



BUILD ELECTRONICS BETTER

# The Current Sentiment of the Global Electronics Manufacturing Supply Chain

*Monitoring the Pulse of the Global Electronics Industry*

March 2024

ipc.org →

# Executive Summary



- > **Electronics Industry Sentiment Rose in March**
- > **Demand rose notably in the last month, reaching the highest level in a year**
  - The New Orders Index rose to the highest level since July 2022.
  - Capacity Utilization sentiment rose to a 14-month high.
  - The Shipment Index hit its highest level since June 2022.
- > **Cost Pressures remain persistent**
  - The Materials Cost Index rose 3 points this month but was offset by a 3 -point decline in the Labor Costs Index
- > **Industry Outlook also improved this month**
  - The Demand Outlook Index approached an all-time high.
  - The outlook for Capacity Utilization and Shipments both hit all-time highs.
  - The outlook for Profit Margin also hit an all-time high.
- > **This month IPC asked industry executives how the current interest rate environment impacts their businesses. Respondents noted:**
  - “it adds to the cost of doing business”
  - “limited capital expenditures”
  - “adding considerable cost”

# Current Conditions for the Electronics Supply Chain

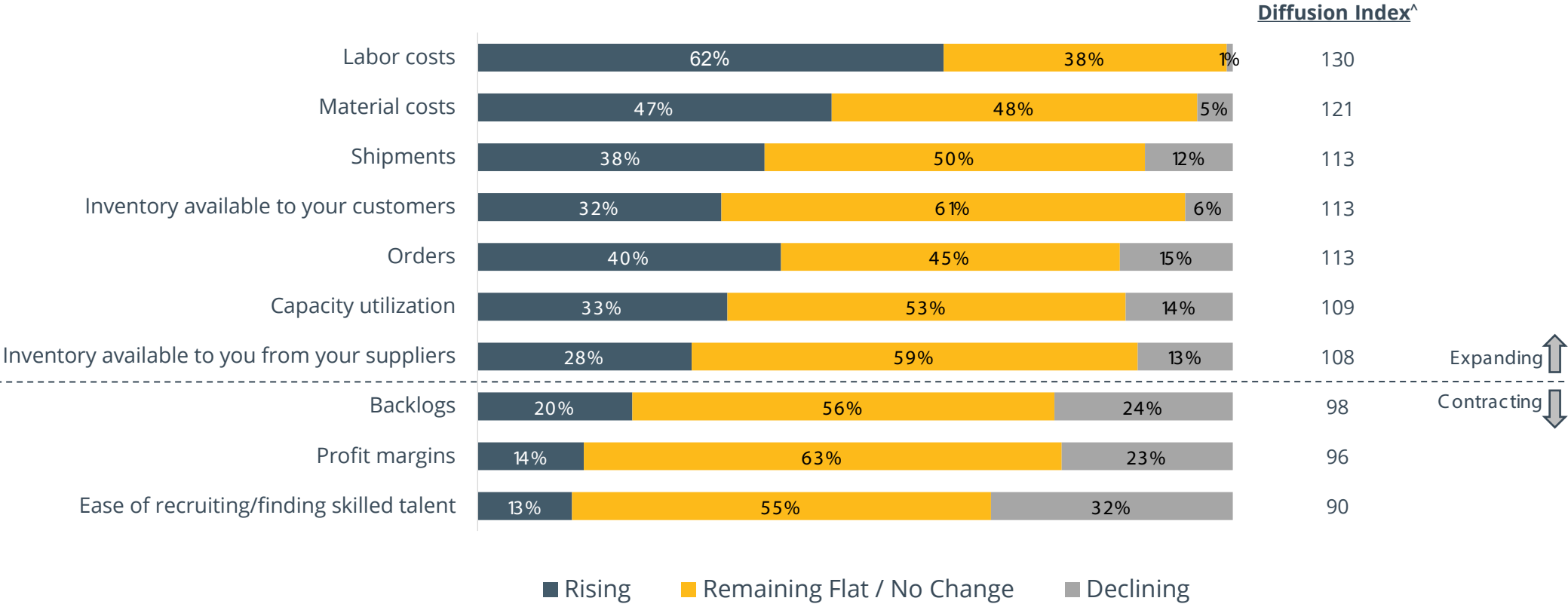


There are no significant differences in current conditions across all geographic regions.

Three-fifths (62%) of electronics manufacturers are currently experiencing rising labor costs, while nearly half (47%) report rising material costs.

