BUILD ELECTRONICS BETTER

The Current Sentiment of the Wire Harness Industry

Wire Harness and Cable Assembly Manufacturer Results

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, shipments improved, backlogs improved, and inventory available to customers shot up
- Labor costs and material costs remain high
  - Nine in ten wire harness and cable assembly manufacturers are currently experiencing rising material costs, with more than four-fifths reporting rising labor costs.
- Looking ahead over the next six months, wire harness and cable assembly manufacturers are more optimistic than the overall electronics manufacturing sector
  - wire harness and cable assembly manufacturers expect orders, shipments, capacity utilization, and inventory available to customers to continue to rise.
  - At the same time, executives also expect to see continued increases 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.
- This month we asked manufacturers to characterize lead times since the start of the pandemic
  - wire harness and cable assembly manufacturers report longer lead times for parts and components, with 63% reporting lead times have increased from 1-3 months, compared to 48% of the overall electronics manufacturing industry
  - Roughly 45% report the lead time for manufacturing equipment has lengthened from 1-3 months since the start of the pandemic. Roughly 18% report lead times for equipment have not changed.

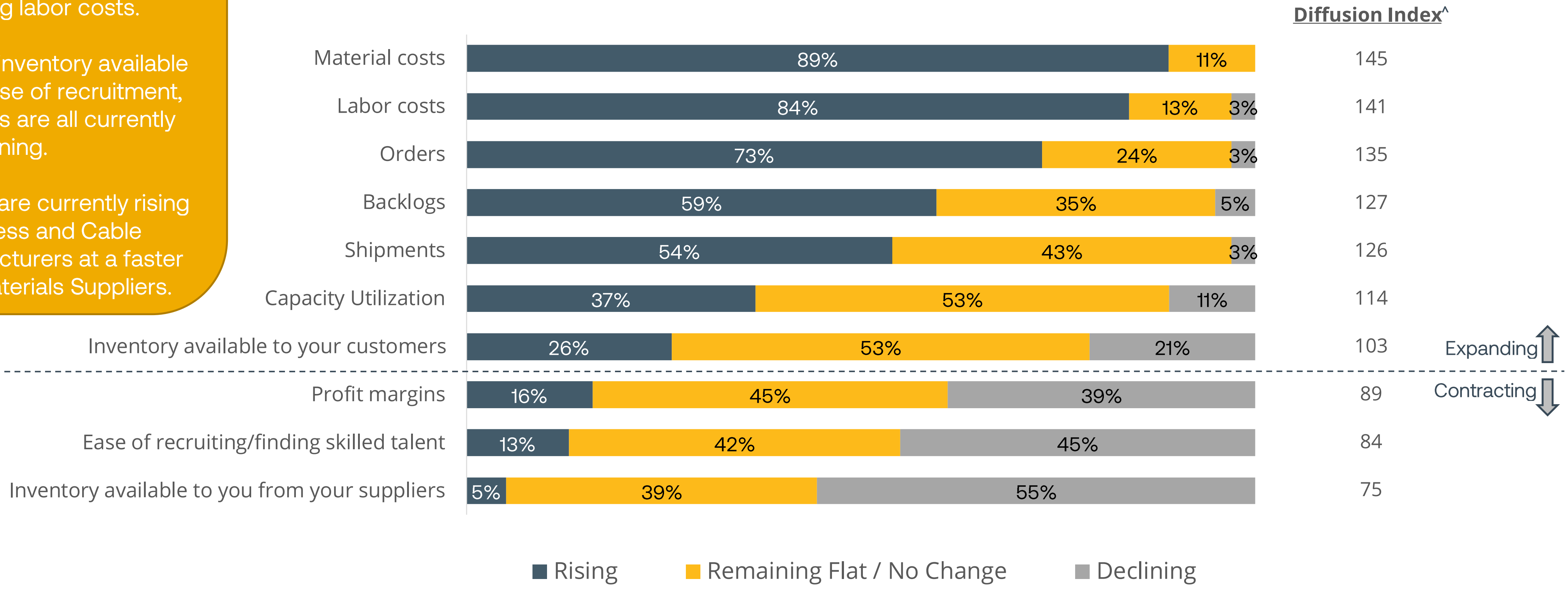
Current Supply Chain Conditions for Wire Harness and Cable Assembly Manufacturers Remain Challenging

Nine in ten Wire Harness and Cable Assembly Manufacturers are currently experiencing rising material costs, with more than four-fifths reporting rising labor costs.

