders strengthened, inventory available to customers shot up, and backlogs improved
- > Labor costs and material costs remain high
 - There has been no change in the perception of labor costs and material costs. More than three-fourths of electronics manufacturers are currently experiencing rising material and labor costs.
- > Looking ahead over the next six months, manufacturers expect to see continued increase in material and labor costs.
 - Ease of recruiting/finding skilled talent is expected to remain challenging, with persisting declines in inventory available from suppliers and profit margins.
 - Expectations for future outlook are at parity between regions with no significant differences to report across all key business indicators.
- > This month we asked manufacturers to characterize lead times since the start of the pandemic
 - Manufacturers report longer lead times for parts and components, with nearly half reporting that lead times have increased from 1-3 months
 - Roughly 44% report the lead time for manufacturing equipment has lengthened from 1-3 months since the start of the pandemic. Roughly 17% report lead times for equipment have not changed.

Current Conditions for the Electronics Supply Chain Remain Challenging

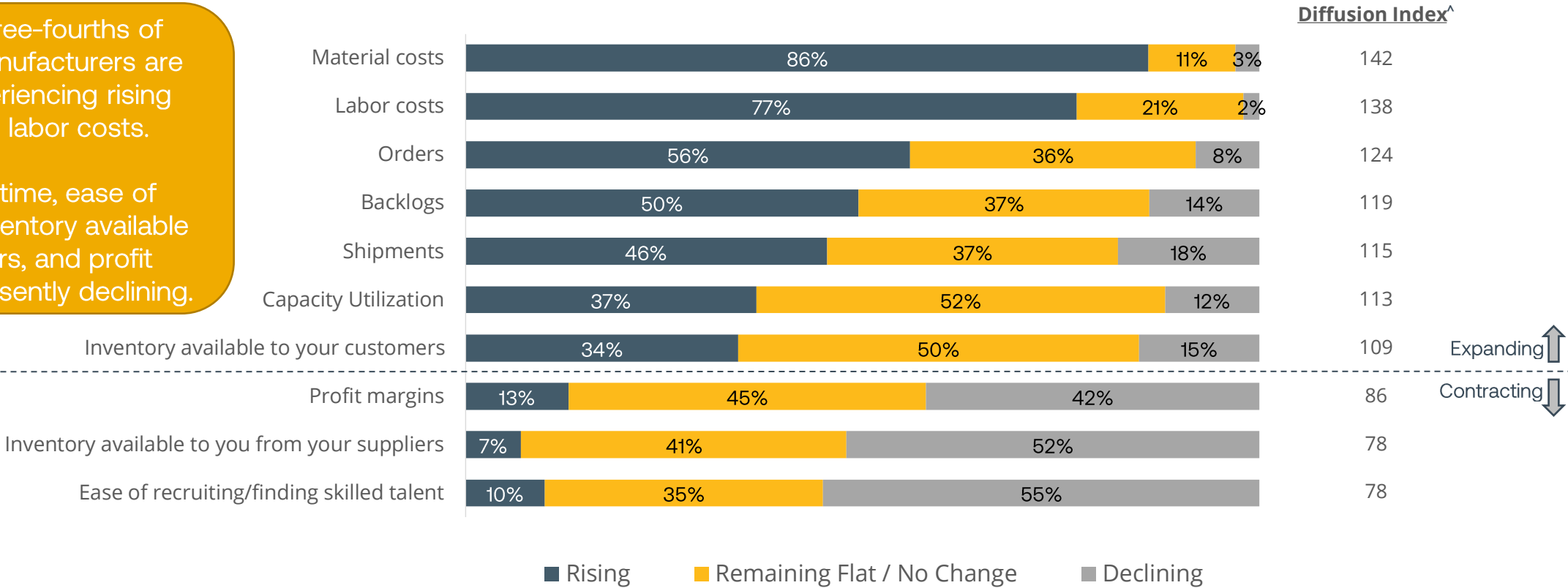


More than three-fourths of electronics manufacturers are currently experiencing rising material and labor costs.

At the same time, ease of recruitment, inventory available from suppliers, 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.

Regional Differences in Current Conditions



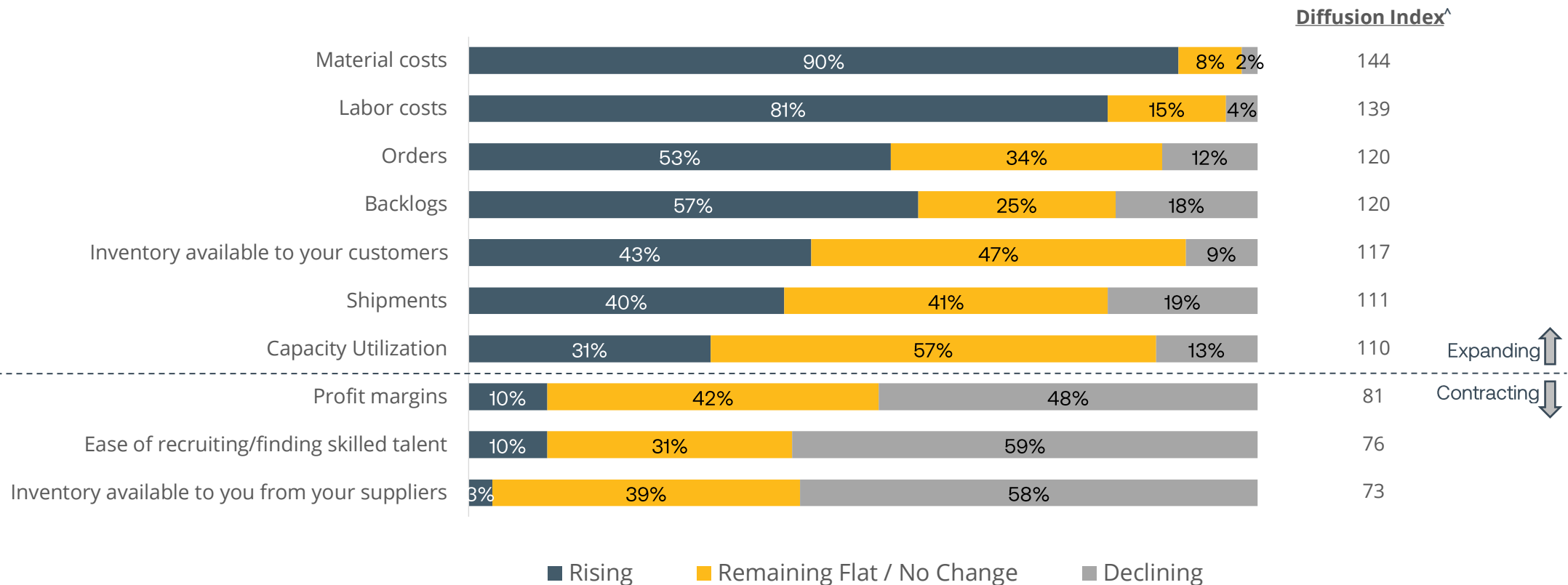
- **Material costs are currently rising at a higher rate for firms operating in North America vs. those in APAC.**
 - Among North American firms, 90% are experiencing rising material costs, which compares to 72% in APAC.
- **Firms operating Globally are seeing a quicker rate of improvement in terms of inventory available from suppliers compared to those in North America.**
 - While 18% of Global manufacturers report rising inventory available from suppliers, a significantly lower 3% indicate inventories are rising in North America.

