



BUILD ELECTRONICS BETTER

The Current Sentiment of the Global Electronics Manufacturing Supply Chain

Monitoring the Pulse of the Global Electronics Industry

October 2021

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Executive Summary



- > The state of the electronics industry is little changed in October 2021. Manufacturers continue to report strong sales, but are weighed down by rising material cost, rising labor costs and supply chain shortages.
- > The majority of electronics manufacturers report sales are increasing, with the diffusion index decreased one point to 123.
 - Manufacturers also report capacity utilization is rising
- > Nine in ten manufacturers report rising material costs, with three-fourths reporting rising labor costs.
 - As a result, a majority of electronics manufacturers report profit margins are declining.
- > Supply constraints continue to hinder electronics manufacturers.
 - Inventories are shrinking for the majority of manufacturers and inventories available from suppliers are extremely tight with 59 percent of manufacturers reporting they are declining.
 - As a result of strong orders but weak supplier inventory, backlogs are growing for the majority of manufacturers.
 - Manufacturers also report difficulty in hiring skilled workers, with only 15 percent of the electronics supply chain reporting conditions are improving.

Executive Summary



- > The outlook for the next 6 months has deteriorated somewhat compared to last month. While expectations for sales has improved, expectations for material costs, labor costs, order backlogs, and supplier inventories have all worsened.
- > Two-thirds of manufacturers raised prices in 2021 and 71% percent of firms expect to raise prices in 2022.
 - 65% of manufacturers report rising prices this year with an average increase of 14.5%
 - > 72% of North American manufacturers indicate they raised prices in 2021 , whereas only 55% of firms in Europe and 52% of firms in APAC report the same
 - Looking forward, 71% of firms expect to rise price in 2022 with an average price increase 7-8%
 - > 79% of manufacturers in North America indicate they will raise prices in 2022 compared to only 57% of manufactures in APAC.

Current Conditions for the Electronics Supply Chain Remain Challenging

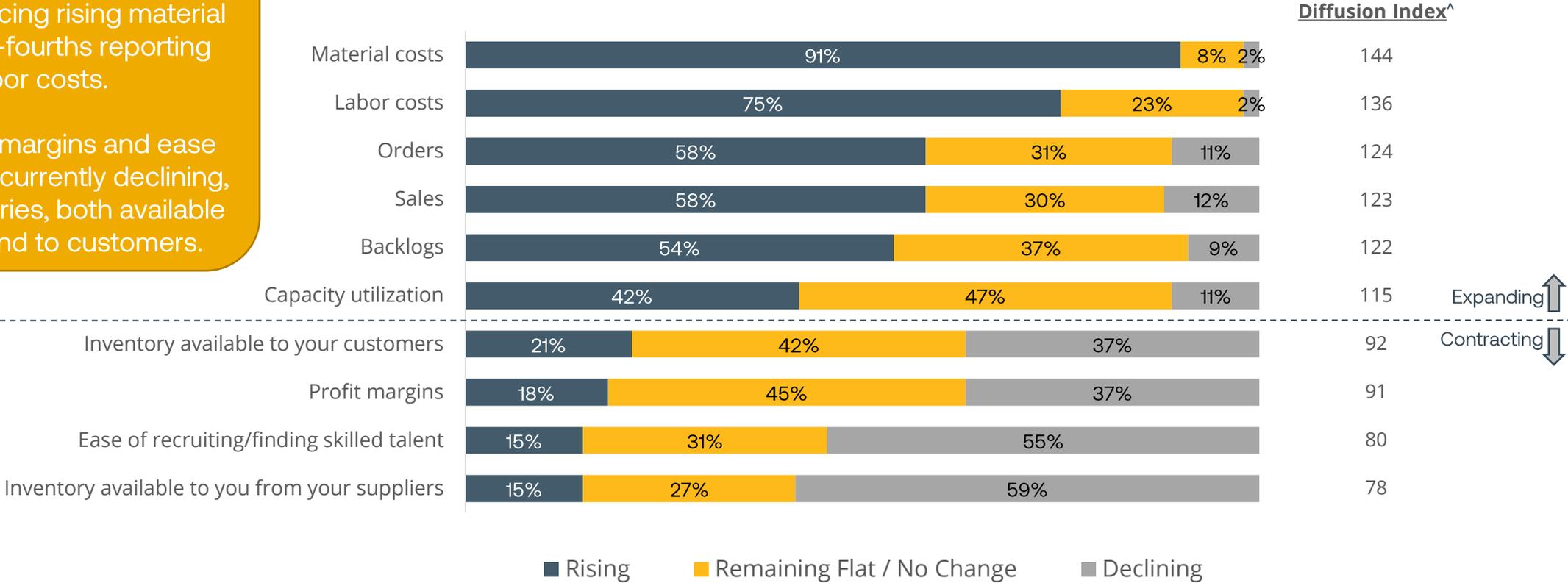


Nine in ten manufacturers are currently experiencing rising material costs, with three-fourths reporting rising labor costs.

As a result, profit margins and ease of recruitment are currently declining, along with inventories, both available from suppliers and to customers.

