BUILD ELECTRONICS BETTER

The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

November 2023

ipc.org

Executive Summary

- **Industry sentiment improved during the month**
- **Demand sentiment took a solid step up over the last 30 days**
  - The New Order Index rose 5 points to 105 after hitting the lowest level for this index.
  - The Shipment Index rose 3 points to 107.
  - The Backlog Index jumped 5 points but remains in contractionary territory suggesting most companies continue to see a decline in backlog orders. The Backlog Outlook Index did jump 7 points, rising above 100 for the first time in 3 months.
  - The Capacity Utilization Index rose 4 points to 106.
- **Costs continue to improve but labor costs remain a pain point**
  - The Material Costs Index fell to another new low, dropping 4 points to 118. The Labor Costs Index rose 1 point to 130 after declining for two consecutive months.
- **Electronics manufacturers believe the U.S. should adopt strong goals for PCB and EMS production growth**
  - For the PCB sector, roughly 85% of respondents report the 5-year goal should be above current levels and the average suggested goal was 9.3% of global production. For the 10-year goal, respondents suggest a goal of 14.1% of global production.
  - For the EMS sector, roughly 70% of respondents indicated a 5-year goal above current levels. On average, respondents indicated the EMS industry should target 12.9% of global production by 2028 and 17.4% of production by 2033.

Current Conditions for the Electronics Supply Chain

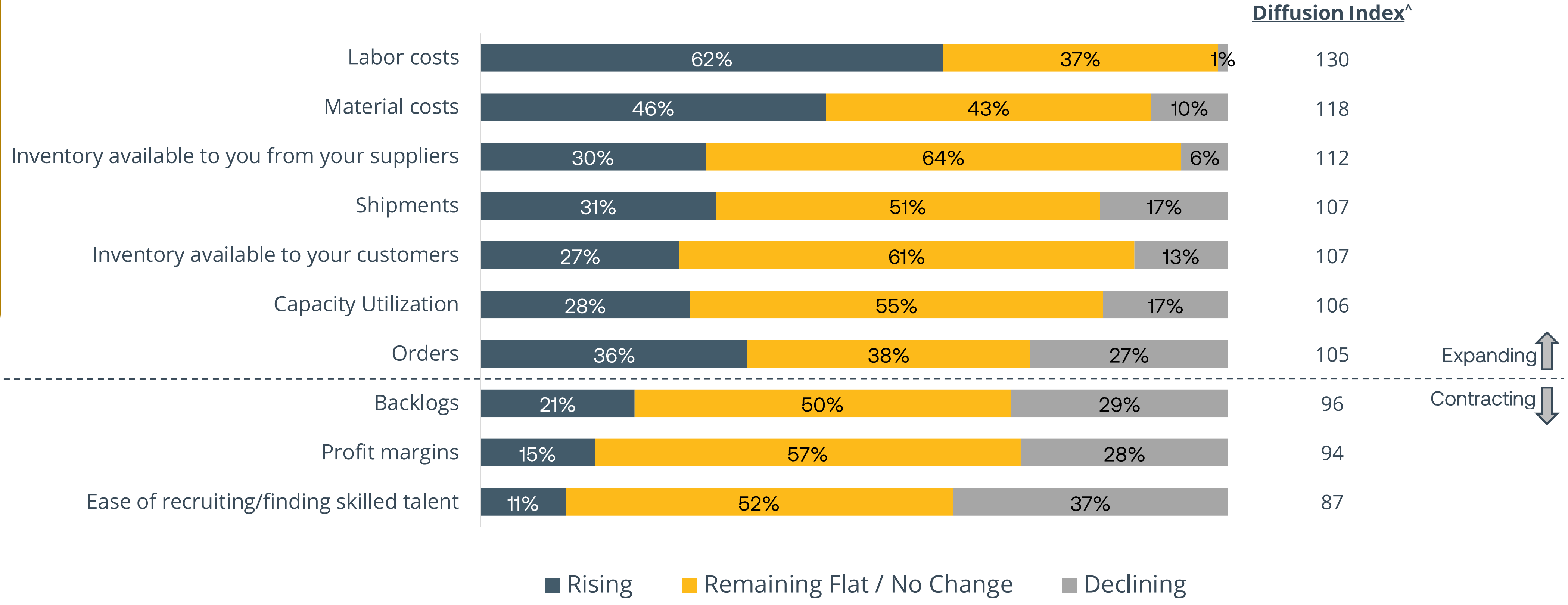
Notably, there are no significant differences in current conditions across all geographic regions.

Three-fifths (62%) of electronics manufacturers are currently experiencing rising labor costs, with nearly half (46%) reporting rising material costs.