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

## Current Direction of Key Business Indicators -- Total --



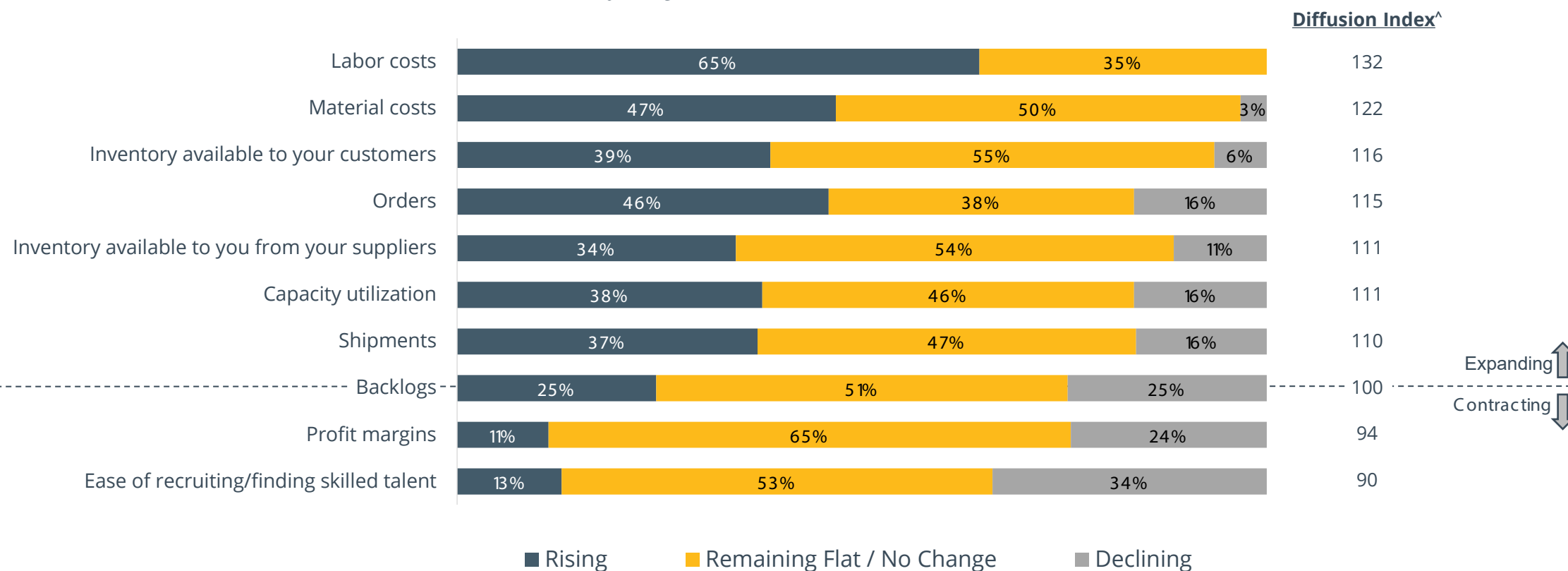
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in North America



## Current Direction of Key Business Indicators

-- Primary Region: North America

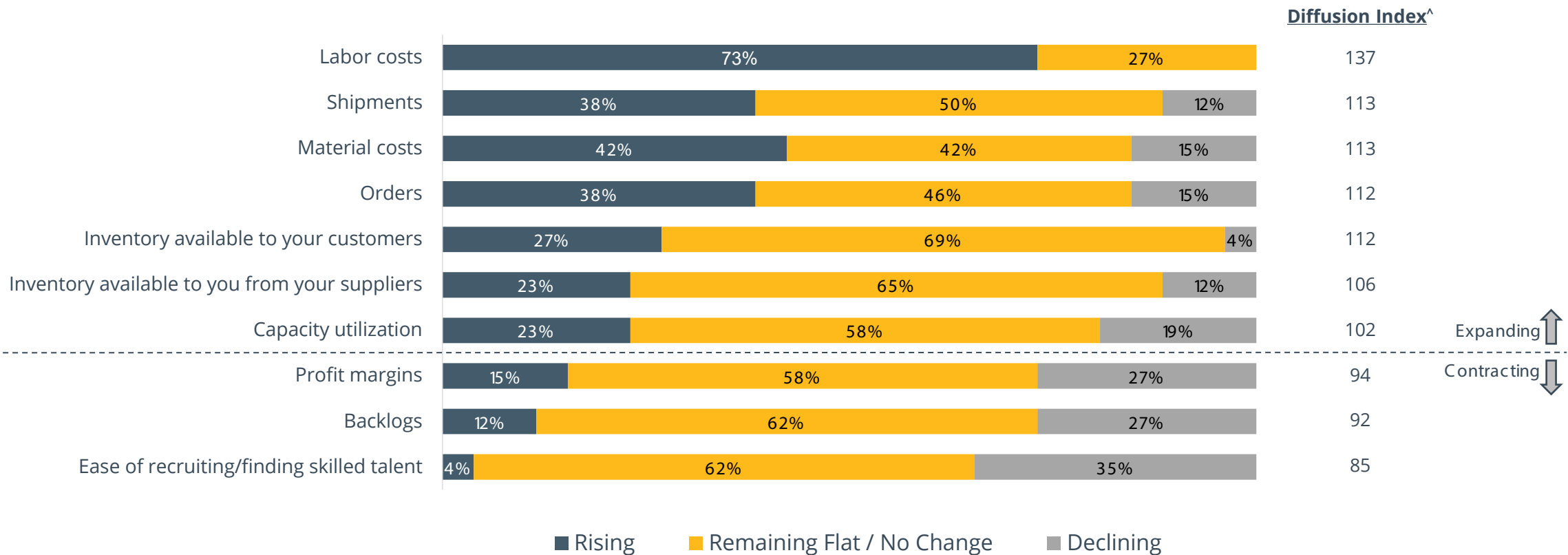


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# The View From Companies Primarily Operating in Europe