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



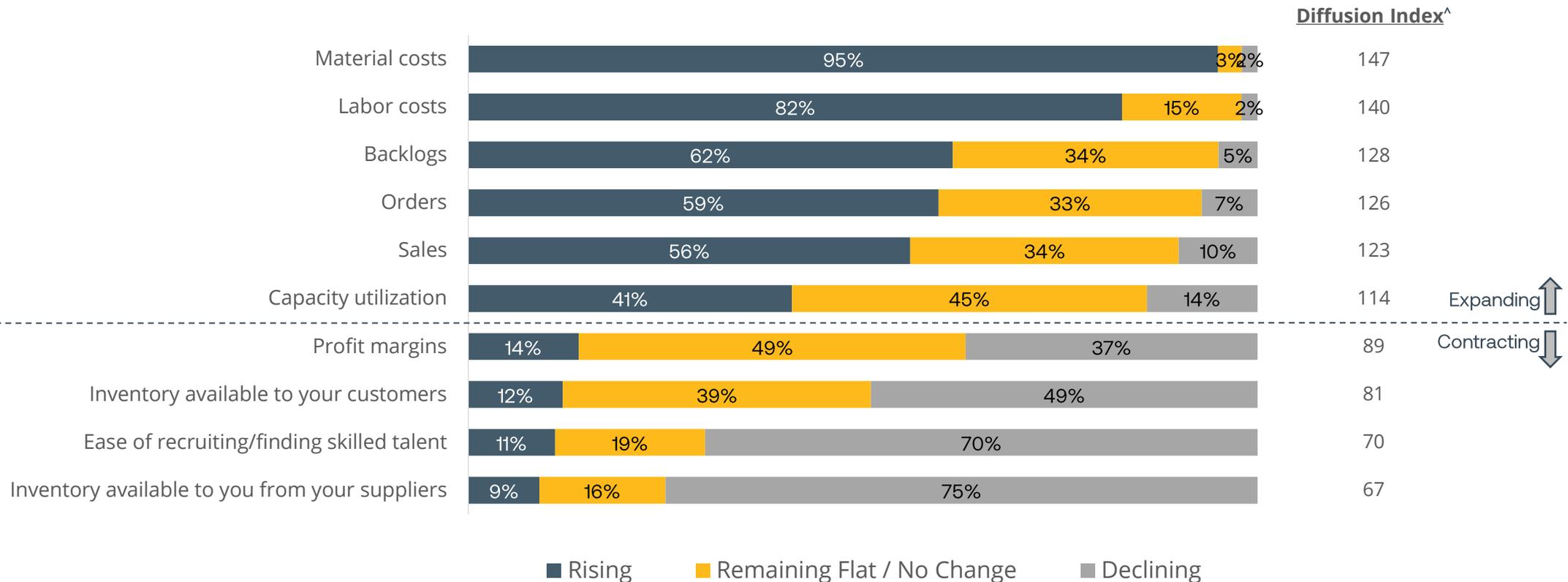
- **Ease of recruiting/finding skilled talent is declining in North America compared to all other regions in the world.**
 - 70% of North American firms report ease of recruiting workers is declining, while 47% of European firms, 40% of those operating globally, and 35% of APAC firms report the same.
- **In part due to recruitment difficulties, labor costs are rising, especially in North America.**
 - 82% of manufacturers in North America indicate labor costs are rising, while 70% of APAC firms, 67% of global manufacturers, and 64% of European firms report the same.
- **Backlogs are rising in North America and APAC at a higher rate than other parts of the world.**
 - 62% of North American manufacturers and 58% of those in APAC report rising backlogs, compared to 41% of European firms and 40% of those operating globally. But in all regions the diffusion index suggests an expanding backlog of orders.
- **Material costs are rising for a wider swath of companies in North America and Europe.**
 - 95% of North American manufacturers and 91% of European manufacturers indicate rising material costs compared to 84% in APAC and 83% among global manufacturers.
- **Inventory available from suppliers is declining at a higher rate in North America, while recovering quicker in APAC and among global manufacturers.**
 - While 75% of firms in North America are reporting declining inventory available from suppliers, 25% of manufacturers in APAC and 25% of those operating globally are experiencing increases in available inventory. The diffusion index for all regions remains in contraction.
- **Inventory available to customers is also declining more in North America.**
 - 49% of firms in North America are experiencing declining inventory available to customers; at the same time, inventory available to customers is rising significantly among APAC (41%) and global manufacturers (28%).

The View From Companies Primarily Operating in North America



Current Direction of Key Business Indicators

-- Primary Region: North America --

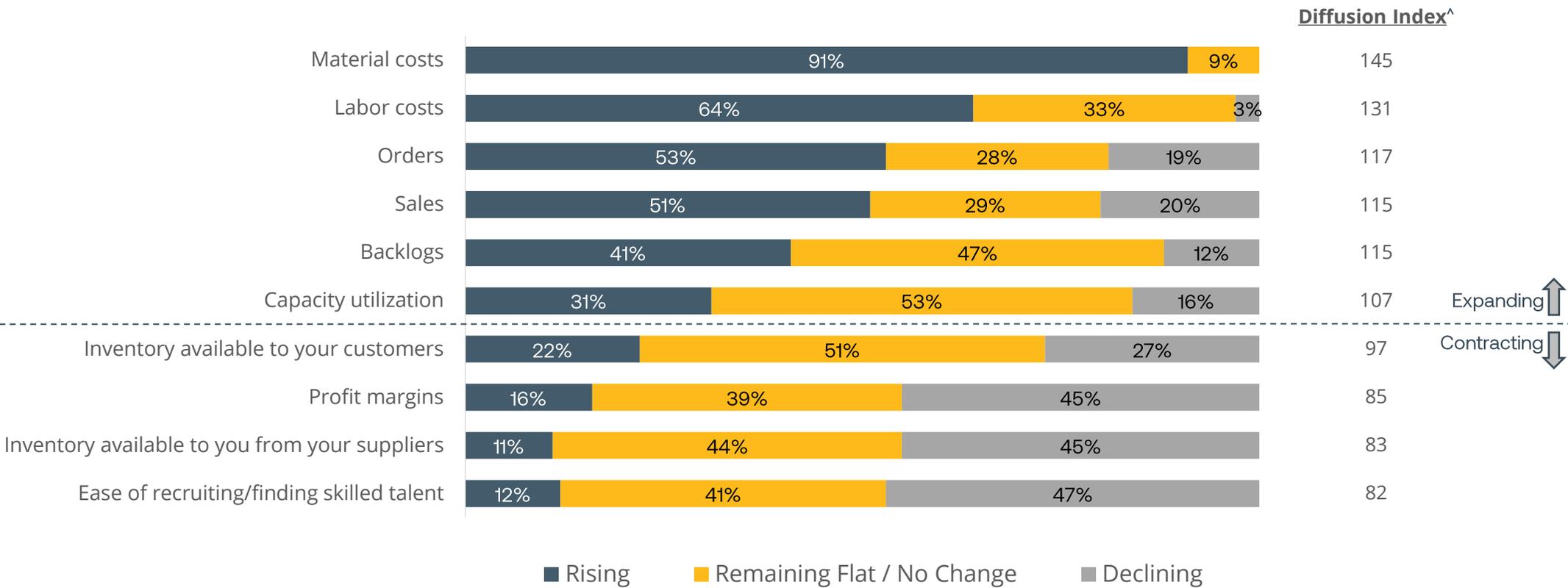


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The View From Companies Primarily Operating in Europe