The View From Companies Primarily Operating in North America



Current Direction of Key Business Indicators

-- Primary Region: North America --

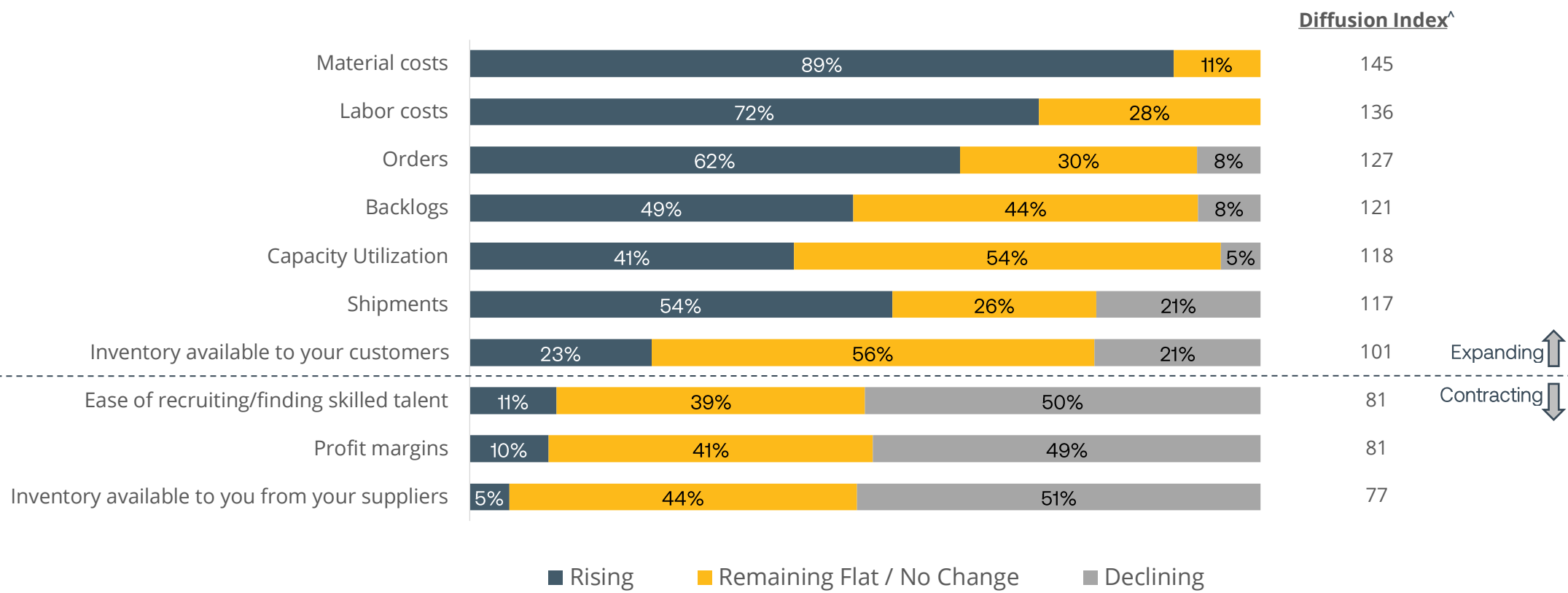


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The View From Companies Primarily Operating in Europe



Current Direction of Key Business Indicators -- Primary Region: Europe --



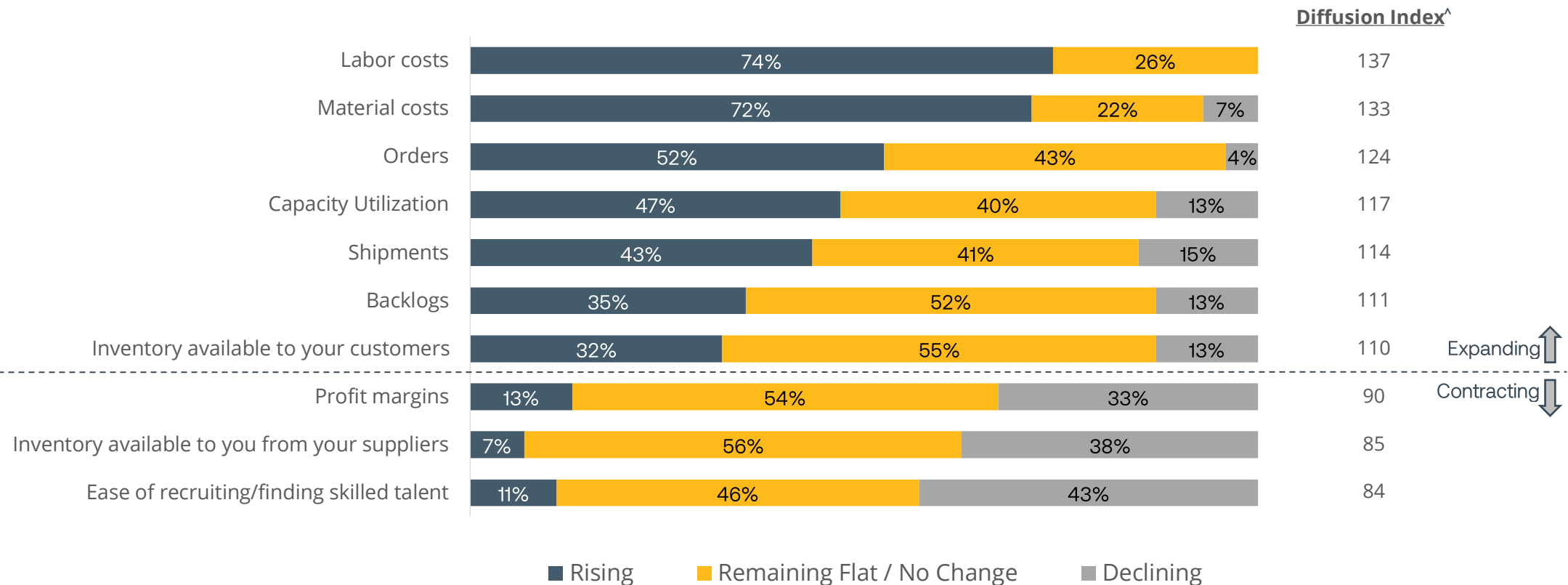
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The View From Companies Primarily Operating in APAC