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



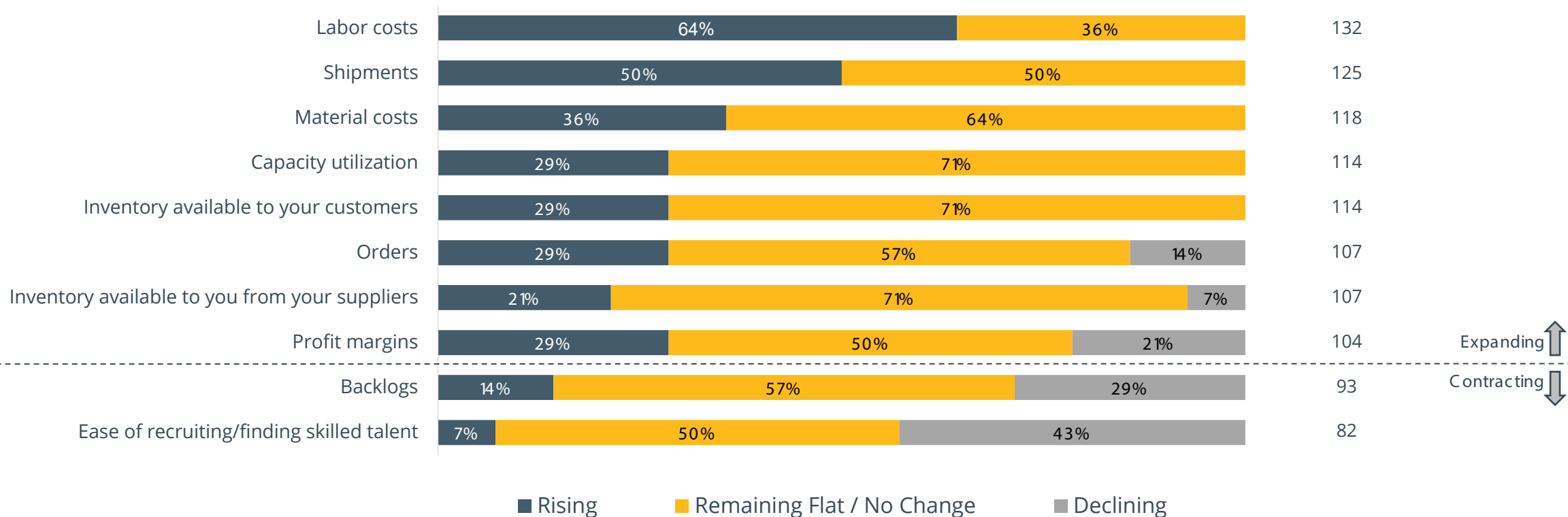
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in APAC



## Current Direction of Key Business Indicators -- Primary Region: APAC

Diffusion Index<sup>^</sup>

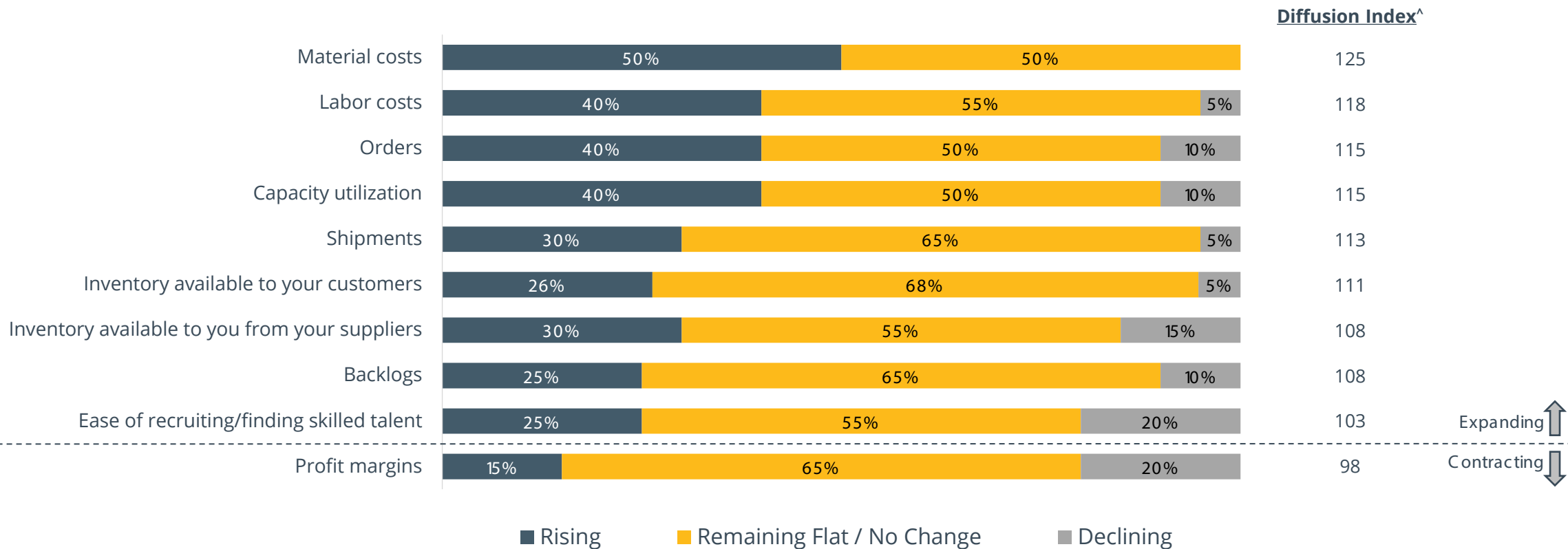


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# The View From Companies Primarily Operating Globally



