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# The Current Sentiment of the Wire Harness and Cable Assembly Industry

*Monitoring the Pulse of the Global Electronics Industry*

September 2023

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# Executive Summary



## > Demand Weakened this Month

- The Orders Index dropped into contractionary territory, falling to 96.
- The Backlog Index fell to 83, tying the low of April 2023.

## > Operations Remain Generally Healthy

- Both inventory indexes remain strong, suggesting inventory is available from suppliers and inventory is available to customers. We continue to hear of long lead times for some parts but overall inventories appear well balanced.
- The Shipments Index fell into contractionary territory, hitting the lowest level on record.

## > Cost Environment Continues to Improve

- The Labor Costs Index and the Material Costs Index both fell this month. The Labor Costs Index dropped to 121, the lowest recorded level.

## > Manufacturers are Cutting Hours in Order to Keep Workers

- Roughly 50% wire harness and cable assembly manufacturers report they are cutting hours to keep workers even though they are facing slower demand.
- Original Equipment Manufacturers (76%) and Contract Electronics Manufacturing Services (74%) are significantly more likely to indicate they are NOT cutting hours vs. Wire Harness and Cable Assembly Manufacturers (25%)

# Current Supply Chain Conditions for Wire Harness and Cable Assembly Manufacturers

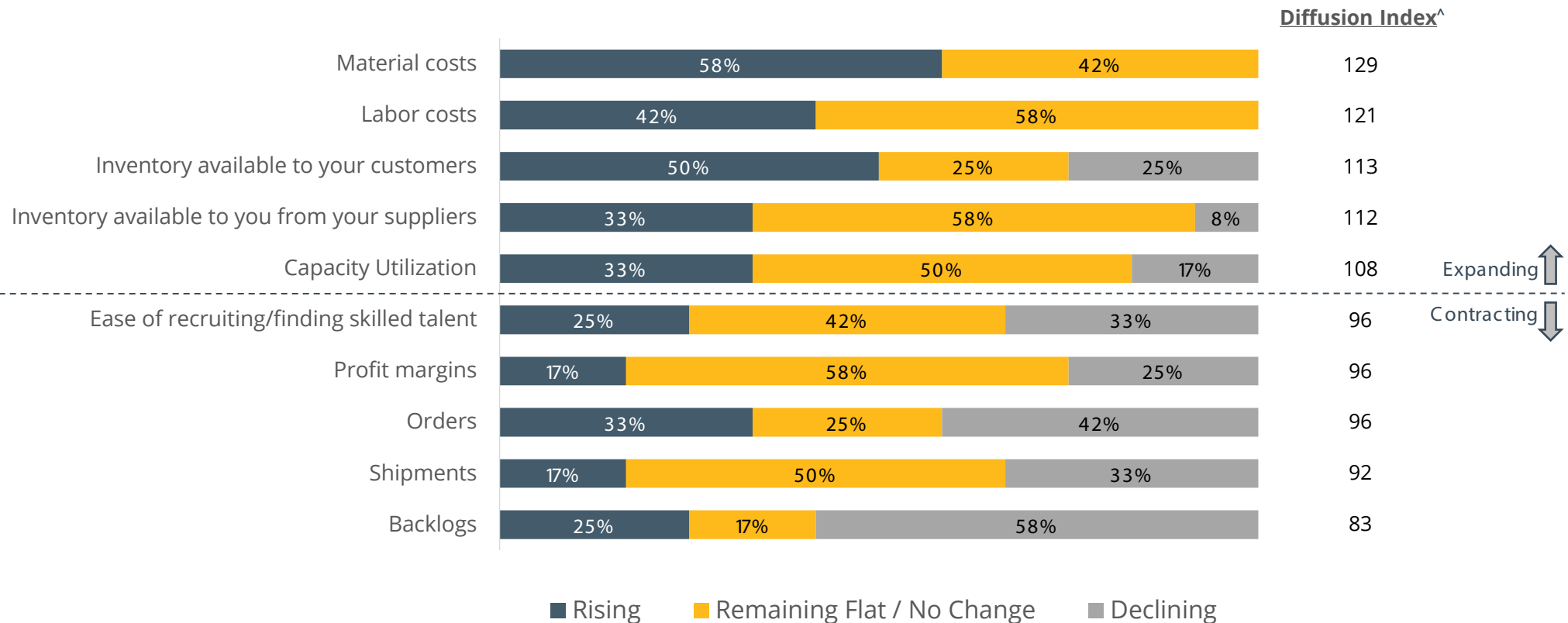


Notably, there are no significant differences in current conditions between Wire Harness and Cable Assembly Manufacturers and all other industry segments.

Approximately three-fifths (58%) of Wire Harness and Cable Assembly Manufacturers are currently experiencing rising material costs, with two-fifths (42%) reporting rising labor costs.

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

## Current Direction of Key Business Indicators



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

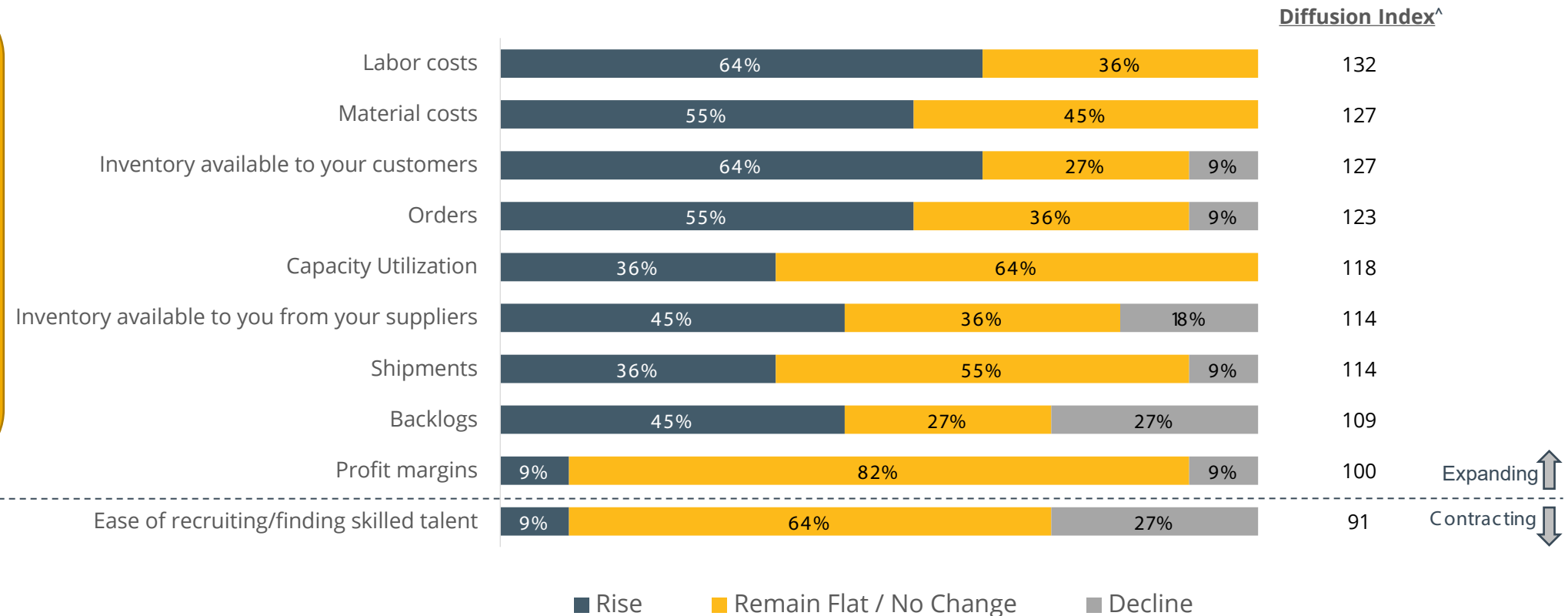
# The Outlook for the Next 6 Months



## Anticipated Direction of Key Business Indicators Next Six Months

Over the next six months, Wire Harness and Cable Assembly Manufacturers expect to see a considerable increase in labor costs, while material costs are expected to remain high.