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

Current Direction of Key Business Indicators

-- Total --

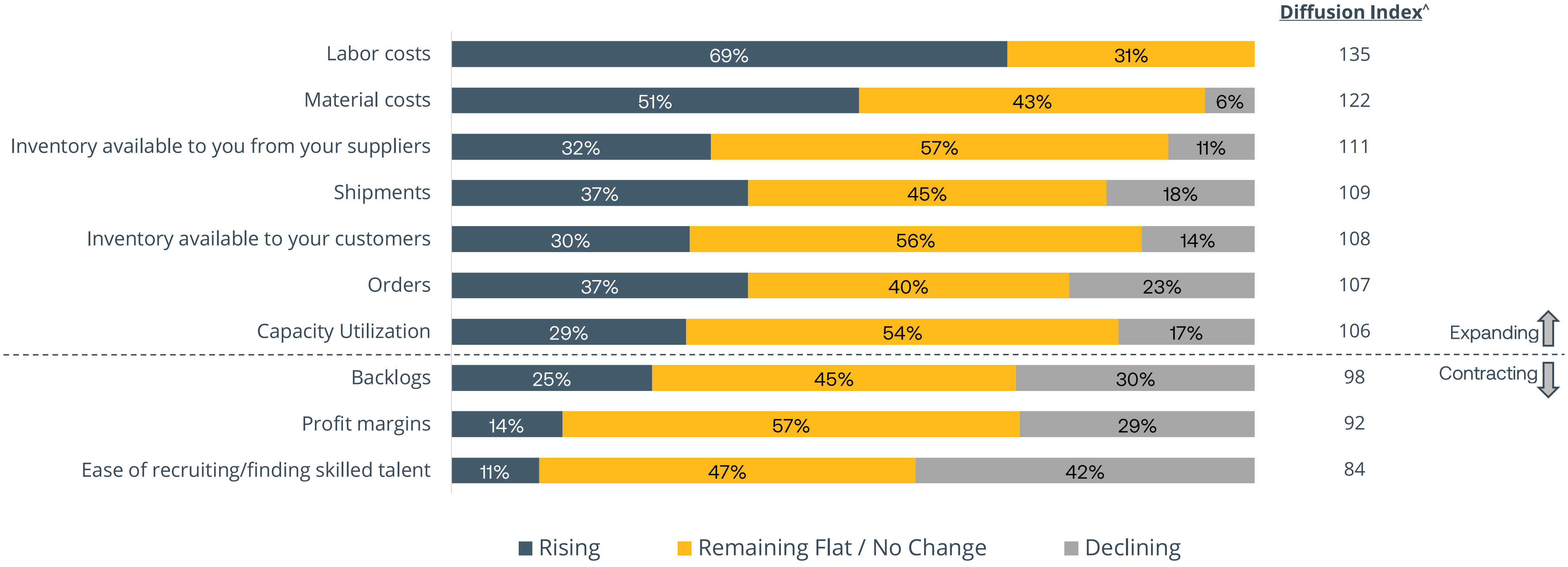


^A diffusion index is a statistical measure used to detect economic turning points.

The View From Companies Primarily Operating in North America

Current Direction of Key Business Indicators

-- Primary Region: North America --



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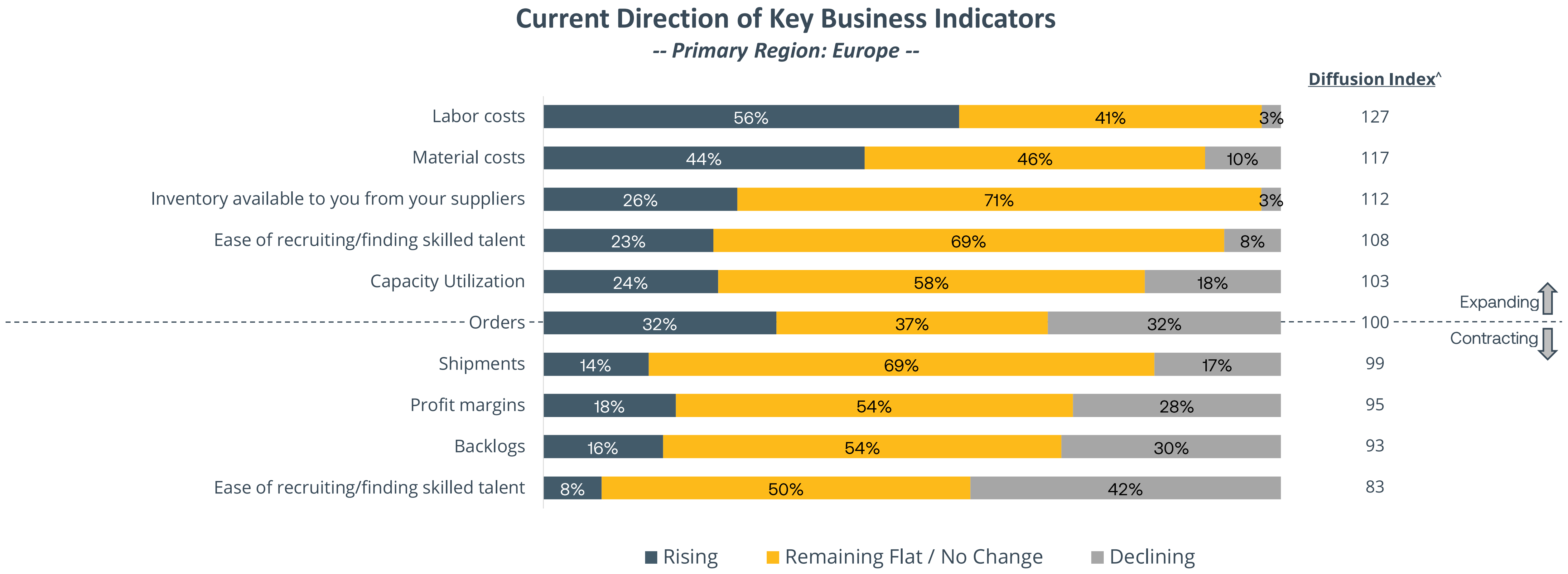
The View From Companies Primarily Operating in Europe



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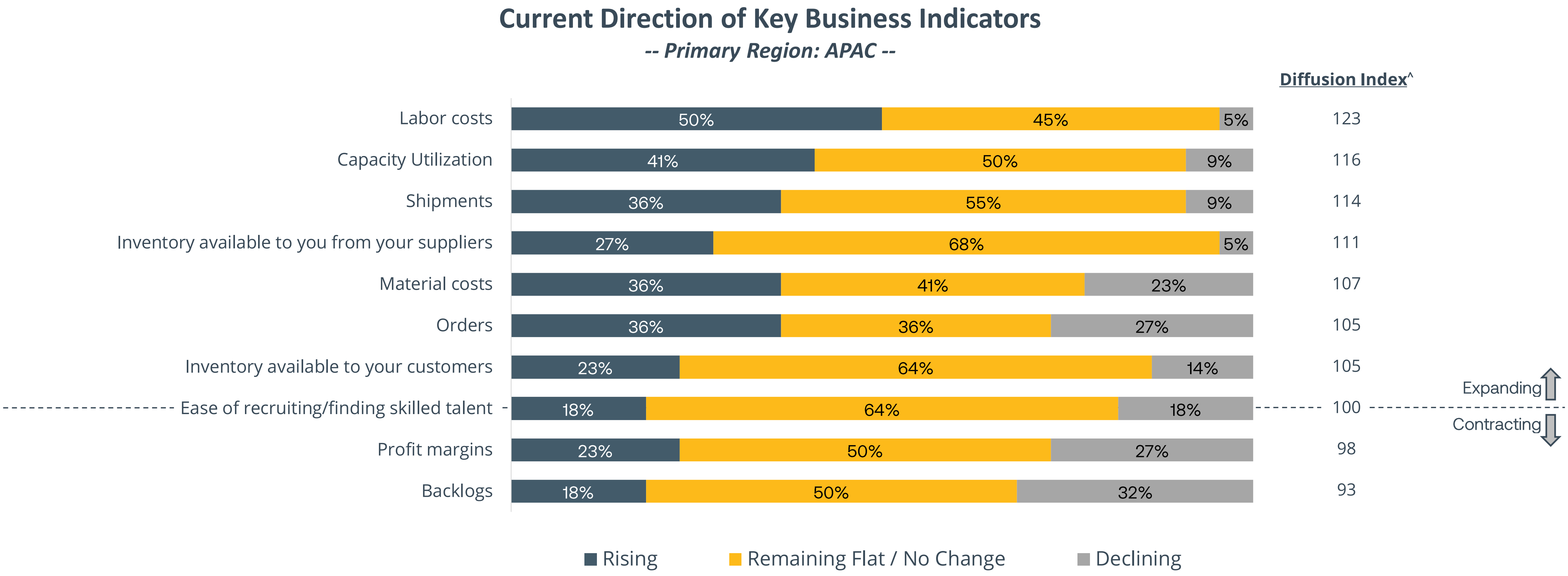
The View From Companies Primarily Operating in APAC