## Current Direction of Key Business Indicators -- Primary Region: Global



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

# The Outlook for the Next 6 Months



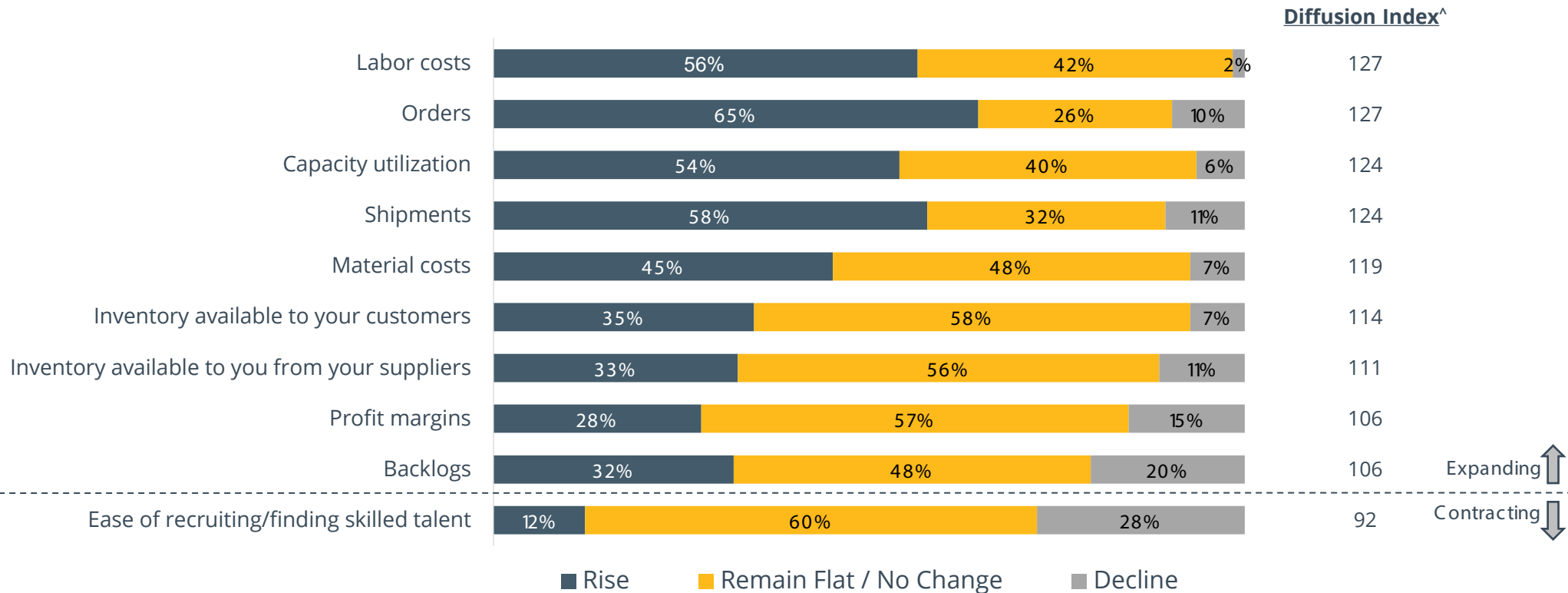
There are no significant differences in the outlook across all geographic regions.

Over the next six months, electronics manufacturers expect labor costs to come down slightly, with material costs holding steady. While profit margins and backlogs are expected to improve, ease of recruitment is likely to remain challenging.

Notably, orders, shipments, and capacity utilization are all expected to rise significantly in the near-term.

## Anticipated Direction of Key Business Indicators Next Six Months

-- Total --



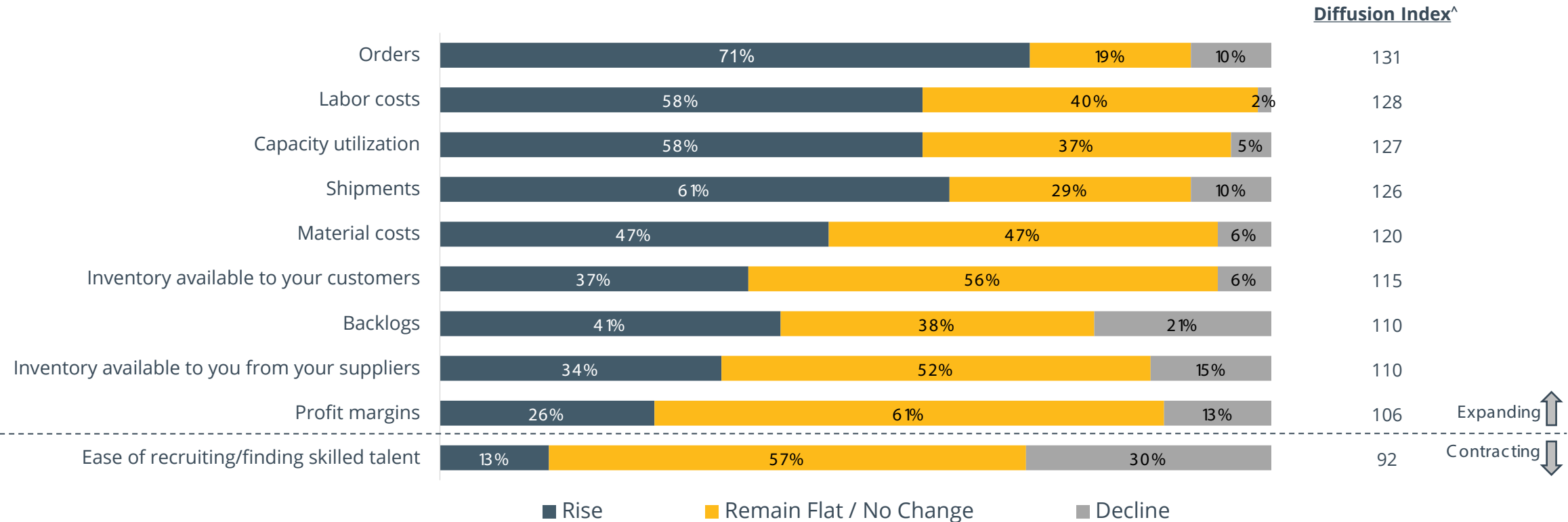
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# The View From Companies Primarily Operating in North America