Although profit margins, backlogs, shipments, and orders are expected to improve, Wire Harness and Cable Assembly Manufacturers anticipate ease of recruitment will likely remain challenging.



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

# Differences in the Outlook by Industry Segment

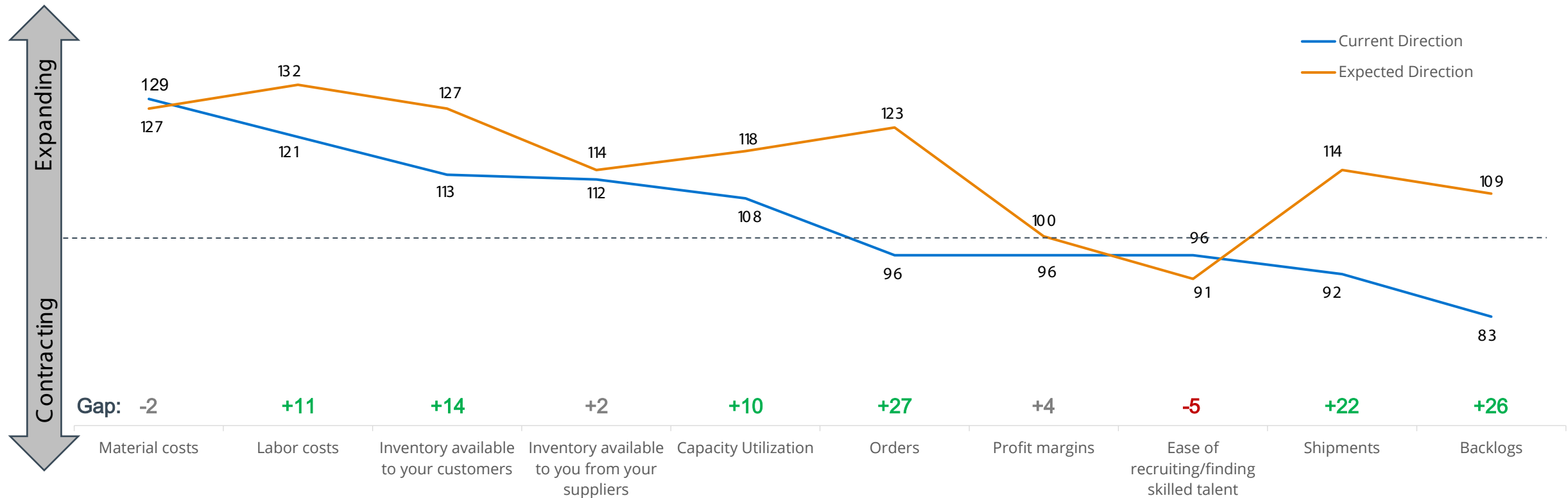
- Wire Harness and Cable Assembly Manufacturers, along with Contract Electronics Manufacturing Services, expect customer inventory to rise more so over the next six months than do Materials Suppliers and Equipment Suppliers.
  - Approximately two-thirds (64%) of Wire Harness and Cable Assembly Manufacturers, as well as two-fifths (41%) of Contract Electronics Manufacturing Services, foresee customer inventory rising over the next six months, which compares to a much lower 0% among Materials Suppliers and 16% among Equipment Suppliers.

# Orders, Backlogs, Shipments, Customer Inventory, Labor Costs, and Capacity Utilization are Expected to Rise Over the Next Six Months, While Ease of Recruitment is Expected to Decline



At the same time, material costs, supplier inventory, and profit margins are expected to remain relatively stable.