Current Direction of Key Business Indicators

-- Primary Region: Europe --



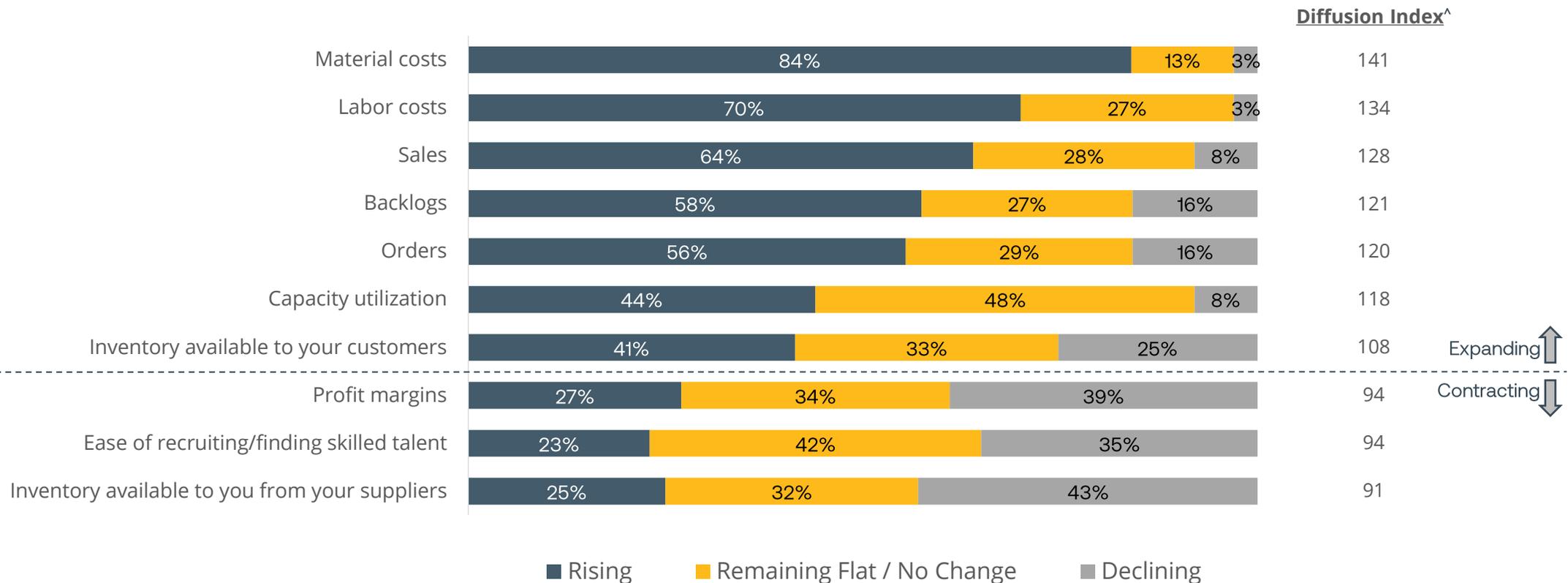
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The View From Companies Primarily Operating in APAC



Current Direction of Key Business Indicators

-- Primary Region: APAC --



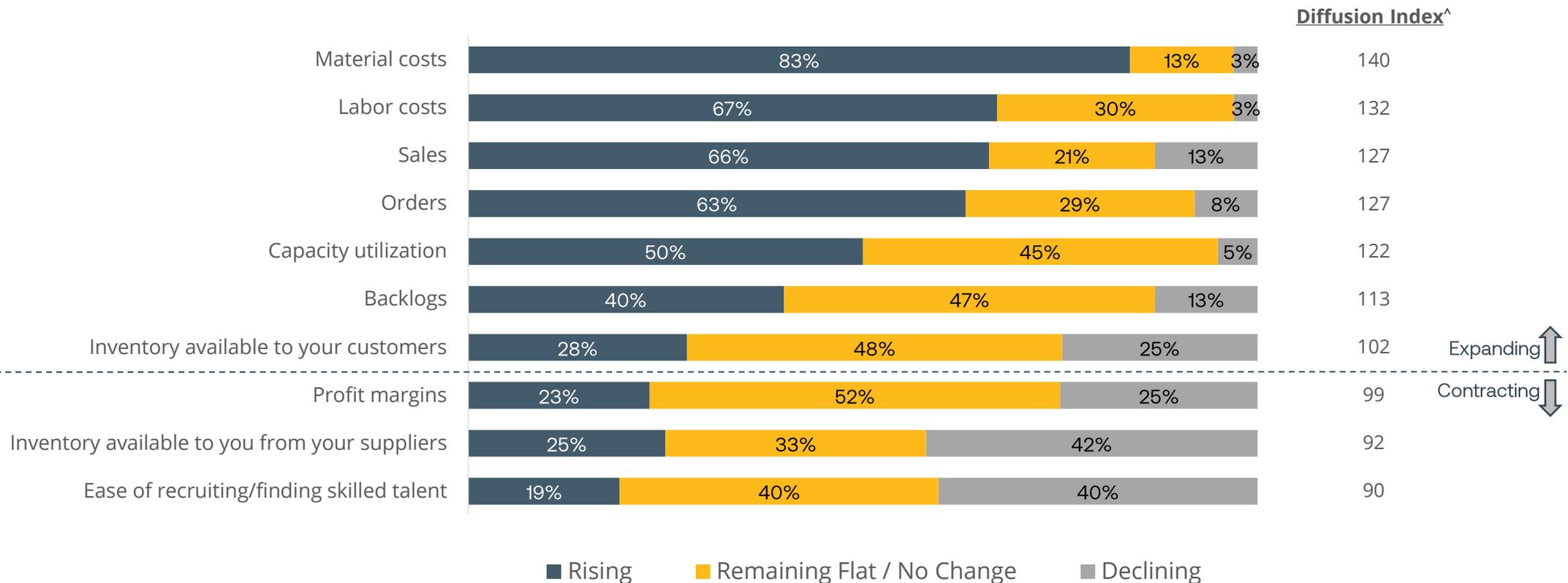
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The View From Companies Primarily Operating Globally



Current Direction of Key Business Indicators

-- Primary Region: Global --



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The Outlook for the Next 6 Months is Little Changed