Current Direction of Key Business Indicators

-- Primary Region: APAC --



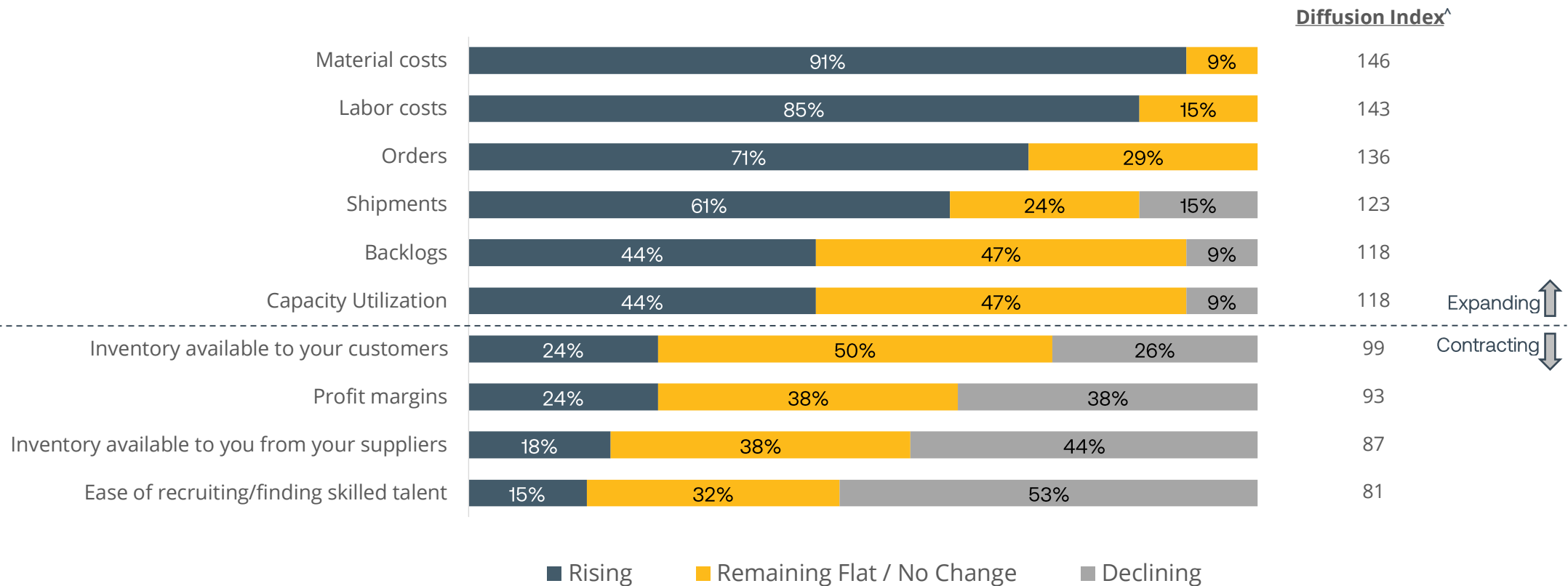
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The View From Companies Primarily Operating Globally



Current Direction of Key Business Indicators

-- Primary Region: Global --



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The Outlook for the Next 6 Months: Continued Challenging Conditions

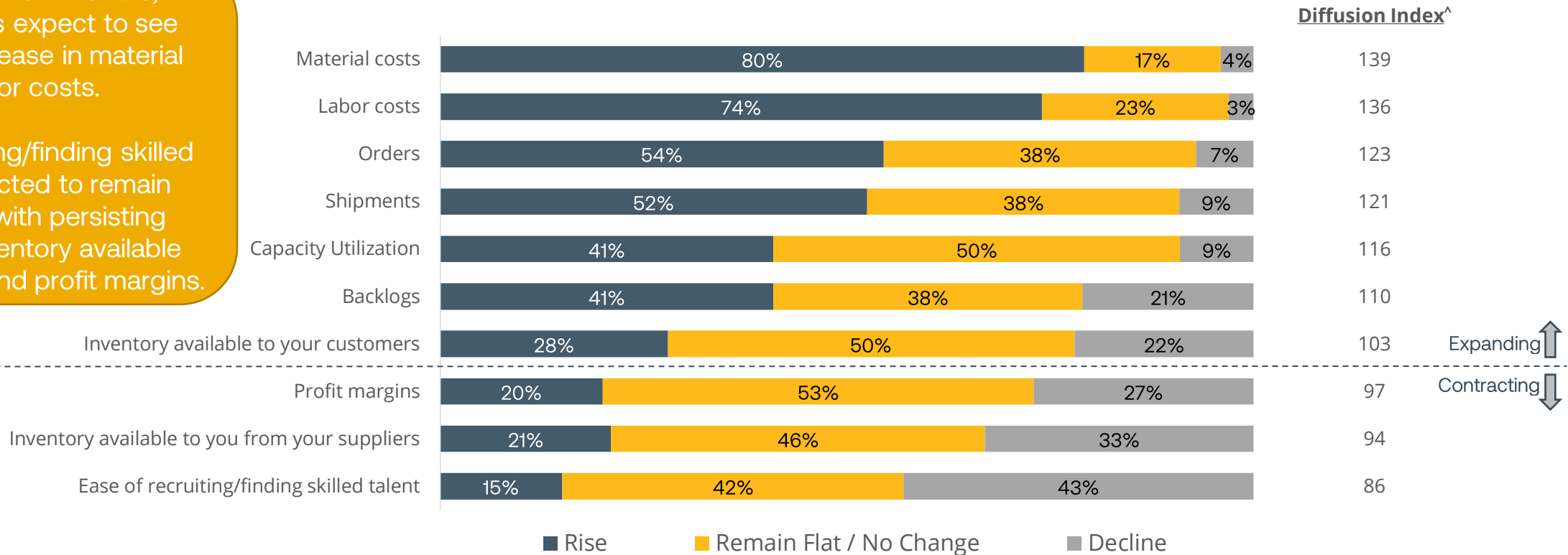


Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --

Over the next six months, manufacturers expect to see continued increase in material and labor costs.