## Anticipated Direction of Key Business Indicators Next Six Months -- Primary Region: North America

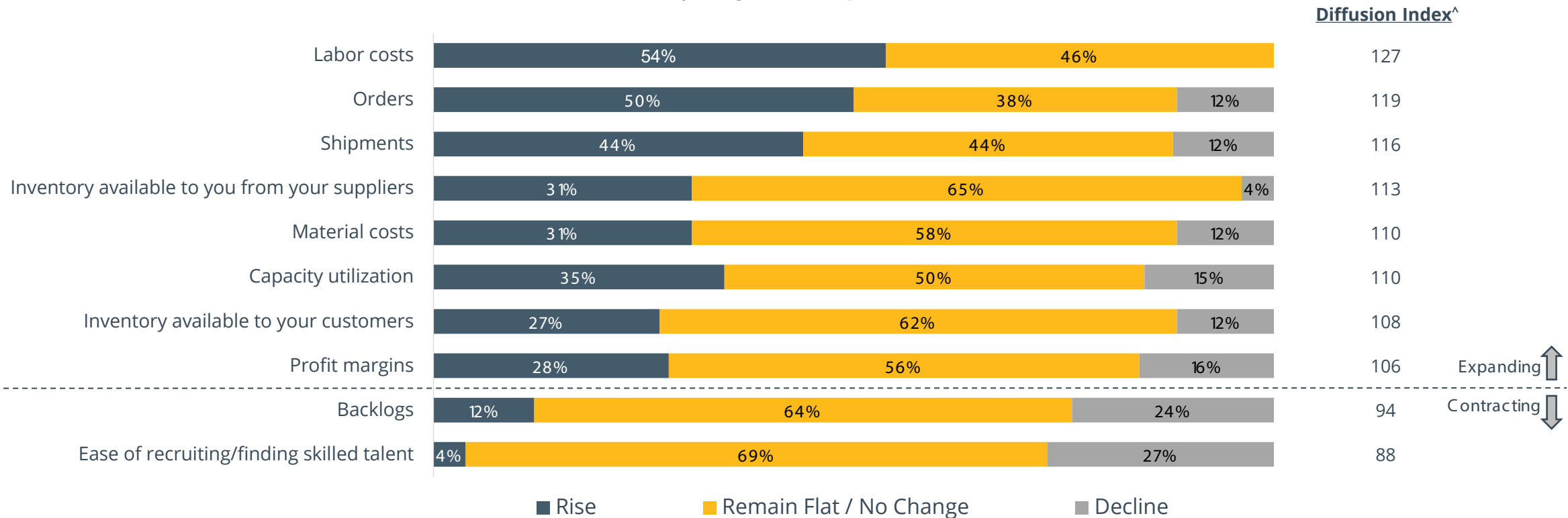


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# The View From Companies Primarily Operating in Europe



## Anticipated Direction of Key Business Indicators Next Six Months -- Primary Region: Europe



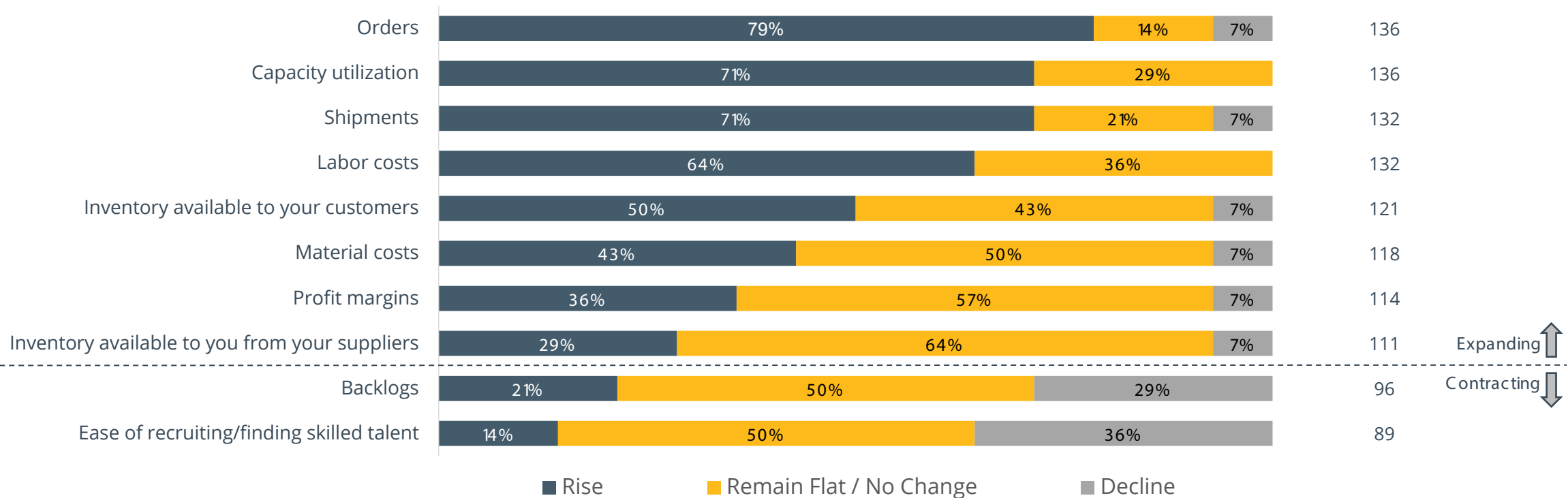
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# The View From Companies Primarily Operating in APAC