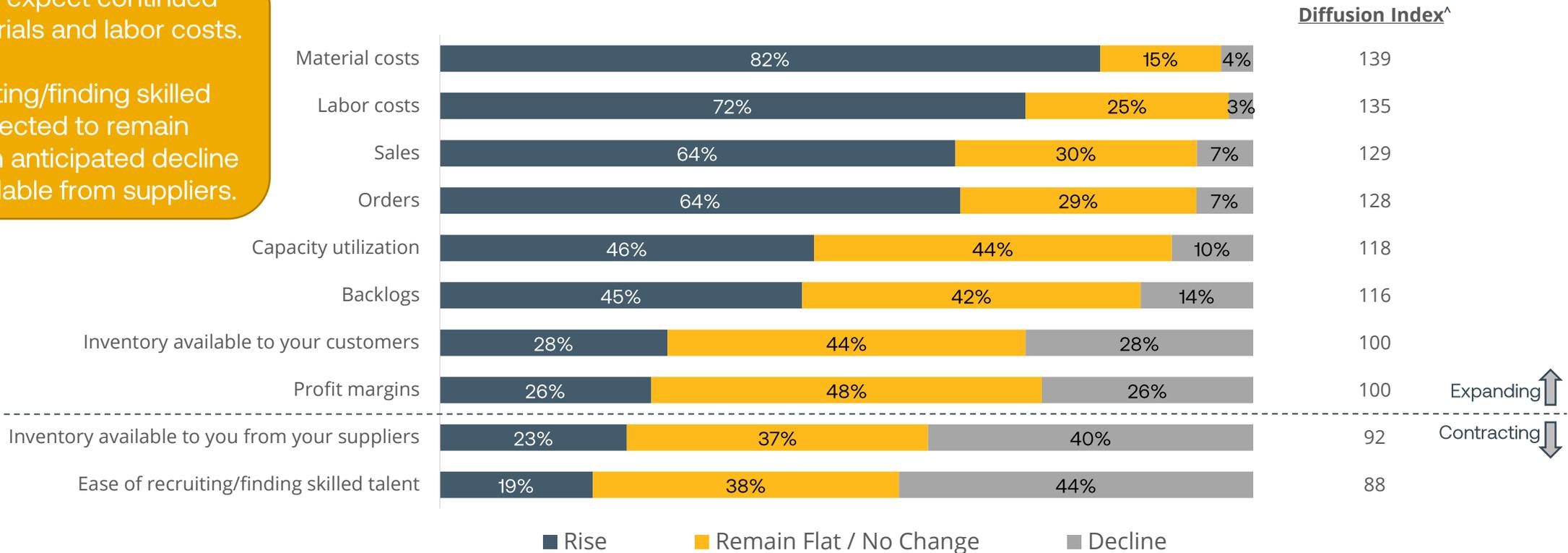


Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --

Manufacturers expect continued increase in materials and labor costs.

Ease of recruiting/finding skilled talent is expected to remain challenging, with anticipated decline in inventory available from suppliers.



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Regional Differences in the Outlook



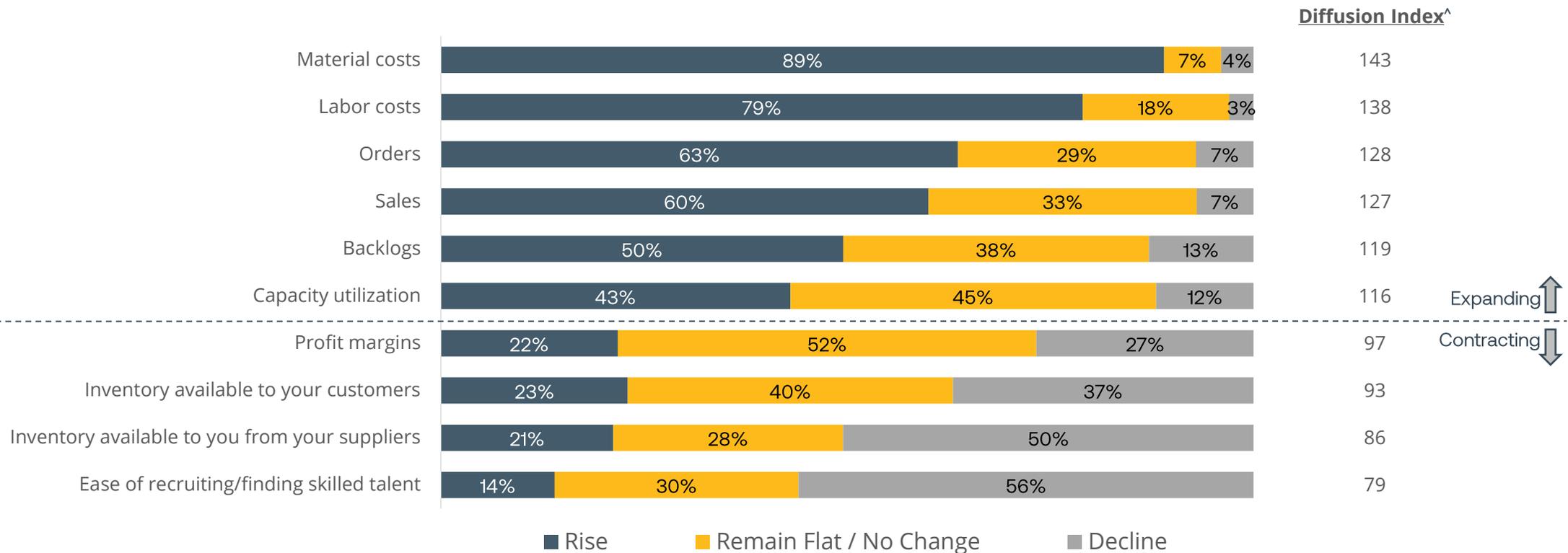
- **Manufacturers in North America anticipate ease of recruiting to further deteriorate compared to APAC.**
 - 56% of manufacturers in North America expect ease of recruiting to decline in the next six months, while 34% of manufactures in APAC anticipate improvement.
- **As recruitment issues persist, a larger number of North American firms expect labor costs to rise compared with both Europe and APAC.**
 - 79% of North American firms anticipate rising labor costs in the next six months, while 64% of European firms and 63% of APAC firms report the same.
- **A higher share of firms in North America expect material costs to rise in the coming months compared to all other regions.**
 - 89% of North American manufacturers expect material costs to rise in the near future, which compares to significantly lower rates in Europe (77%), APAC (75%), and among global manufacturers (71%).
- **Expectations for declining inventory is more pronounced in North America.**
 - 50% of North American manufacturers expect inventory available from suppliers to decline, compared to 32% of firms in APAC, 30% of those operating globally, and 27% of firms in Europe.
 - 37% of North American manufacturers expect inventory available to customers to decline, compared to 25% of firms in APAC, 19% of firms in Europe, and 12% of those operating globally.

The View From Companies Primarily Operating in North America



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --



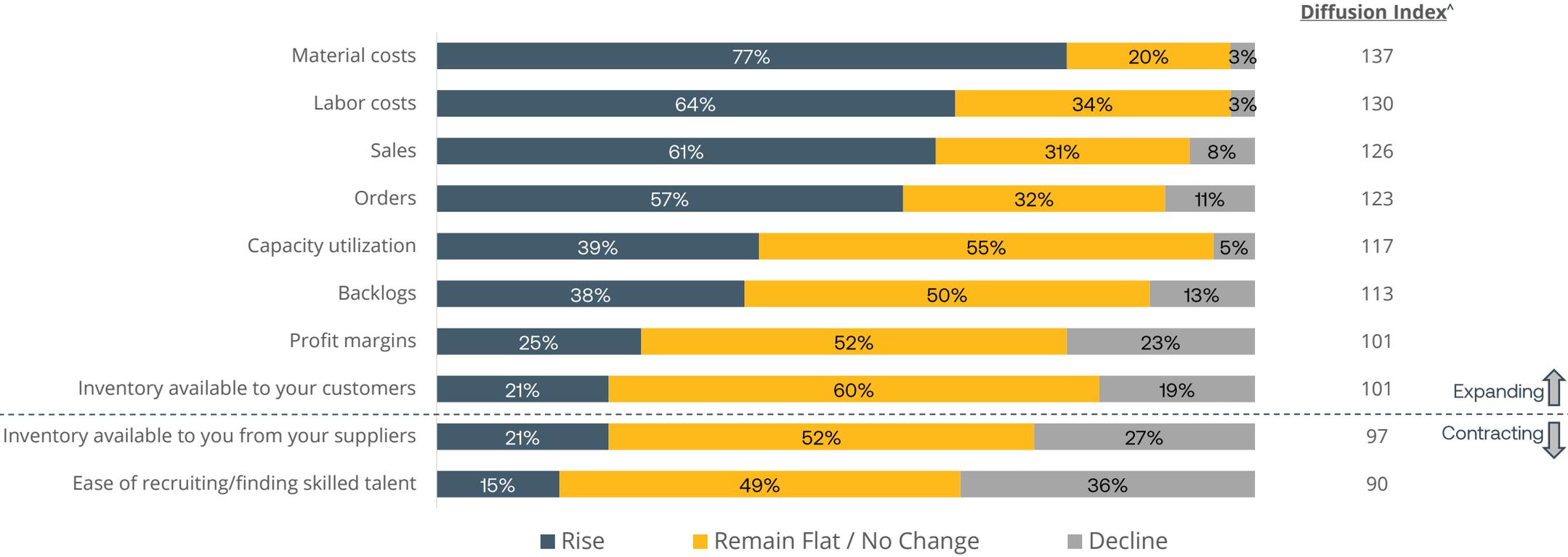
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The View From Companies Primarily Operating in Europe