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



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

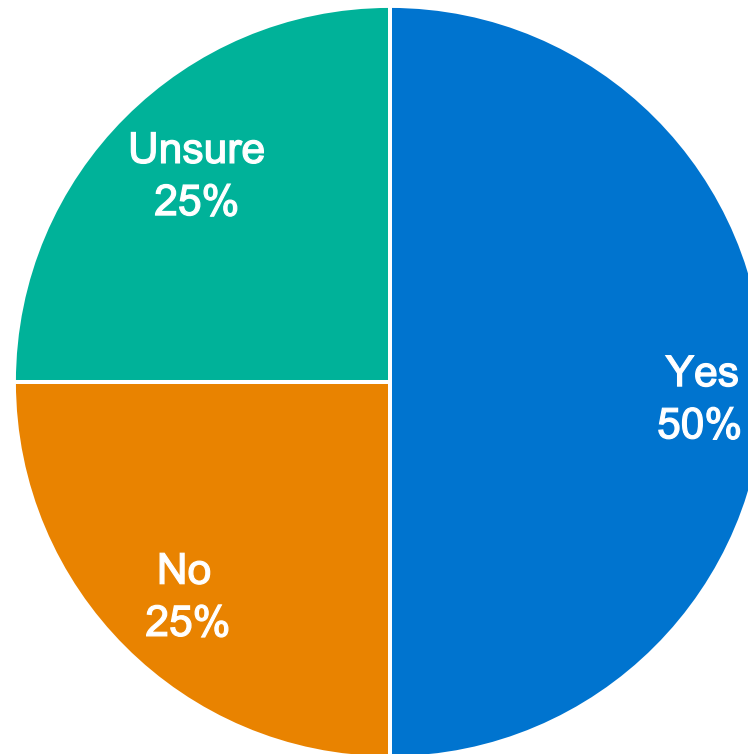
# September 2023 Special Questions

# Half of Wire Harness and Cable Assembly Manufacturers Report They are Cutting Hours in an Effort to Keep Workers



Notably, Original Equipment Manufacturers (76%) and Contract Electronics Manufacturing Services (74%) are significantly more likely to indicate they are NOT cutting hours vs. Wire Harness and Cable Assembly Manufacturers (25%)

## Incidence of Cutting Hours, Even if Facing Slower Demand





# Appendix

# Current Conditions Diffusion Indices

*Past 12 Month Comparisons*



	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023
Shipments	119	116	111	128	114	117	111	108	103	108	98	103	92
Orders	121	120	113	113	113	106	108	105	83	111	93	105	96
Profit margins	92	100	103	97	102	96	94	97	106	106	89	108	96
Backlogs	119	115	108	113	96	98	105	83	97	89	100	92	83
Ease of recruiting/finding skilled talent	82	82	90	88	85	79	90	95	97	92	89	89	96
Material costs	147	143	148	140	139	138	140	134	125	131	132	129	129
Labor costs	145	143	134	135	133	135	139	129	122	125	130	132	121
Capacity utilization	110	110	113	118	111	102	108	103	106	111	100	111	108
Inventory available to you from your suppliers	97	107	92	113	113	108	116	111	111	100	105	116	112
Inventory available to your customers	107	112	105	108	107	113	115	121	103	117	93	111	113

Δ+5 points or more vs. previous month

-5 points or more vs. previous month

# Outlook Diffusion Indices

*Past 12 Month Comparisons*



	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023
Shipments	128	125	116	115	124	119	116	111	125	109	111	116	114
Orders	122	123	111	124	117	120	113	111	106	106	110	124	123
Profit margins	99	108	106	108	102	110	98	100	114	100	98	100	100
Backlogs	103	101	105	105	109	106	102	95	106	92	102	108	109
Ease of recruiting/finding skilled talent	97	94	108	95	105	100	98	95	97	100	91	95	91
Material costs	133	137	137	135	124	119	129	124	121	125	125	126	127
Labor costs	136	137	132	130	133	131	128	134	121	125	125	126	132
Capacity utilization	121	115	116	123	126	115	113	113	106	114	109	121	118
Inventory available to you from your suppliers	111	113	116	110	113	121	116	116	117	108	114	119	114
Inventory available to your customers	119	126	108	113	124	131	113	113	112	114	114	116	127

Δ+5 points or more vs. previous month

-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 August 14 and August 31, 2023.



Questions? Please contact:

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