Ease of recruiting/finding skilled talent is expected to remain challenging, with persisting declines in inventory available from suppliers and profit margins.



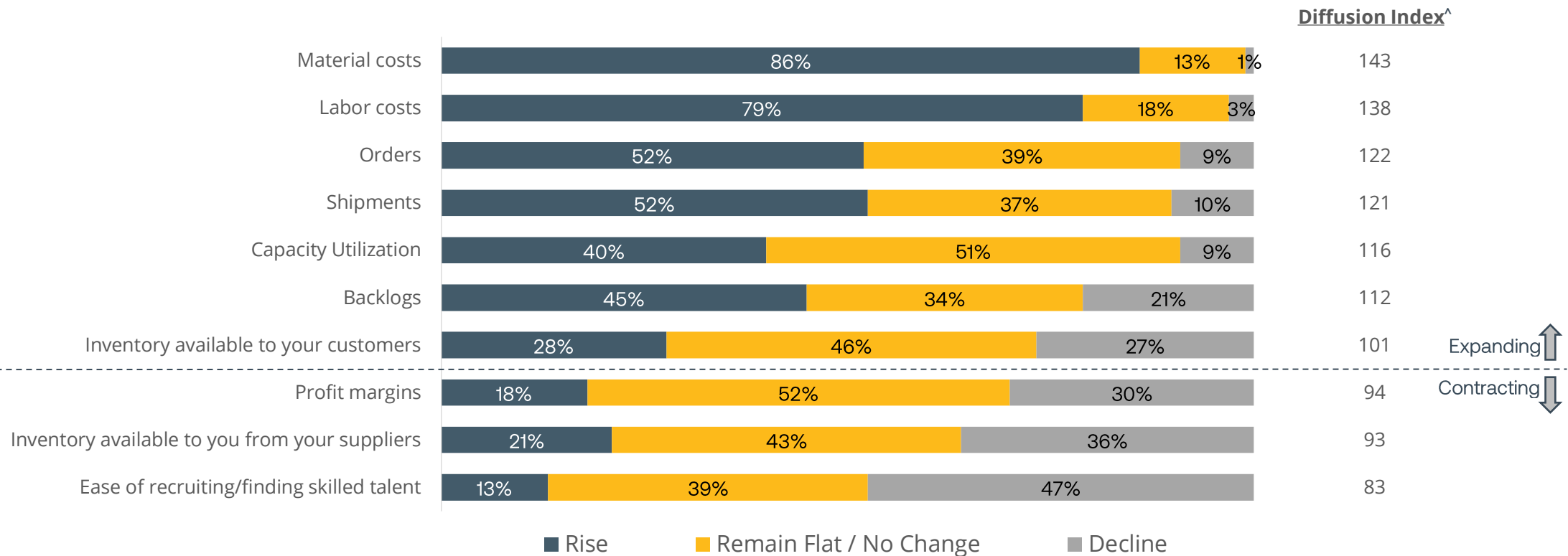
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The View From Companies Primarily Operating in North America



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --



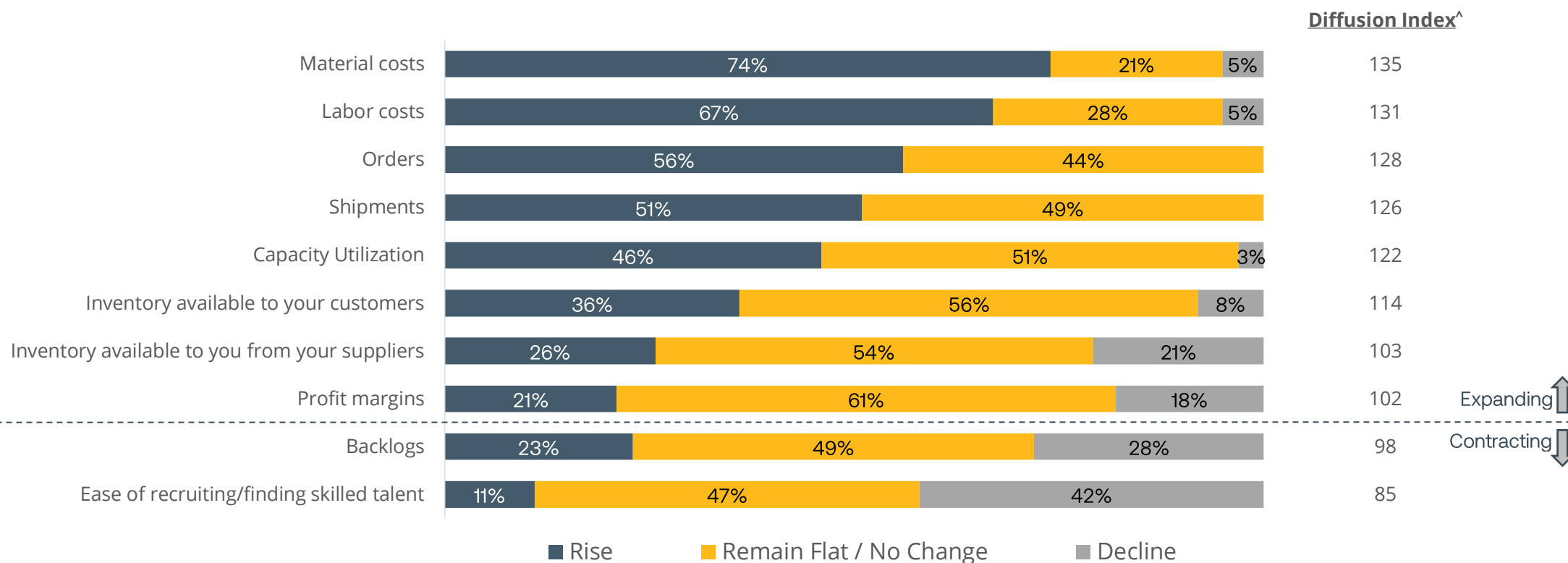
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The View From Companies Primarily Operating in Europe