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Europe --



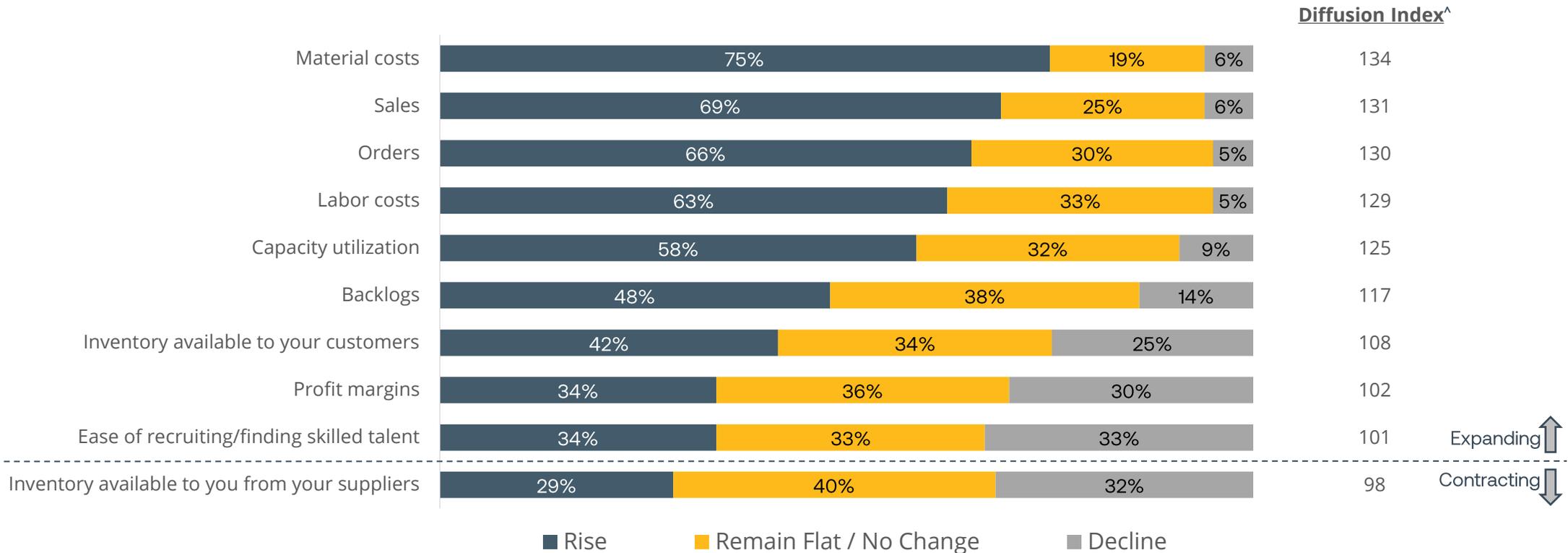
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The View From Companies Primarily Operating in APAC



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: APAC --



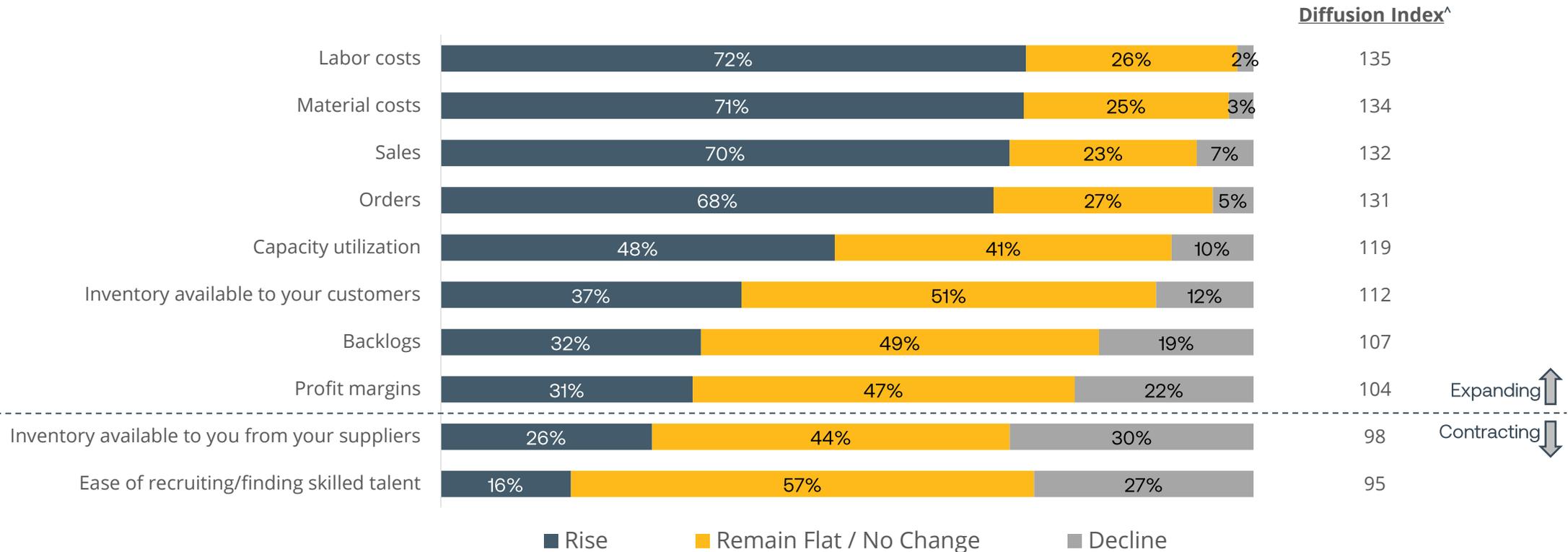
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The View From Companies Primarily Operating Globally



Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Global --



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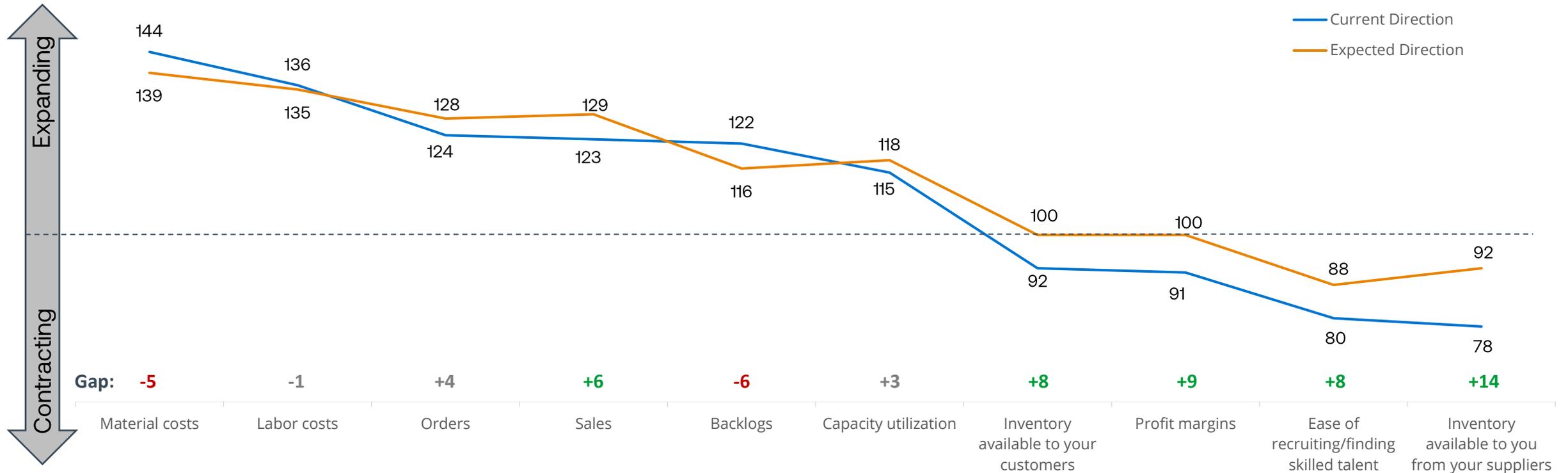
Labor Costs, Orders, and Capacity Utilization Expected to Remain Relatively Unchanged



Manufacturers expect to see declines in backlogs and material costs in the next six months, while inventory available from suppliers, profit margins, ease of recruitment, inventory available to customers, and sales are expected to see some level of improvement.

Direction of Key Business Indicators – Diffusion Index[^]

-- Total --



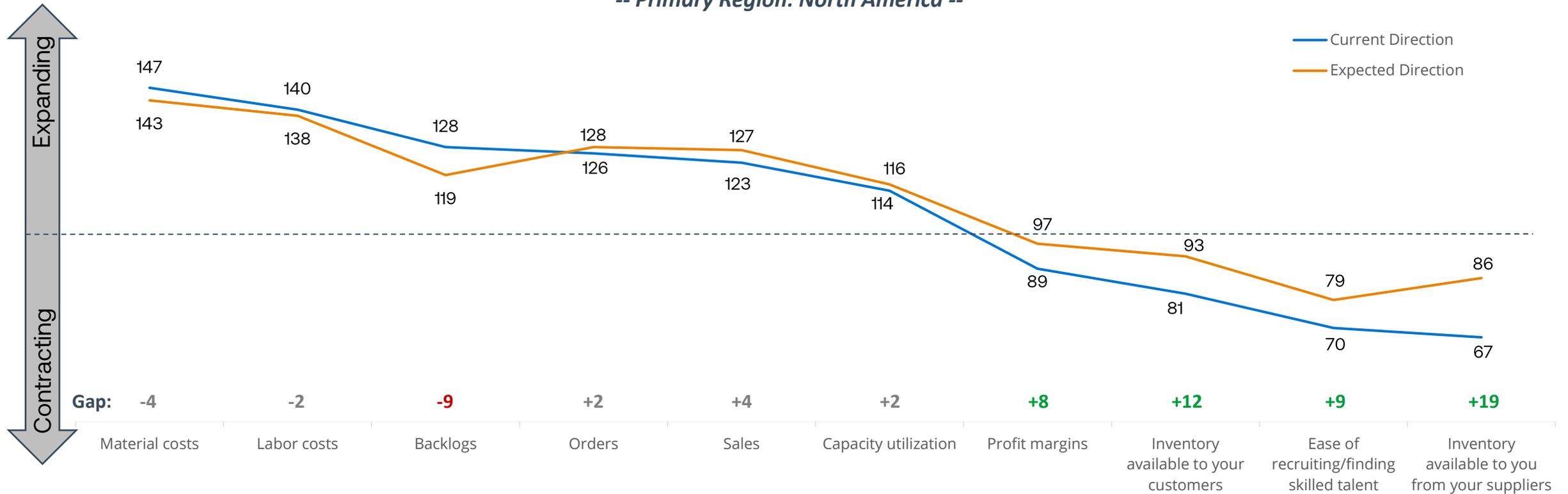
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The View From Companies Primarily Operating in North America



Direction of Key Business Indicators – Diffusion Index[^]