At the same time, inventory available from suppliers, ease of recruitment, and profit margins are all currently declining.

Notably, backlogs are currently rising for Wire Harness and Cable Assembly Manufacturers at a faster pace than for Materials Suppliers.

Current Direction of Key Business Indicators



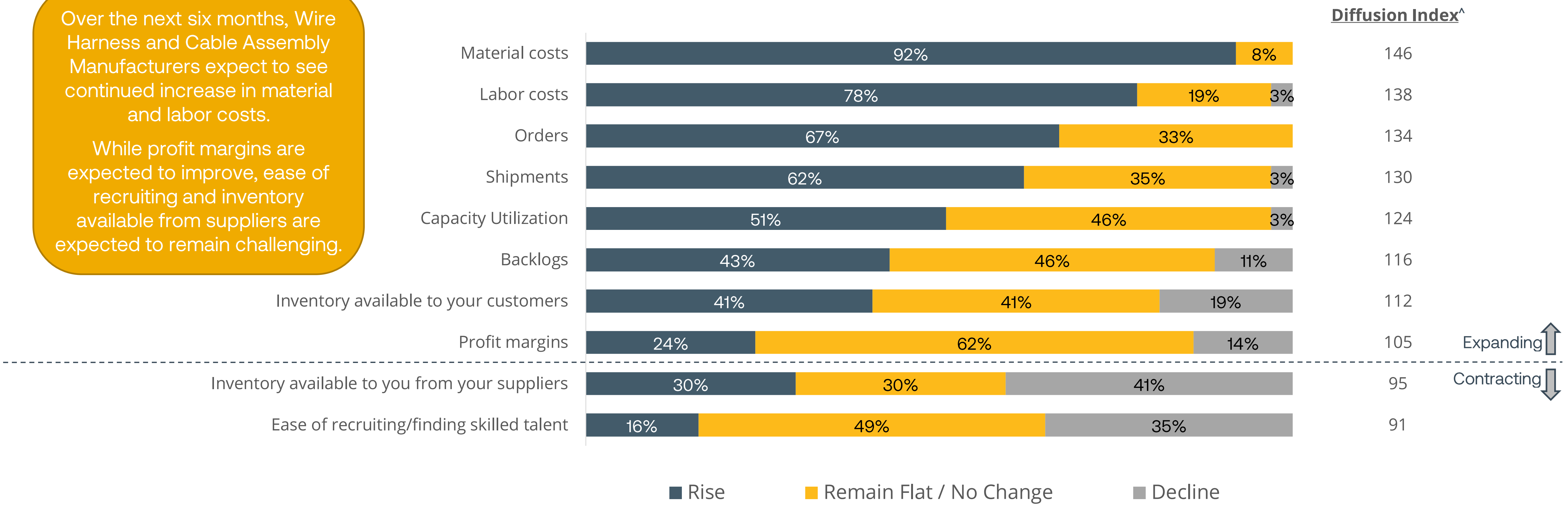
^A diffusion index is a statistical measure used to detect economic turning points.

The Outlook for the Next 6 Months Calls for Continued Challenging Conditions

Over the next six months, Wire Harness and Cable Assembly Manufacturers expect to see continued increase in material and labor costs.

While profit margins are expected to improve, ease of recruiting and inventory available from suppliers are expected to remain challenging.