## Anticipated Direction of Key Business Indicators Next Six Months -- Primary Region: APAC

Diffusion Index<sup>^</sup>

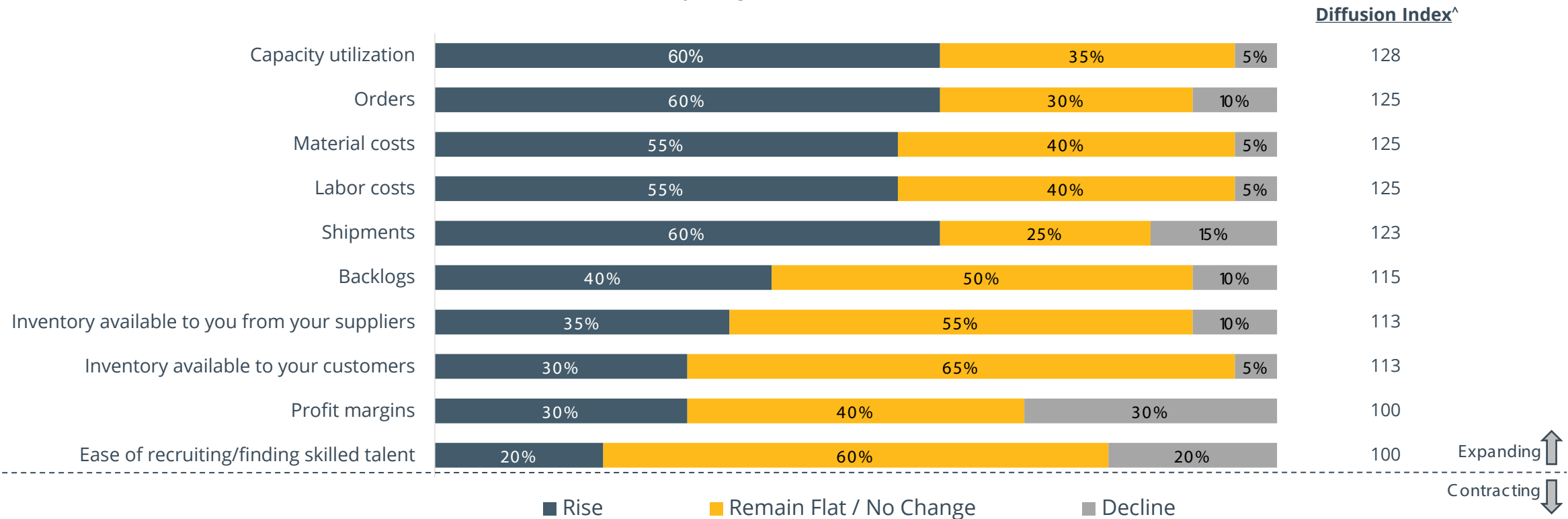


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# The View From Companies Primarily Operating Globally



## Anticipated Direction of Key Business Indicators Next Six Months -- Primary Region: Global



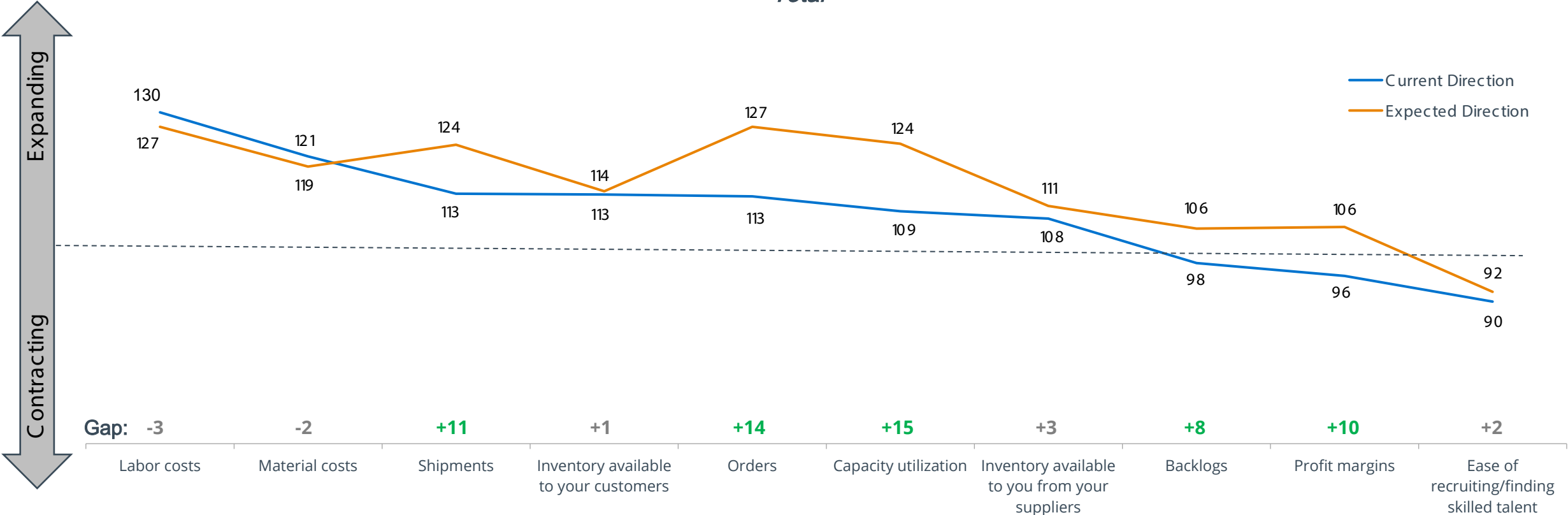
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# Capacity Utilization, Orders, Shipments, Profit Margins, and Backlogs are Expected to Rise Over the Next Six Months