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Europe --



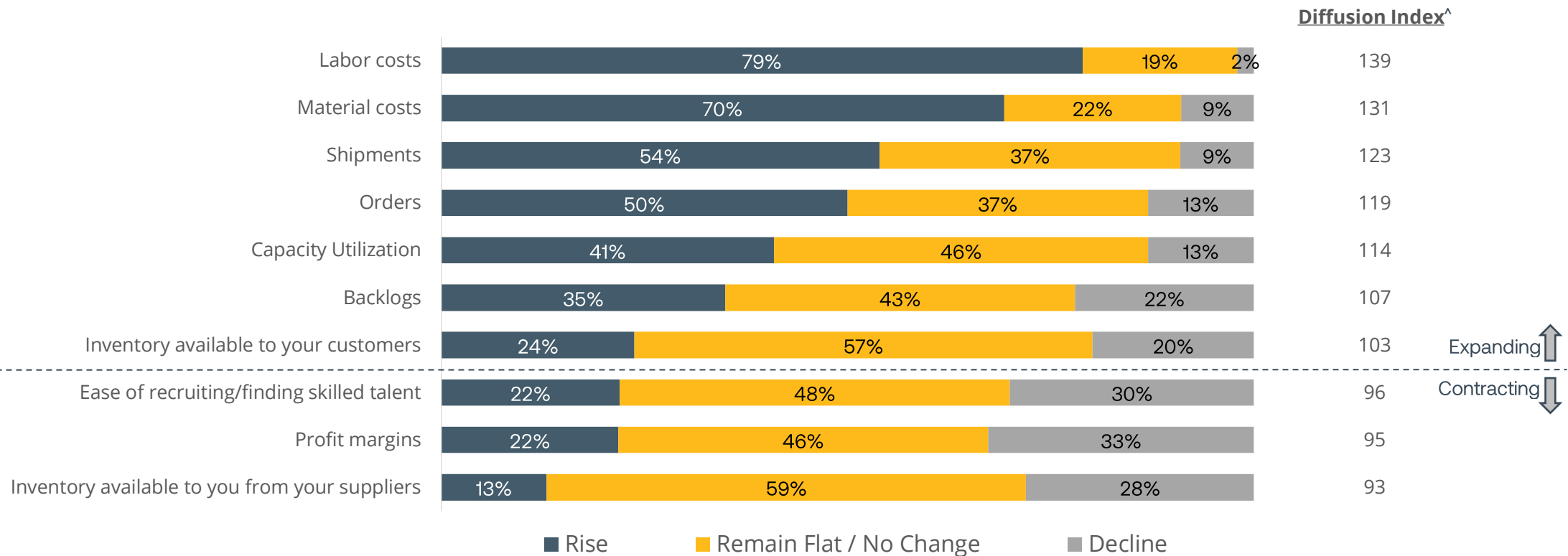
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The View From Companies Primarily Operating in APAC



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: APAC --



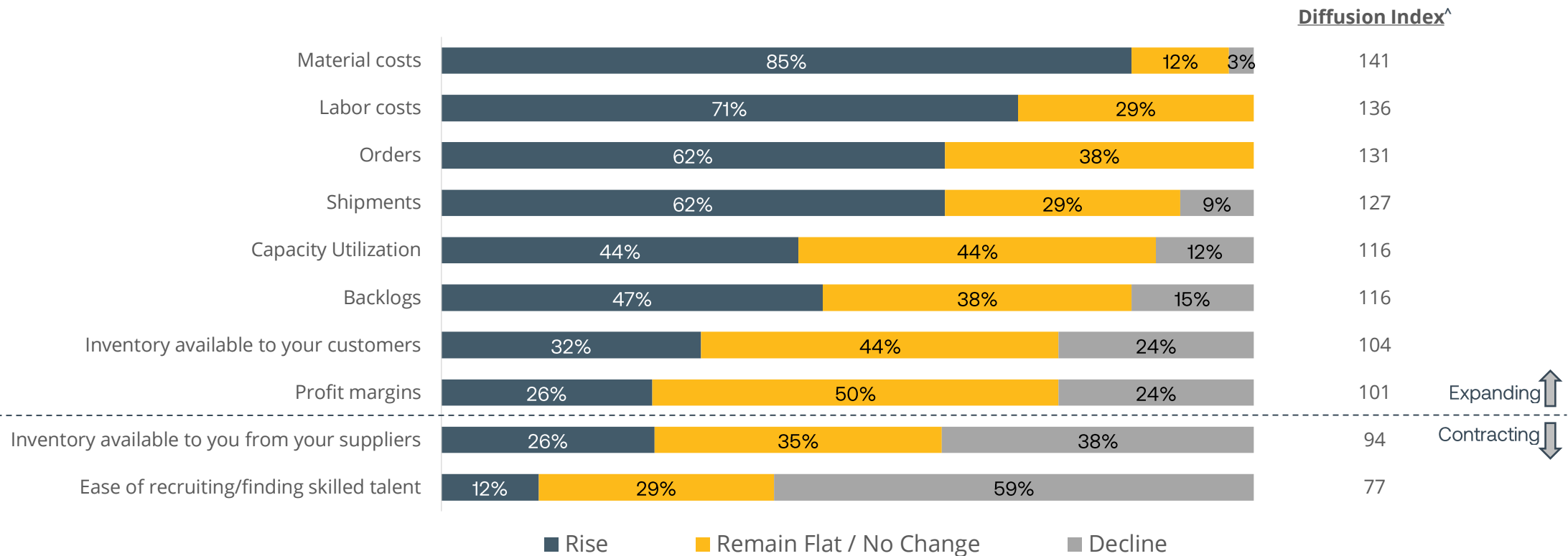
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The View From Companies Primarily Operating Globally