Anticipated Direction of Key Business Indicators – Next Six Months

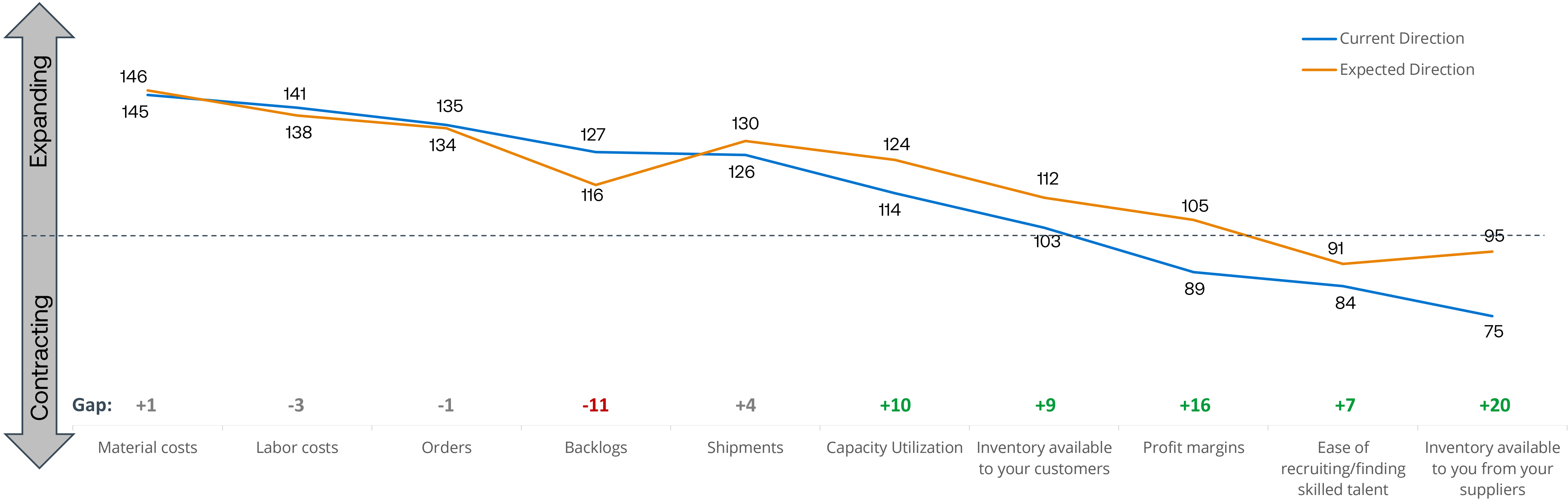


^A diffusion index is a statistical measure used to detect economic turning points.

Material Costs, Labor Costs, Orders, and Shipments Expected to Remain Relatively Stable

While Wire Harness and Cable Assembly Manufacturers expect to see declines in backlogs, inventories, ease of recruitment, profit margins, and capacity utilization are expected to see notable levels of improvement in the next 6 months.

Direction of Key Business Indicators – Diffusion Index^



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

Current Conditions Diffusion Indices

Month-to-Month Comparisons

	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022
Material costs	144	142	145	148	140	145
Labor costs	137	137	139	146	129	141
Backlogs	130	131	127	130	132	127
Orders	124	130	139	128	124	135
Sales*	121	132	137	--	--	--
Shipments^	--	--	--	117	110	126
Capacity utilization	108	113	114	122	110	114
Profit margins	96	90	97	82	88	89
Inventory available to your customers	88	83	81	80	81	103
Inventory available to you from your suppliers	75	73	74	74	75	75
Ease of recruiting/finding skilled talent	71	74	64	72	81	84

△+5 points or more vs. previous month

△-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	138	137	131	142	140	146
Labor costs	134	131	134	144	133	138
Sales*	128	134	139	--	--	--
Shipments^	--	--	--	120	118	130
Orders	124	137	136	132	122	134
Capacity utilization	121	120	123	122	115	124
Backlogs	112	121	114	128	126	116
Profit margins	110	104	106	98	100	105
Inventory available to your customers	105	96	102	92	102	112
Ease of recruiting/finding skilled talent	98	91	93	82	97	91
Inventory available to you from your suppliers	96	89	97	86	90	95