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

**Direction of Key Business Indicators Diffusion Index**  
*-- Total --*

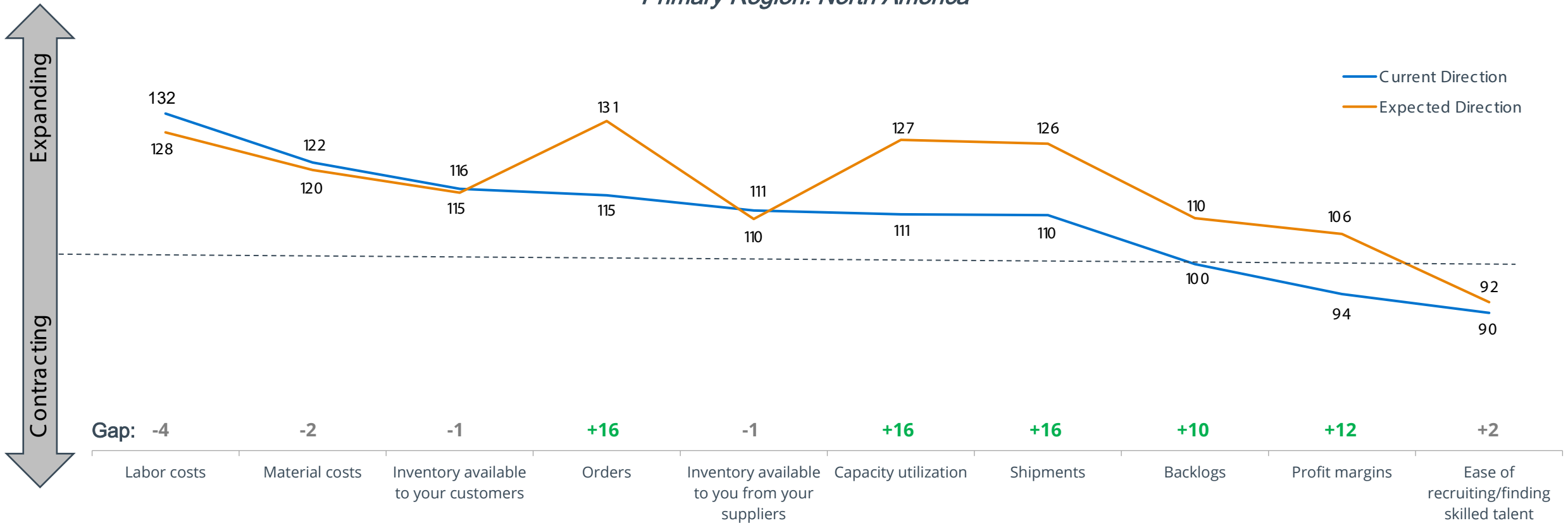


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# The View From Companies Primarily Operating in North America



**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

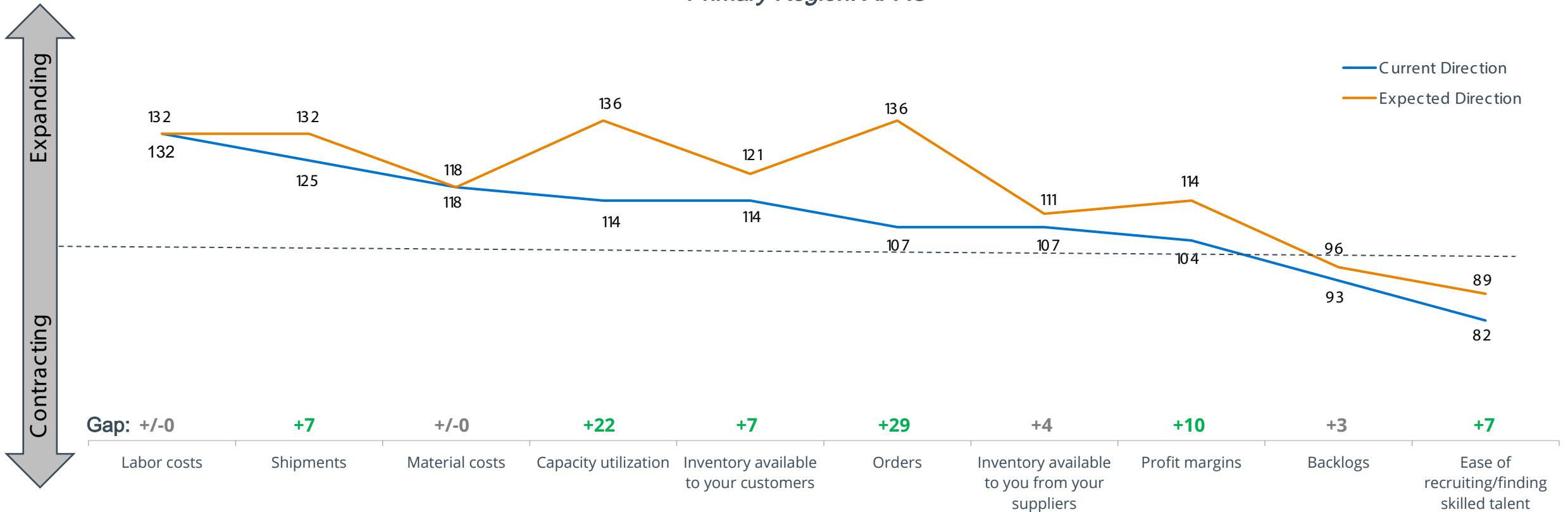


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# The View From Companies Primarily Operating in APAC