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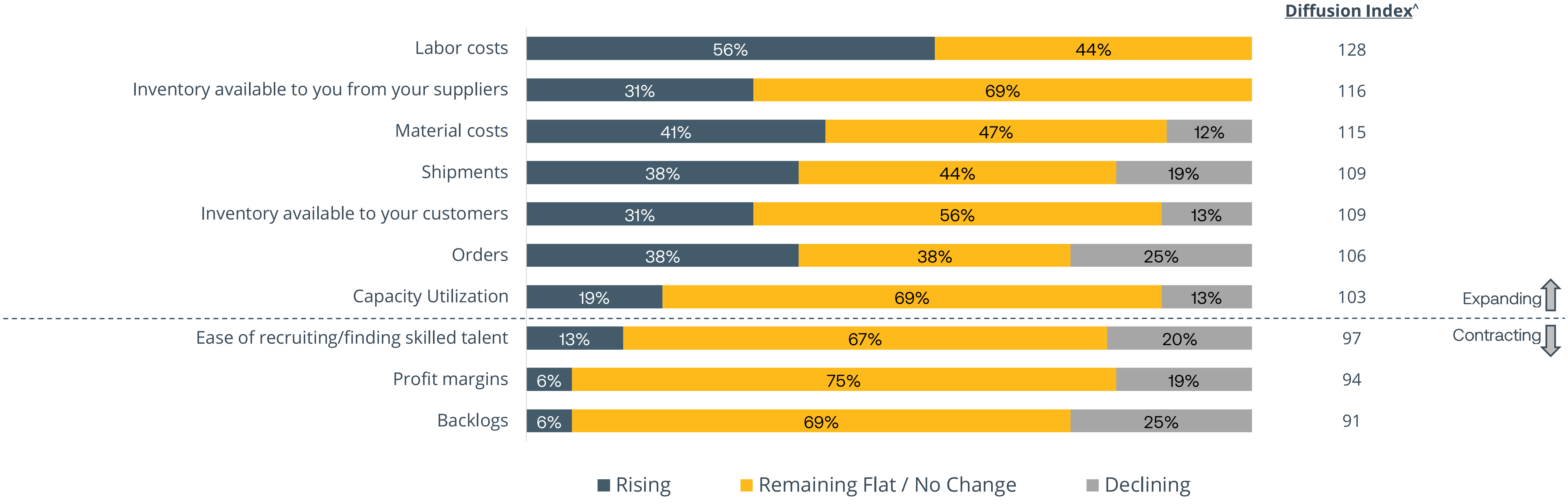
The View From Companies Primarily Operating Globally

Current Direction of Key Business Indicators

-- Primary Region: Global --



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The Outlook for the Next 6 Months

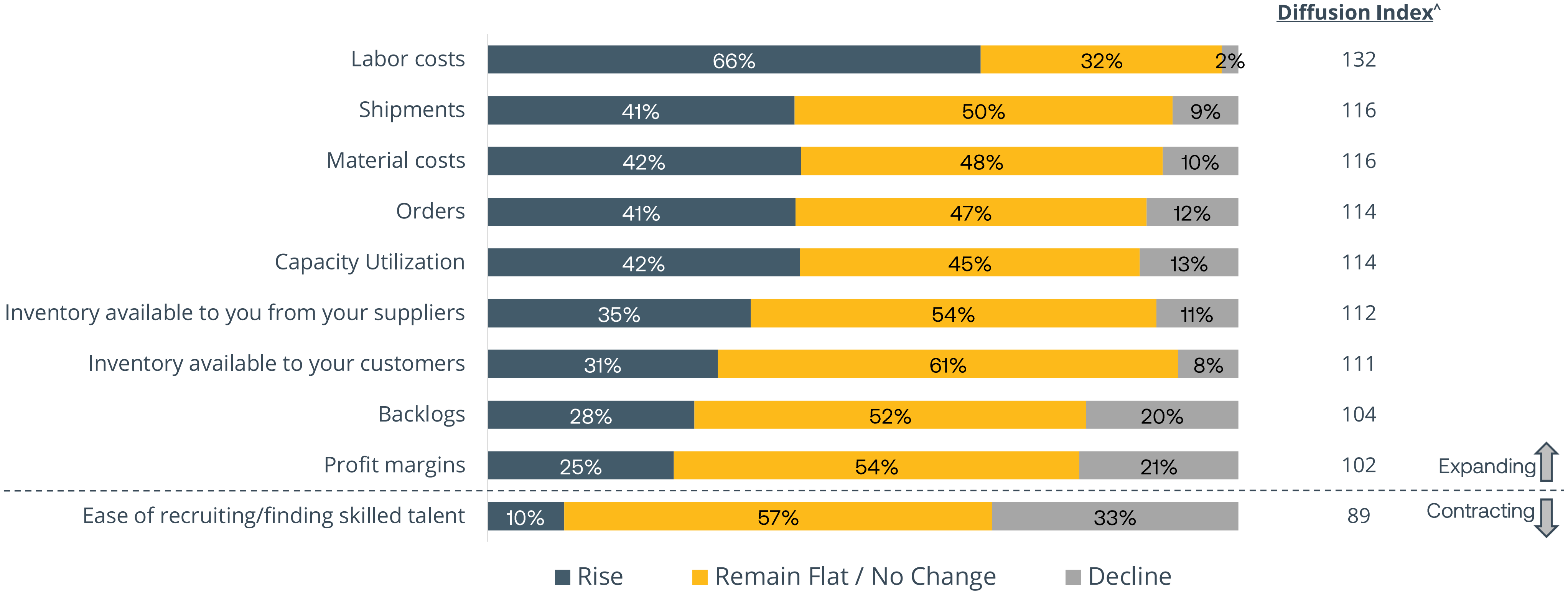
Notably, there are no significant differences in expected conditions across all geographic regions.