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Global --



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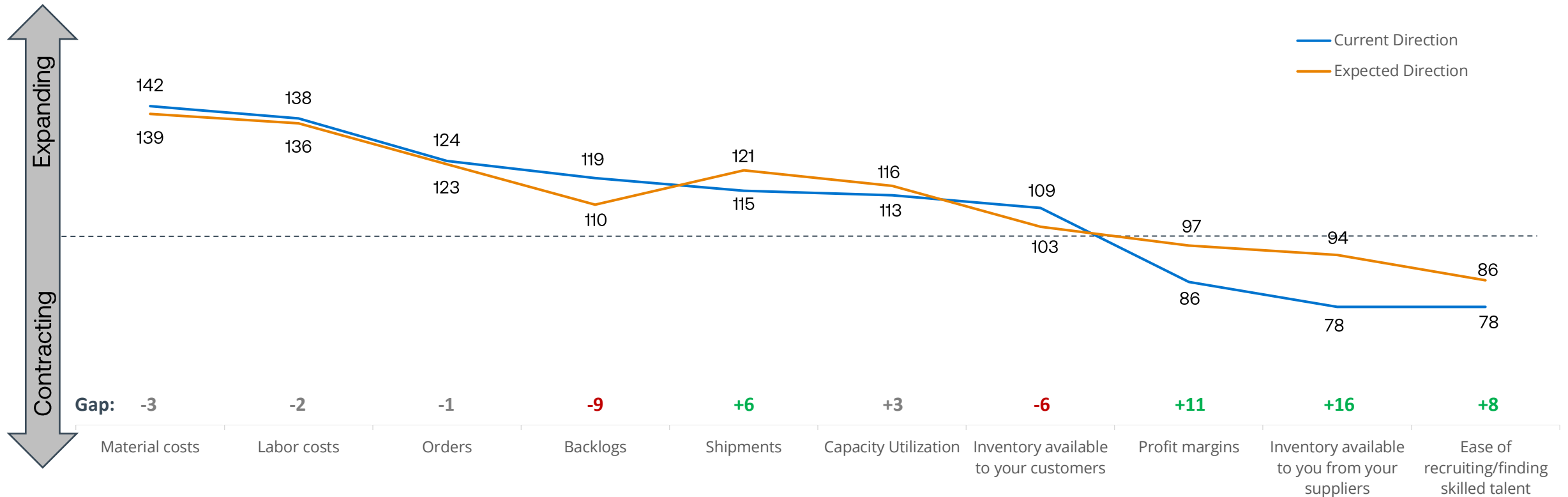
Material Costs, Labor Costs, Orders, and Capacity Utilization are Expected to Remain Relatively Stable in the Next Six Months



Although manufacturers anticipate backlogs and inventory available to customers to decline, they do expect to see some level of improvement regarding inventory available from suppliers, profit margins, ease of recruitment, and shipments.

Direction of Key Business Indicators – Diffusion Index[^]

-- Total --



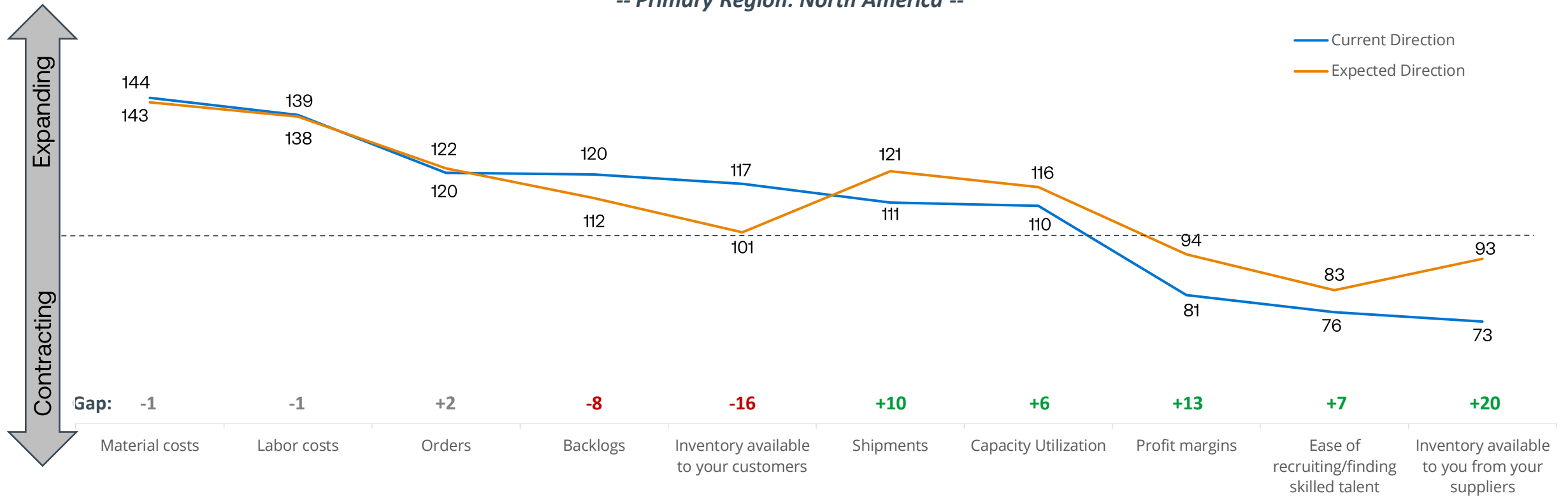
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The View From Companies Primarily Operating in North America



Direction of Key Business Indicators – Diffusion Index[^]

-- Primary Region: North America --



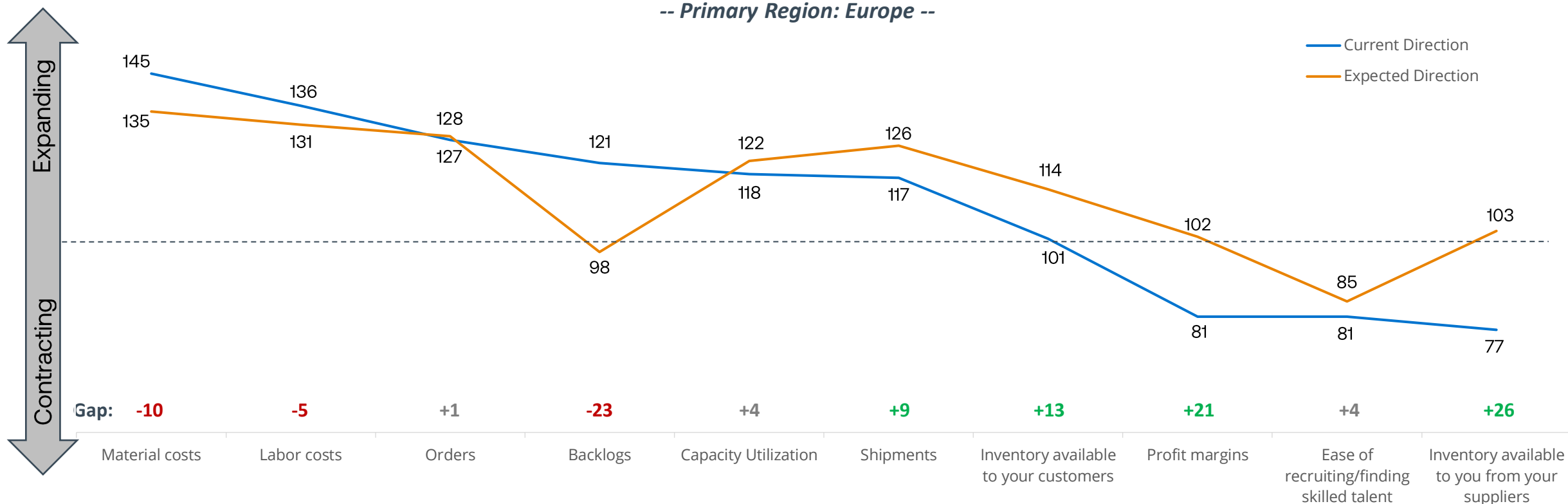
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The View From Companies Primarily Operating in Europe