**Direction of Key Business Indicators Diffusion Index**  
 -- Primary Region: APAC



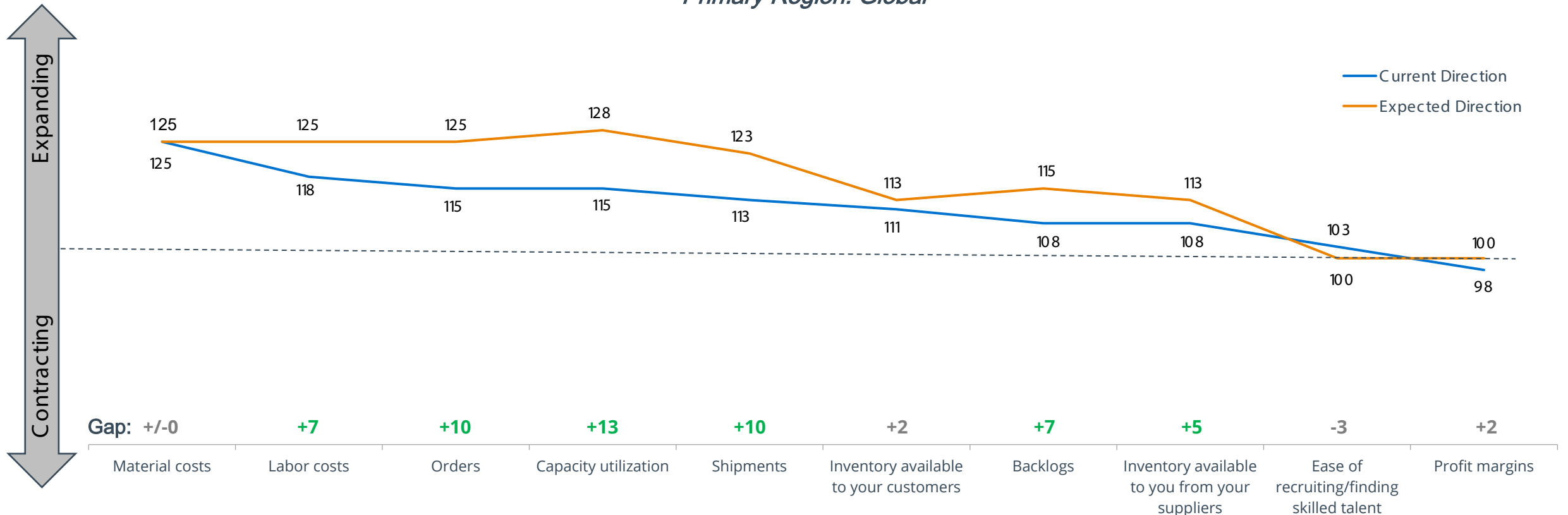
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# The View From Companies Primarily Operating Globally



**Direction of Key Business Indicators Diffusion Index**  
 -- Primary Region: Global



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# March 2024 Special Questions

# Current Interest Rates are Impacting the Cost of Financing for Many Electronics Manufacturers, Which Ultimately Increases the Cost of Doing Business and Drives Down Overall Profit Margins



Firms that rely on borrowed capital indicate they are seeing an impact on material costs, inventories, and orders as a result of higher interest rates, which then filters down to reduced CAPEX spend and ability to grow and invest in other areas of the business. Among firms operating in markets outside of the U.S., exchange rates can also be negatively impacted by higher U.S. interest rates.

## Impact of Current Interest Rates on Business

"It adds to the cost of doing business. We buy inventory against our letter of credit."  
*North America, Wire Harness and Cable Assembly Manufacturer*

"Affects loans on capital equipment, which increases cost."  
*North America, Contract Electronics Manufacturing Services*

"They affect material purchase negotiations, and therefore, define my need to seek to maintain minimally safe stock for operations."  
*North America, Contract Electronics Manufacturing Services*

"They are adding considerable cost to our products as the cost to finance our working capital is so much more expensive now (due to standard imbalance between AR and AP). The problem is compounded by our YOY growth these past few years, which puts extra pressure on AP/AR, as well as high CAPEX, to support the growth."  
*North America, Component Supplier*

"We are delaying capital equipment purchases and have put off expansions. We are also reducing our stocking inventory."  
*North America, Contract Electronics Manufacturing Services*

"I am confident it affects our ability to reinvest into our processes and personnel."  
*North America, Contract Electronics Manufacturing Services*

"Higher rates increase customers' finance costs slightly, and potentially delays their investments."  
*North America, Original Equipment Manufacturer*

"Increasing pressure from customers to extend longer payment terms. Difficulty justifying acquisitions due to higher cost of capital."  
*Global, PCB Board Fabricator/Supplier*

"We have little debt, so direct impact is negligible. However, we believe that high interest rates are limiting capital expenditures which is slowing orders."  
*North America, Equipment Supplier*

"We are located in Japan and import product from the US. With higher interest rates higher in the US and negative interest rates in Japan, the JPY is very weak and that is hurting our profitability."  
*APAC, Other Industry Segment*

Q. How, if at all, are current interest rates affecting your business?

# Appendix

# Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)



	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024
Shipments	111	110	109	108	103	110	106	104	107	105	110	105	113
Orders	112	105	101	107	103	104	101	100	105	101	102	105	113
Profit margins	90	93	95	96	91	96	93	92	94	95	96	95	96
Backlogs	104	97	99	95	93	98	90	91	96	94	94	94	98
Ease of recruiting/finding skilled talent	91	89	92	90	92	92	89	88	87	88	88	89	90
Material costs	133	130	128	126	123	128	124	122	118	119	119	118	121
Labor costs	136	131	128	129	129	133	131	129	130	128	128	133	130
Capacity utilization	110	105	103	108	103	108	104	102	106	106	106	104	109
Inventory available to you from your suppliers	106	108	110	112	112	110	109	111	112	111	116	113	108
Inventory available to your customers	108	111	116	115	109	109	108	108	107	110	118	110	113

Δ+5 points or more vs. previous month

-5 points or more vs. previous month

# Outlook Diffusion Indices

Past 12 Month Comparisons (TOTAL)



	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024
Shipments	116	118	118	112	115	117	110	114	116	116	117	123	124
Orders	114	118	111	111	116	117	113	114	114	116	120	121	127
Profit margins	98	98	99	99	96	104	100	100	102	100	105	103	106
Backlogs	100	95	93	92	98	100	95	97	104	97	97	102	106
Ease of recruiting/finding skilled talent	93	95	95	93	95	95	91	91	89	93	94	95	92
Material costs	128	126	122	123	120	123	122	120	116	116	116	116	119
Labor costs	134	132	124	128	126	126	129	128	132	130	129	129	127
Capacity utilization	115	112	110	111	113	115	114	111	114	114	117	116	124
Inventory available to you from your suppliers	112	113	113	113	118	113	113	113	112	114	116	113	111
Inventory available to your customers	111	110	114	111	117	112	112	112	111	115	117	114	114

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 February 14 and February 29, 2024.



Questions? Please contact:

Shawn DuBravac,  
IPC Chief Economist

[ShawnDuBravac@ipc.org](mailto:ShawnDuBravac@ipc.org)