Over the next six months, electronics manufacturers expect to see continued increase in both labor and material costs, while also anticipating a notable increase in shipments.

At the same time, profit margins and backlogs are expected to improve, while ease of recruitment is likely to remain challenging.

Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --



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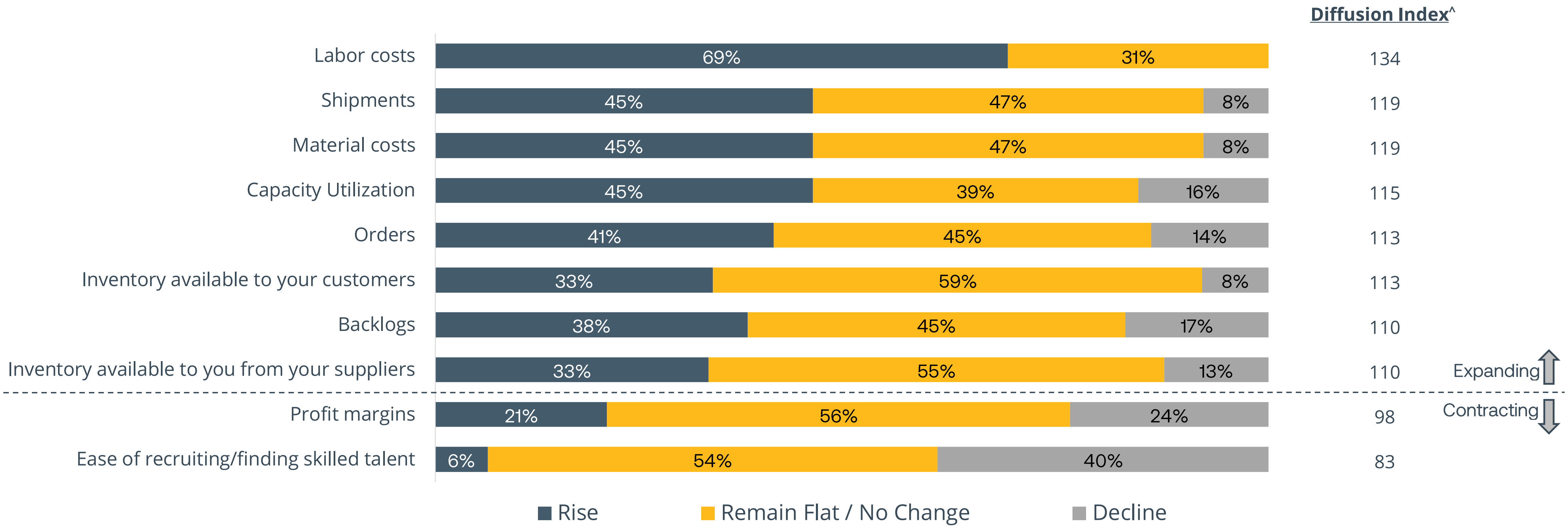
The View From Companies Primarily Operating in North America

Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --



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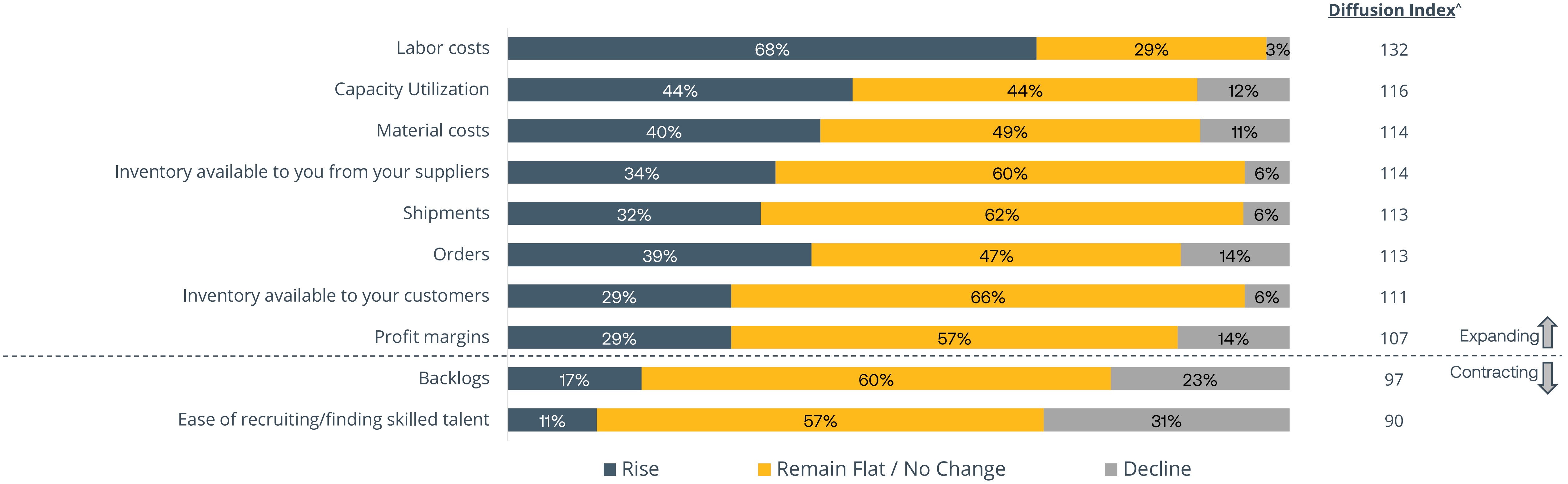
The View From Companies Primarily Operating in Europe

Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Europe --



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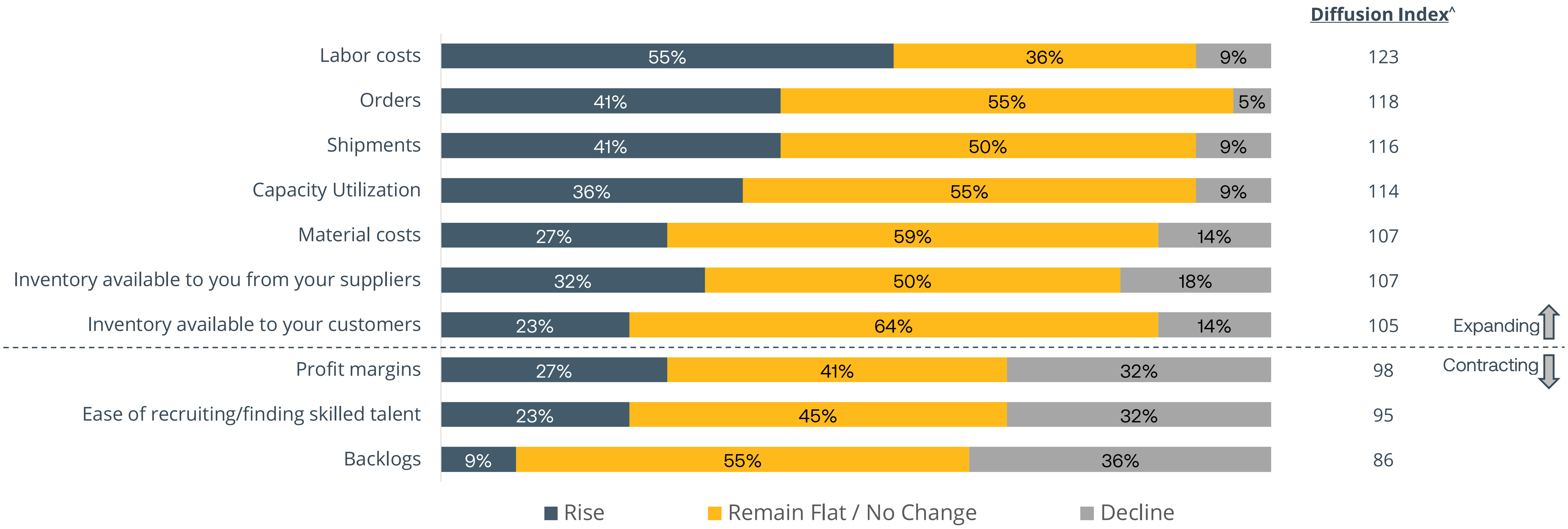
The View From Companies Primarily Operating in APAC

Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: APAC --



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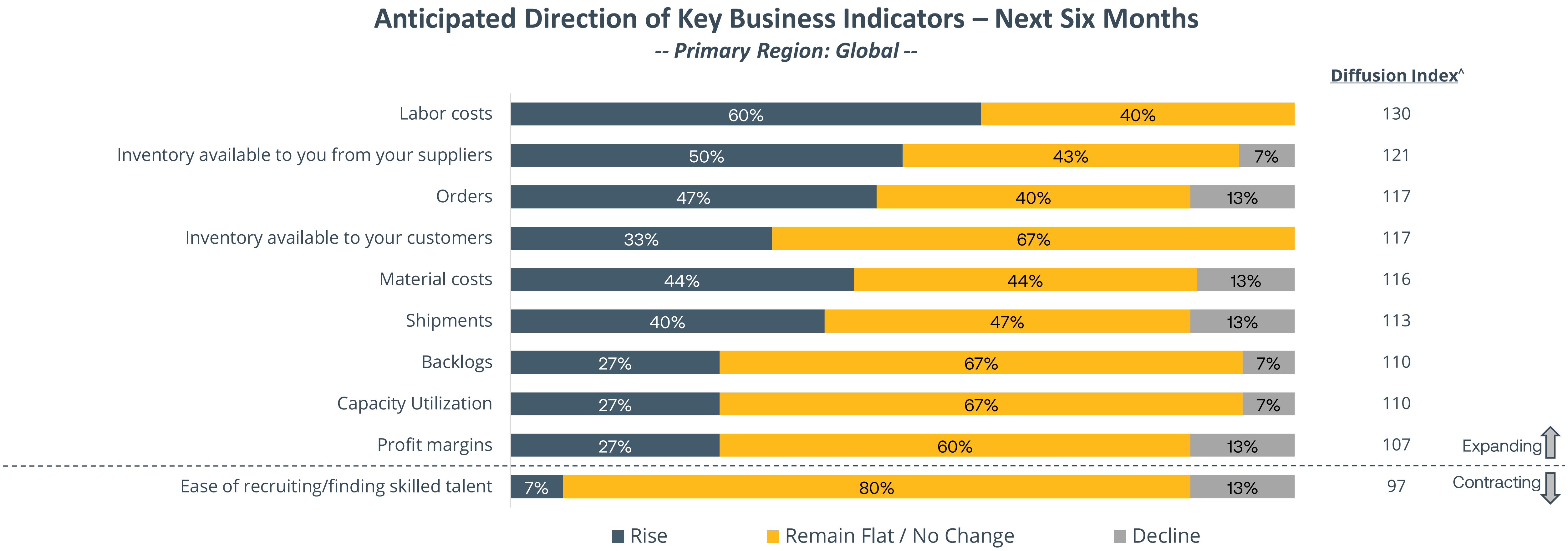
The View From Companies Primarily Operating Globally