-- Primary Region: North America --



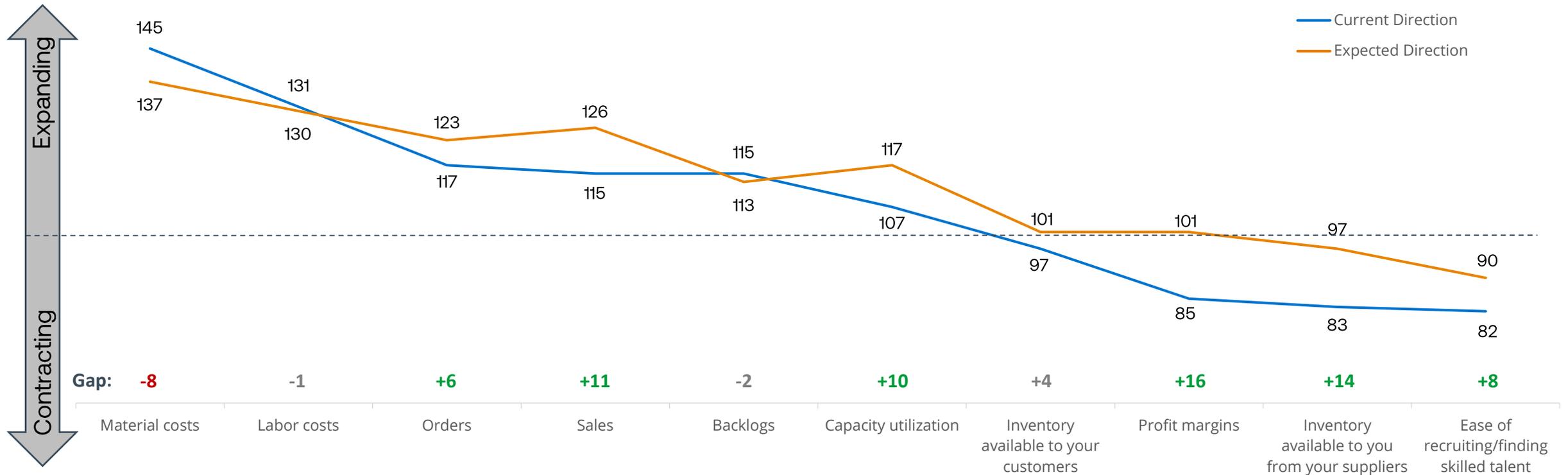
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The View From Companies Primarily Operating in Europe



Direction of Key Business Indicators – Diffusion Index[^]

-- Primary Region: Europe --



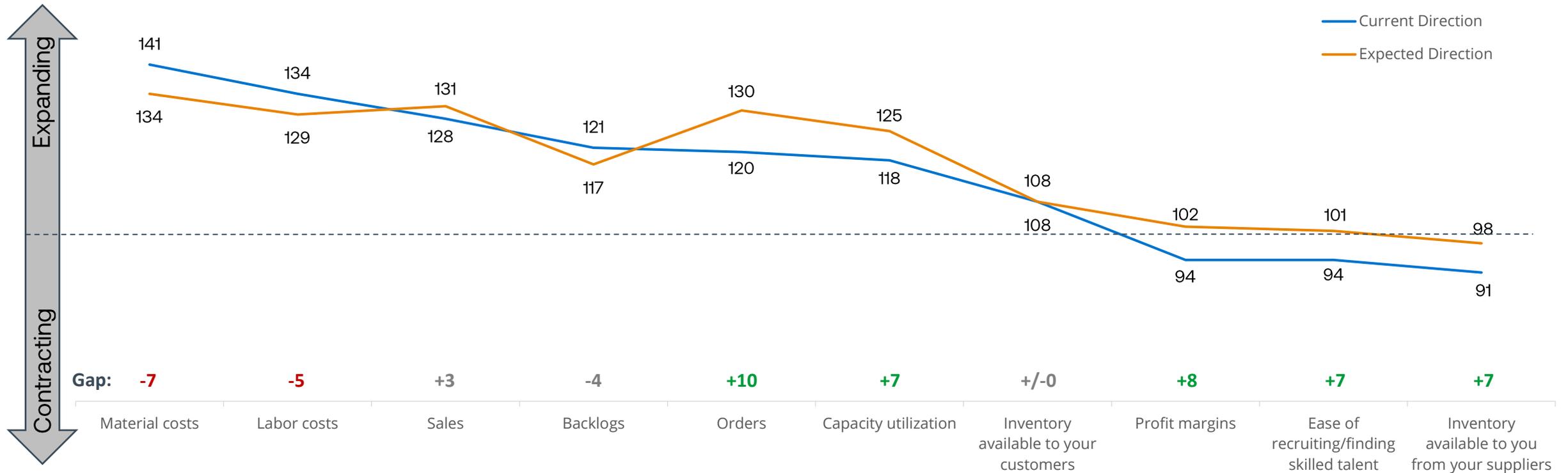
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The View From Companies Primarily Operating in APAC



Direction of Key Business Indicators – Diffusion Index[^]

-- Primary Region: APAC --



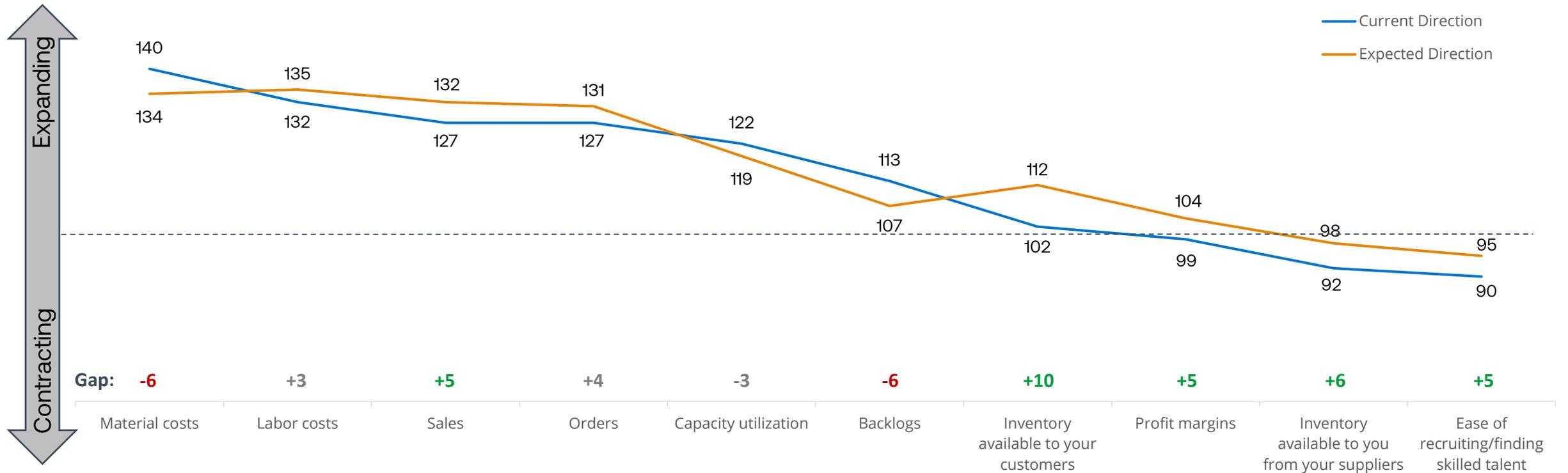
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The View From Companies Primarily Operating Globally



Direction of Key Business Indicators – Diffusion Index[^]

-- Primary Region: Global --



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October 2021 Special Questions