Direction of Key Business Indicators – Diffusion Index[^]

-- Primary Region: Europe --



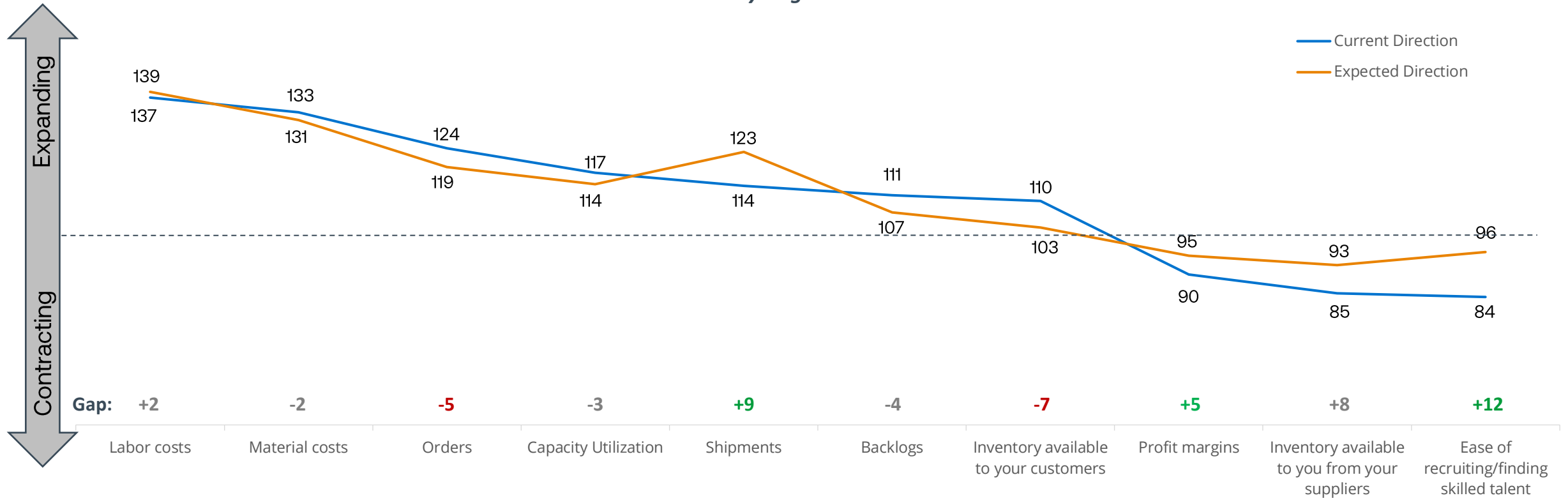
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The View From Companies Primarily Operating in APAC



Direction of Key Business Indicators – Diffusion Index[^]

-- Primary Region: APAC --

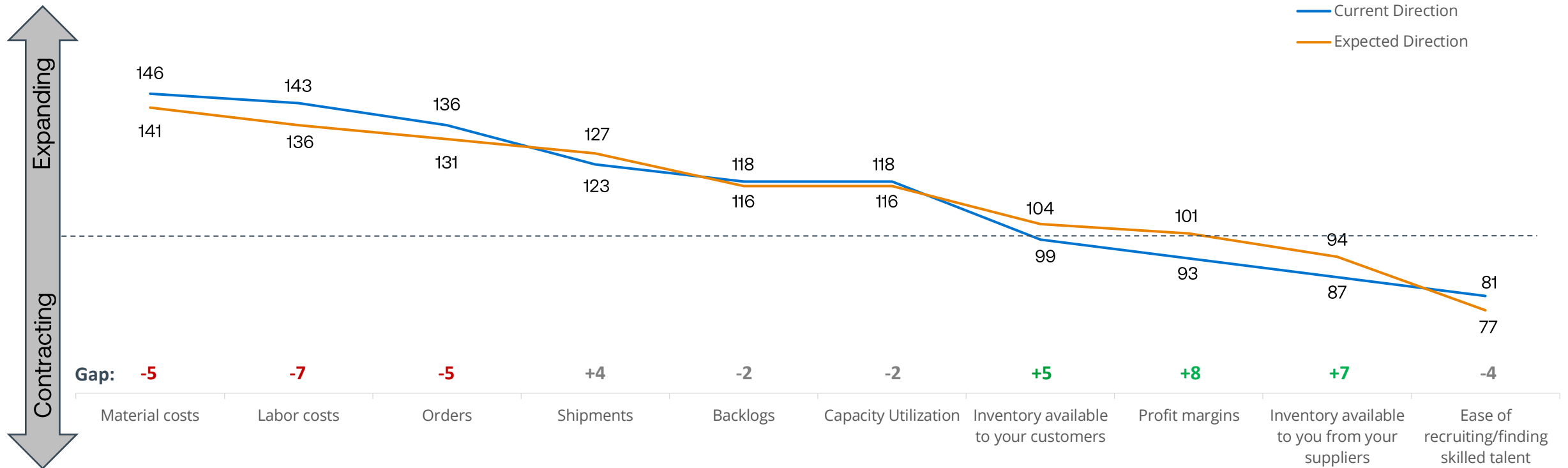


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The View From Companies Primarily Operating Globally



Direction of Key Business Indicators – Diffusion Index[^]
 -- Primary Region: Global --