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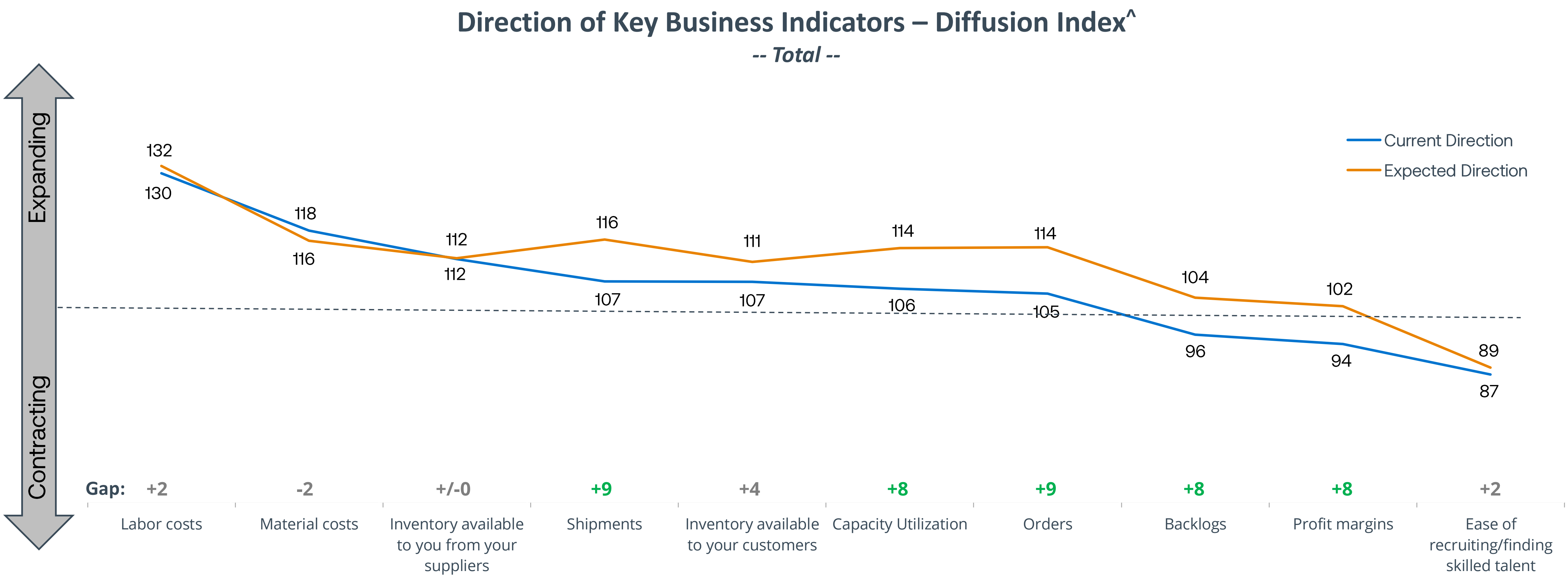
Shipments, Orders, Capacity Utilization, Backlogs, and Profit Margins are Expected to Rise Over the Next Six Months, While All Other Key Business Indicators are Expected to Remain Relatively Stable



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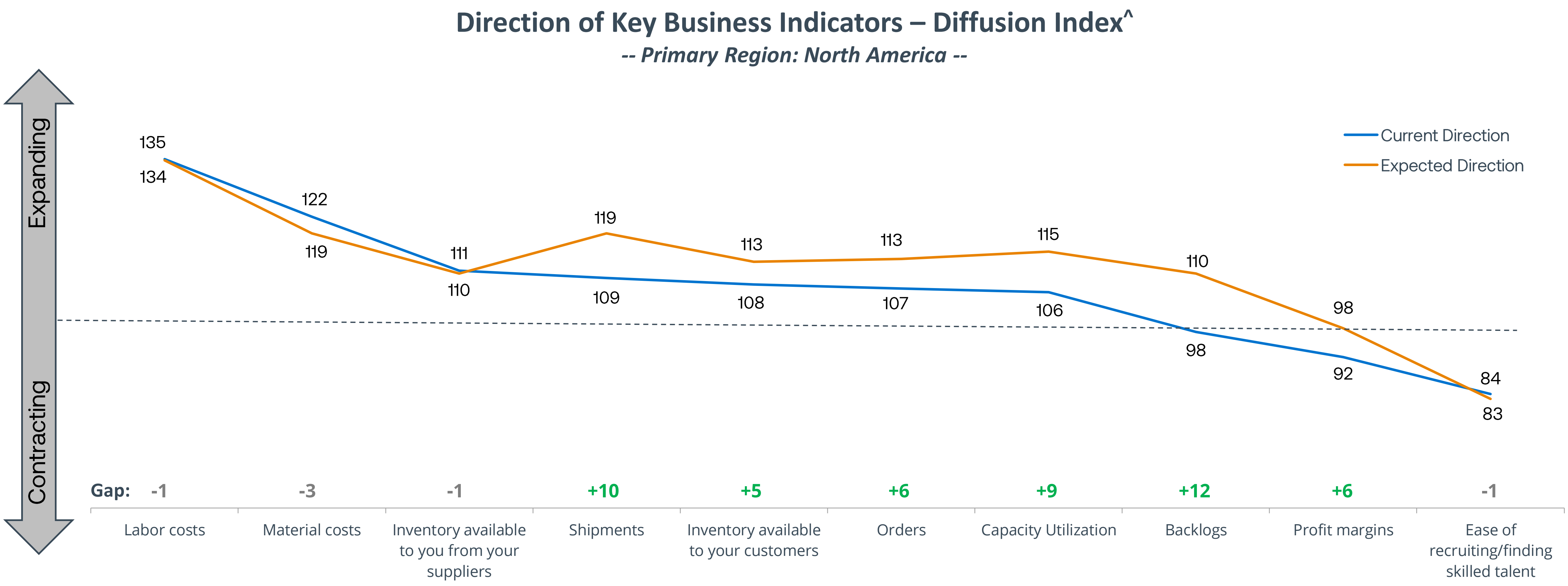
The View From Companies Primarily Operating in North America



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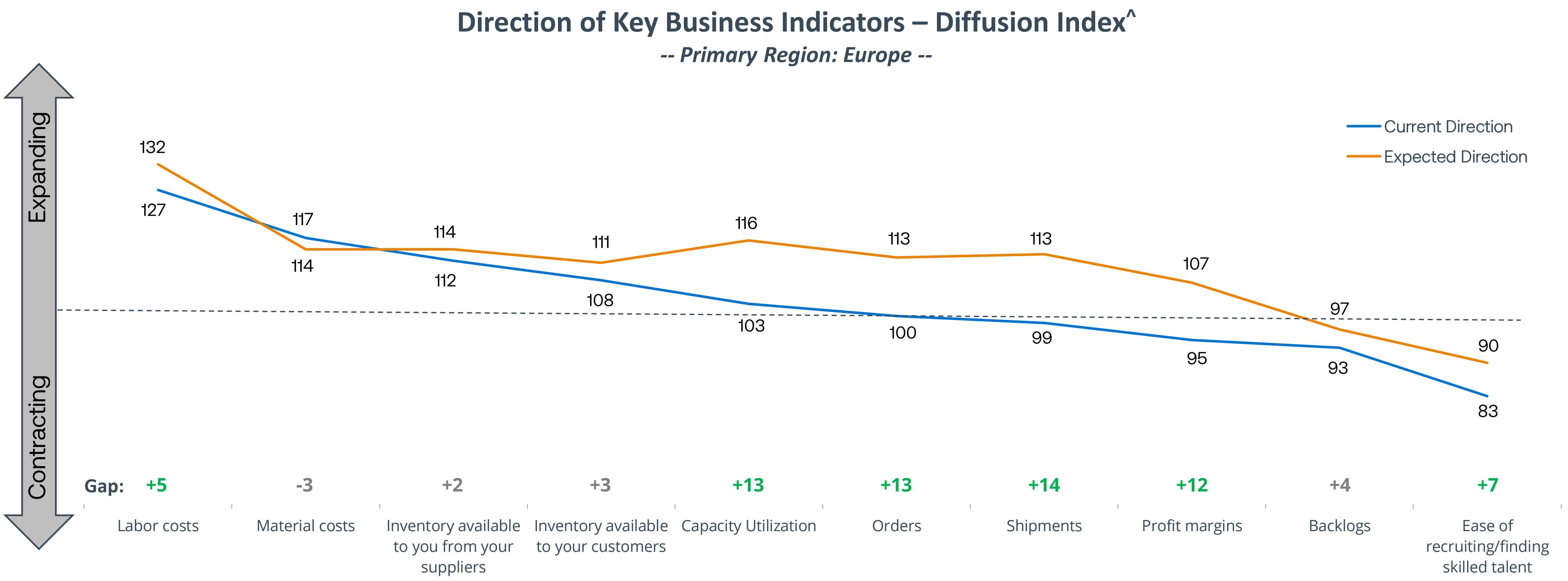
The View From Companies Primarily Operating in Europe