△+5 points or more vs. previous month

△-5 points or more vs. previous month

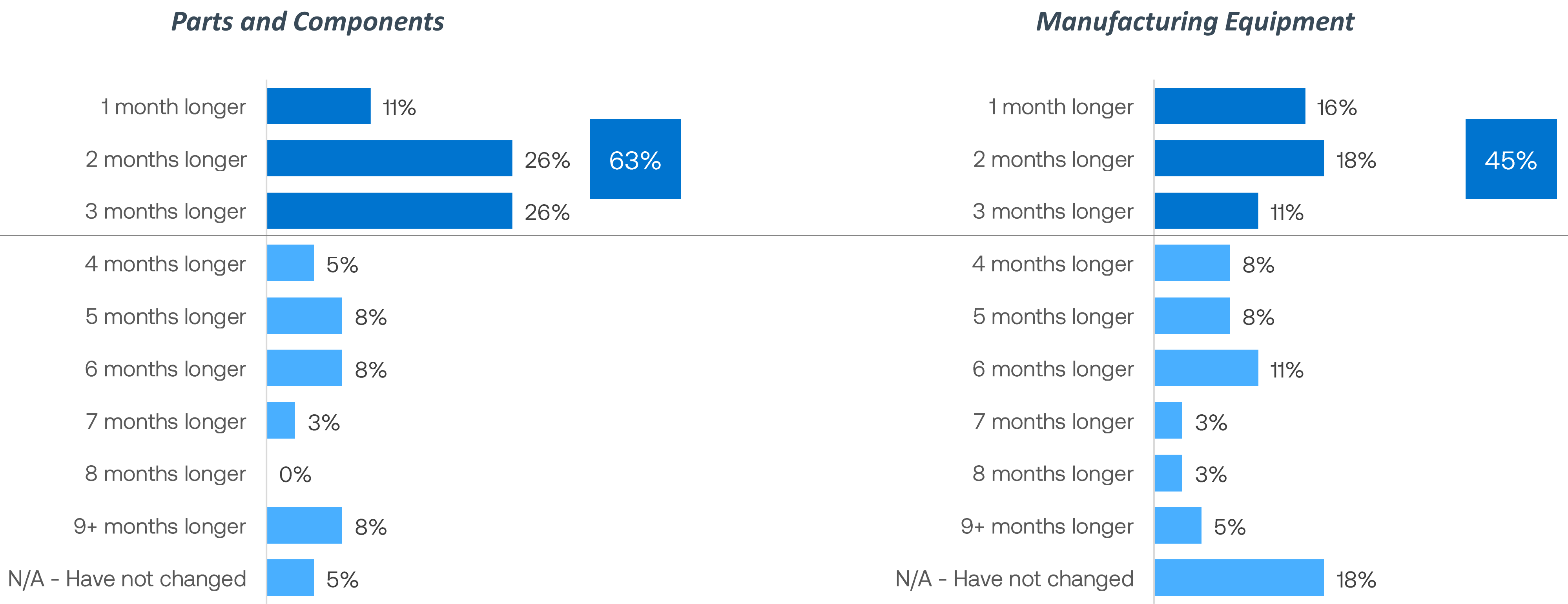
*Removed January 2022
^Added January 2022

March 2022 Special Questions

Nearly All Wire Harness and Cable Assembly Manufacturers Indicate Lead Times for Parts and Components Have Increased Since the Start of the Pandemic, with Four-Fifths Indicating an Increase for Manufacturing Equipment

- Nearly two-thirds of Wire Harness and Cable Assembly Manufacturers say lead times for parts and components have increased 1-3 months since the start of the pandemic, with just under half experiencing the same increase in lead times for manufacturing equipment.
- Notably, Wire Harness and Cable Assembly Manufacturers are significantly more likely to indicate increased lead times of 2 months when compared to Original Equipment Manufacturers.

Change in Lead Times Since Start of Pandemic



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 February 7 to February 25, 2022.

Questions? Please contact:

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