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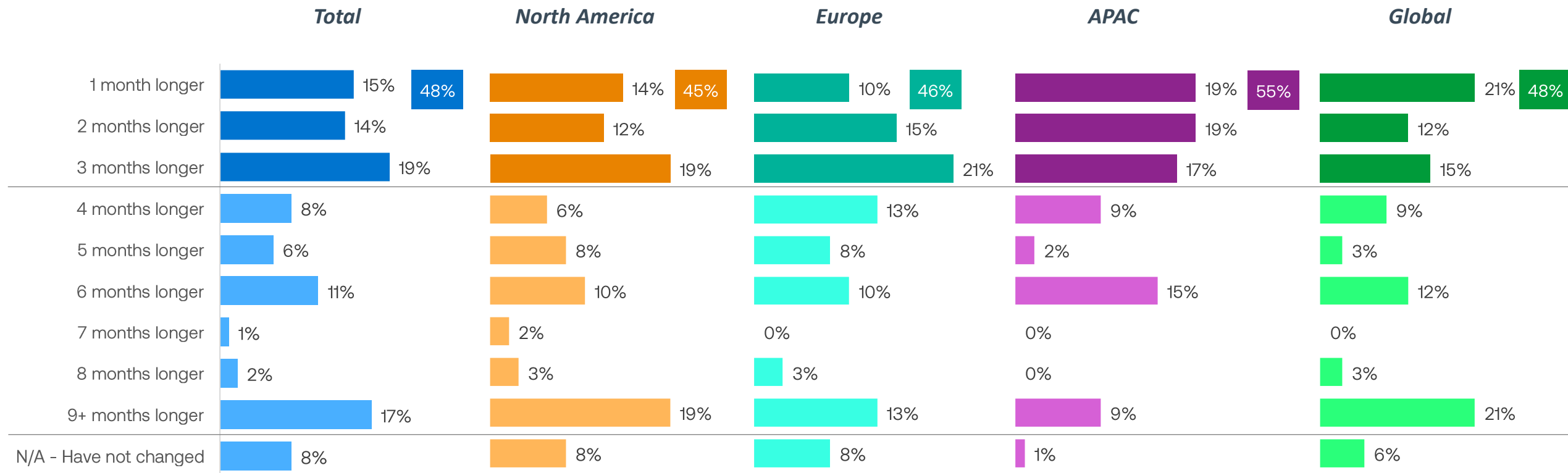
March 2022 Special Questions

More Than Nine in Ten Manufacturers Have Experienced an Increase in Lead Times for Parts and Components Since the Start of the Pandemic, With Approximately Half Indicating an Increase of 1-3 Months



Notably, fewer than one in ten manufacturers indicate lead times for parts and components have not changed, with no significant differences between regions.

Change in Lead Times for Parts and Components Since Start of Pandemic

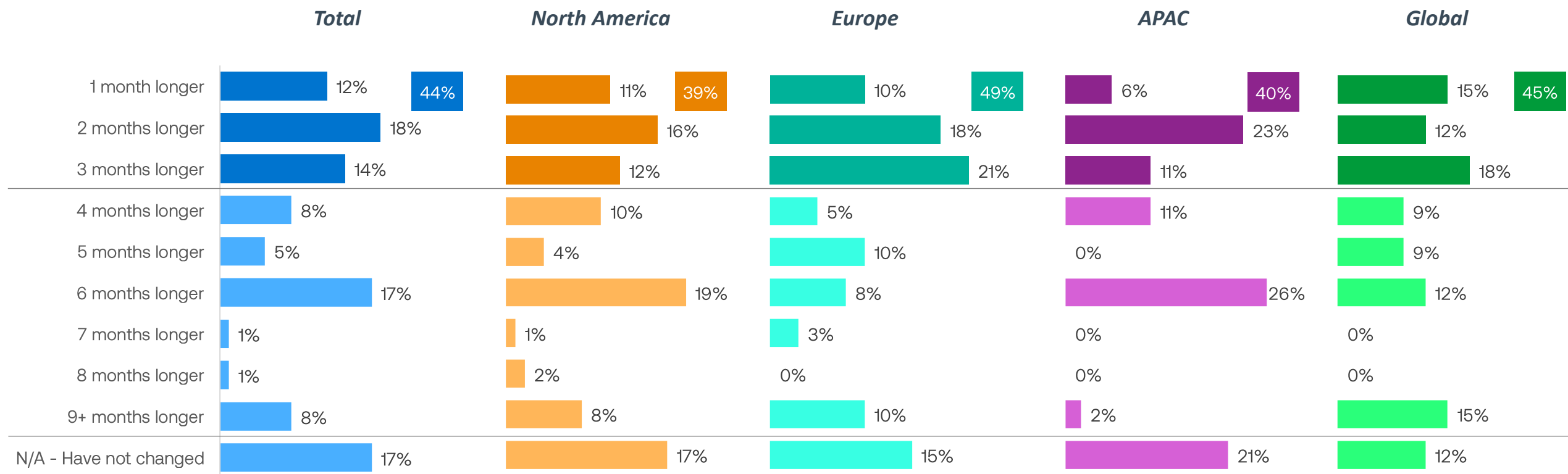


Impact on Lead Times for Manufacturing Equipment Has Been Slightly Less Pronounced Since the Start of the Pandemic



Approximately two-fifths of manufacturers report an increase in lead times of 1-3 months, while one-fifth indicate no change, again, with no significant differences by region.

Change in Lead Times for Manufacturing Equipment Since Start of Pandemic



Appendix

Current Conditions Diffusion Indices

Month-to-Month Comparisons



	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022
Material costs	144	144	145	145	143	142
Labor costs	133	136	135	137	138	138
Orders	127	124	123	123	120	124
Backlogs	125	122	124	124	122	119
Sales*	124	123	122	--	--	--
Shipments [^]	--	--	--	117	112	115
Capacity utilization	114	115	110	114	111	113
Profit margins	96	91	90	87	82	86
Inventory available to your customers	89	92	87	91	88	109
Ease of recruiting/finding skilled talent	77	80	77	78	80	78
Inventory available to you from your suppliers	73	78	73	77	78	78

Δ+5 points or more vs. previous month

Δ-5 points or more vs. previous month

*Removed January 2022

[^]Added January 2022

Outlook Diffusion Indices

Month-to-Month Comparisons



	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022
Material costs	136	139	138	139	142	139
Labor costs	131	135	133	133	137	136
Orders	126	128	126	125	121	123
Backlogs	112	116	116	120	113	110
Sales*	128	129	127	--	--	--
Shipments^	--	--	--	120	119	121
Capacity utilization	119	118	116	118	118	116
Profit margins	103	100	96	92	94	97
Inventory available to your customers	100	100	99	97	99	103
Ease of recruiting/finding skilled talent	91	88	86	82	87	86
Inventory available to you from your suppliers	95	92	88	90	93	94

*Removed January 2022

^Added January 2022

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 7 to February 25, 2022.



Questions? Please contact:

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