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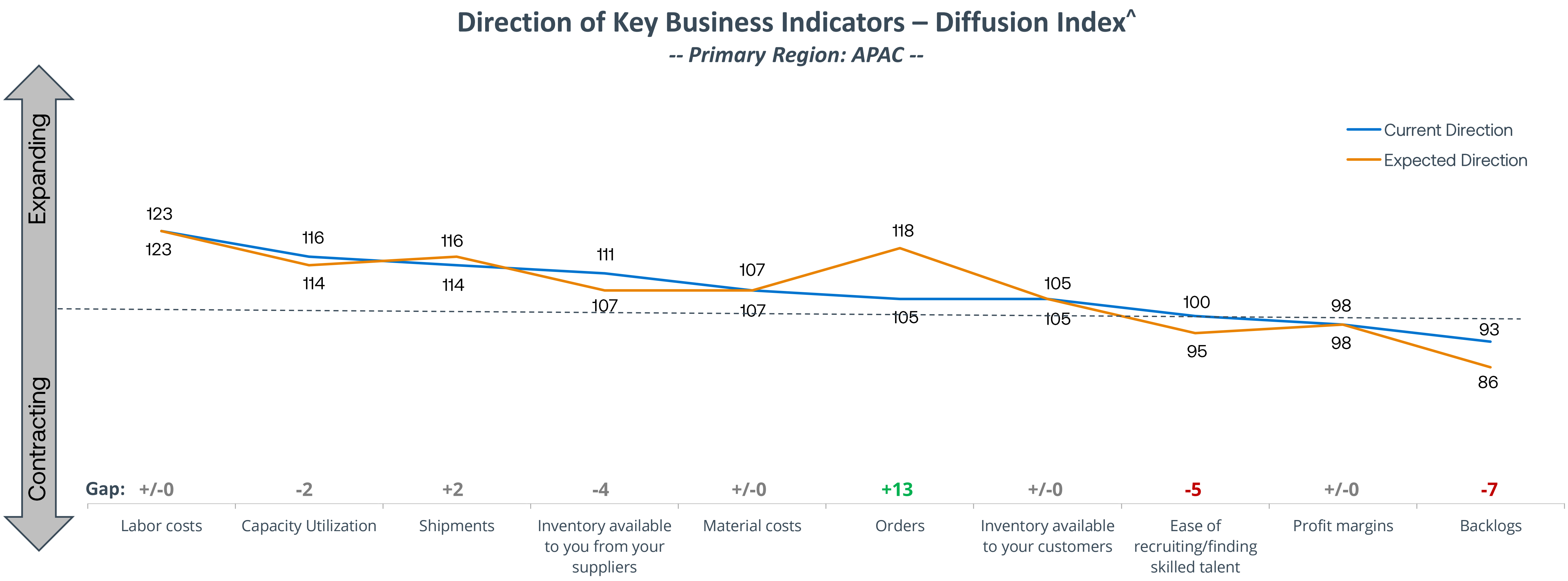
The View From Companies Primarily Operating in APAC



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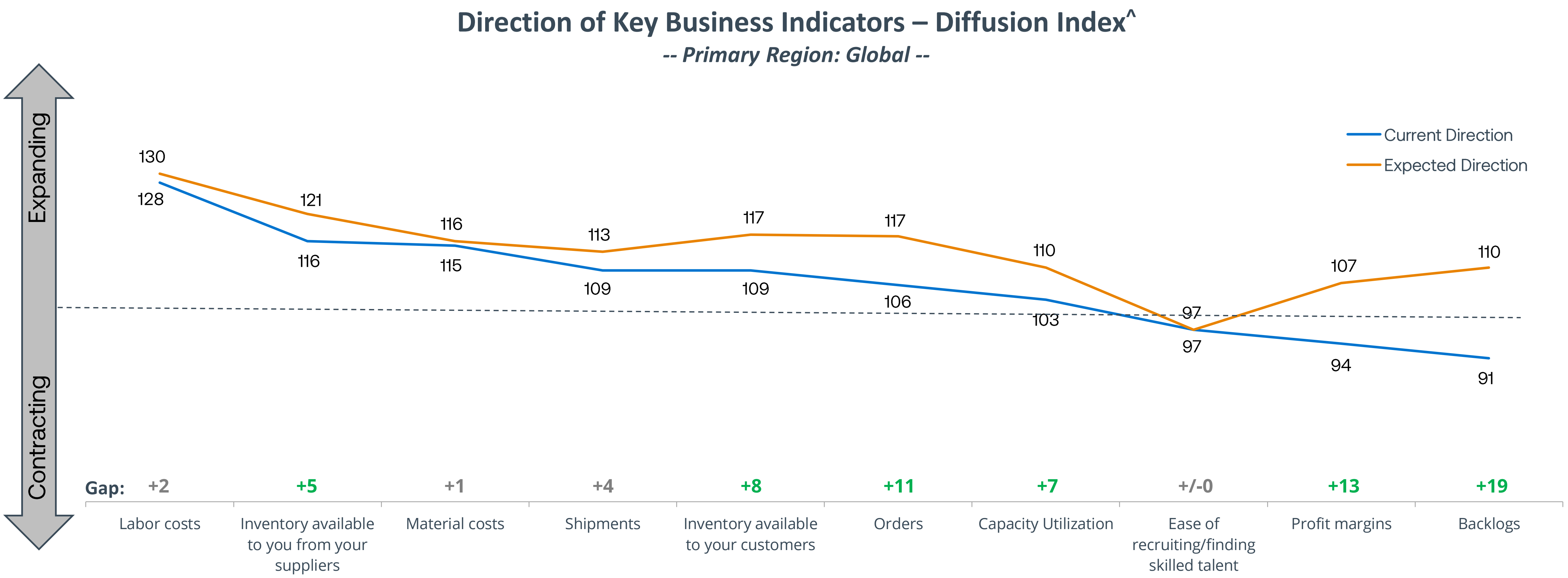
The View From Companies Primarily Operating Globally



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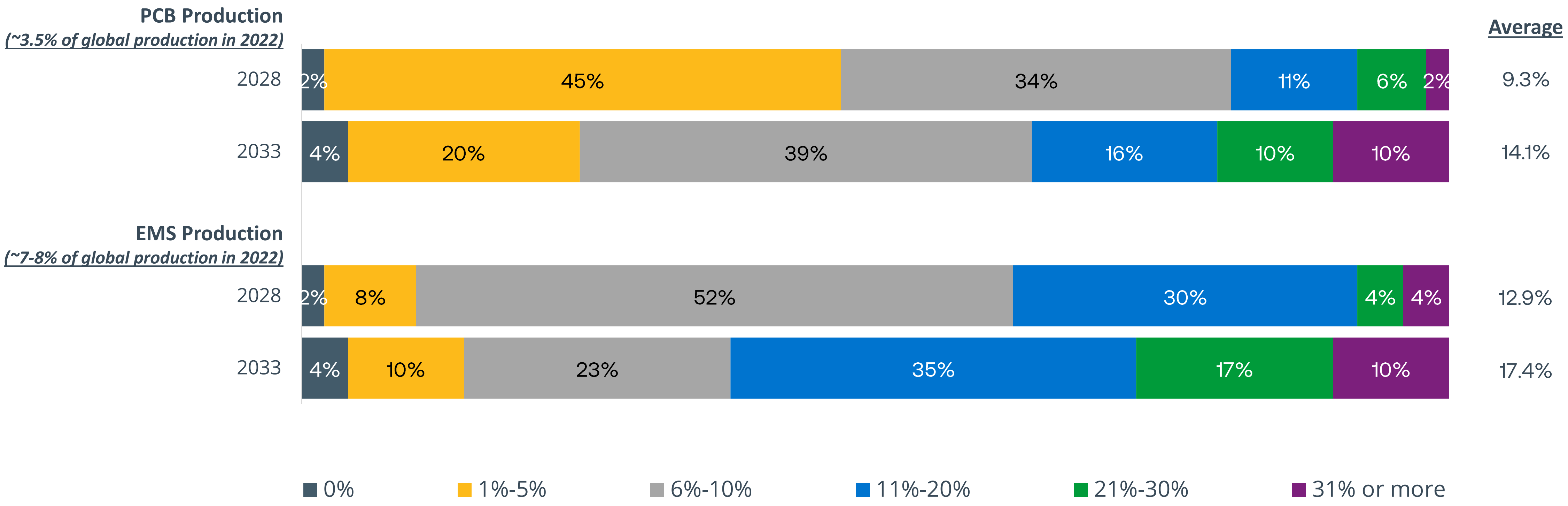
November 2023 Special Questions

In Terms of Revenue Growth, U.S. Electronics Manufacturers Indicate That Goals for PCB Production Should be, on Average, 9% by 2028 and 14% by 2023, with 13% by 2028 and 17% by 2033 for EMS Production

Five- and Ten-Year Goals for U.S. Domestic PCB and EMS Industries' Revenue Growth



Q. If the U.S. were to adopt goals for its domestic PCB and EMS industries, what do you believe the goals should be for each of the following years?
A. EMS production in terms of revenue grows from roughly 7-8% of global production in 2022 to what percent by 2028 and 2033?
B. PCB production in terms of revenue grows from roughly 3.5% of global production in 2022 to what percent by 2028 and 2033?

Appendix

Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)

	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023
Shipments	106	109	112	110	111	110	109	108	103	110	106	104	107
Orders	109	107	112	111	112	105	101	107	103	104	101	100	105
Profit margins	87	90	89	86	90	93	95	96	91	96	93	92	94
Backlogs	108	105	99	101	104	97	99	95	93	98	90	91	96
Ease of recruiting/finding skilled talent	84	88	87	84	91	89	92	90	92	92	89	88	87
Material costs	139	138	136	135	133	130	128	126	123	128	124	122	118
Labor costs	139	136	136	137	136	131	128	129	129	133	131	129	130
Capacity utilization	107	105	111	108	110	105	103	108	103	108	104	102	106
Inventory available to you from your suppliers	98	102	104	102	106	108	110	112	112	110	109	111	112
Inventory available to your customers	102	105	111	106	108	111	116	115	109	109	108	108	107

△+5 points or more vs. previous month

△-5 points or more vs. previous month

Outlook Diffusion Indices

Past 12 Month Comparisons (TOTAL)

	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023
Shipments	112	112	120	119	116	118	118	112	115	117	110	114	116
Orders	110	113	116	116	114	118	111	111	116	117	113	114	114
Profit margins	94	98	97	100	98	98	99	99	96	104	100	100	102
Backlogs	100	99	100	97	100	95	93	92	98	100	95	97	104
Ease of recruiting/finding skilled talent	90	93	95	95	93	95	95	93	95	95	91	91	89
Material costs	131	131	130	127	128	126	122	123	120	123	122	120	116
Labor costs	135	133	135	133	134	132	124	128	126	126	129	128	132
Capacity utilization	111	111	118	115	115	112	110	111	113	115	114	111	114
Inventory available to you from your suppliers	110	108	113	113	112	113	113	113	118	113	113	113	112
Inventory available to your customers	106	109	117	114	111	110	114	111	117	112	112	112	111

△+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 October 16 and October 31, 2023.

Questions? Please contact:

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