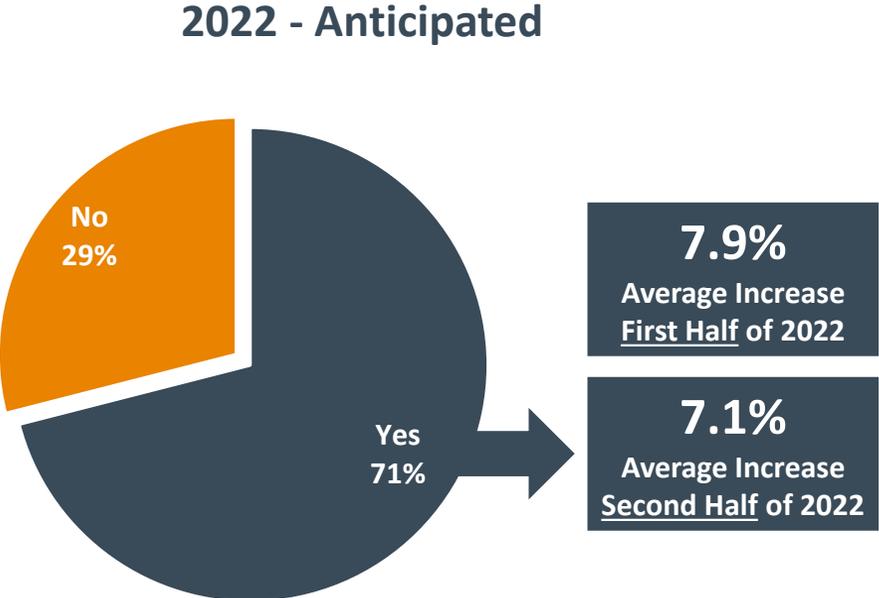
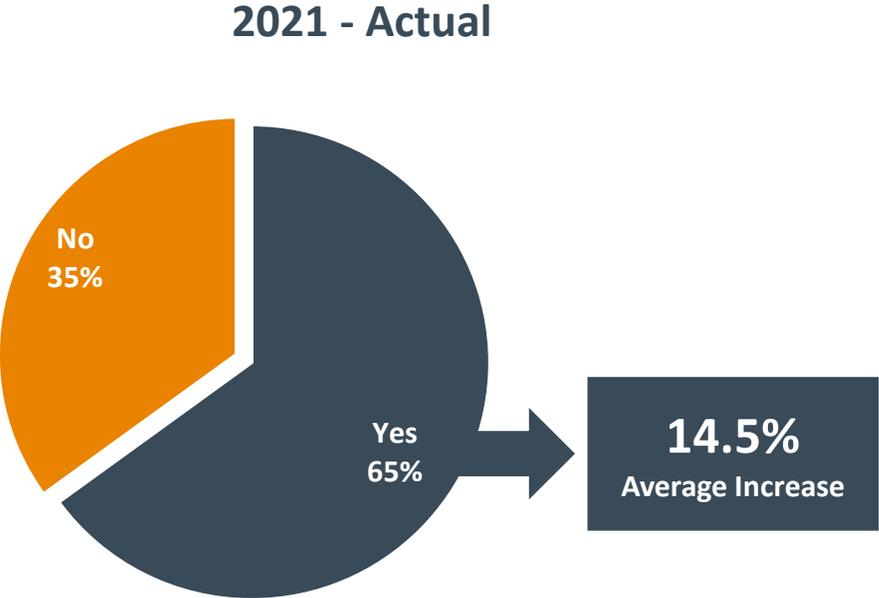
Two-Thirds of Manufacturers Raised Prices in 2021, With an Average Increase of 14.5%



Looking forward, seven in ten expect to raise prices in 2022, on average between 7% and 8%.

Incidence of Raising Prices

-- Total --



Regional Differences in Raising Prices



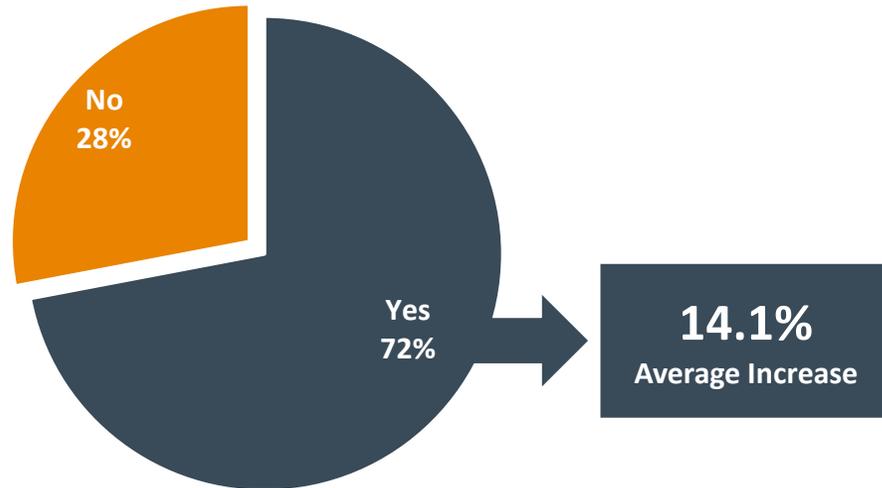
- **A higher share of firms in North America raised prices in 2021 compared to Europe and APAC.**
 - 72% of North American manufacturers indicate they raised prices in 2021, whereas only 55% of firms in Europe and 52% of firms in APAC report the same.
- **A greater proportion of North American firms also expect to raise prices in 2022.**
 - 79% of manufacturers in North America indicate they will raise prices in 2022 compared to only 57% of manufactures in APAC.

The View From Companies Primarily Operating in North America

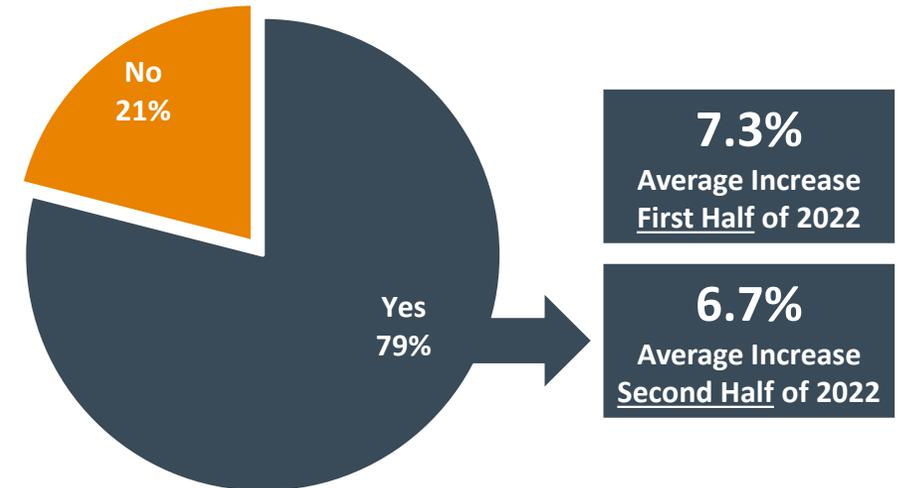


Incidence of Raising Prices -- Primary Region: North America --

2021 - Actual



2022 - Anticipated

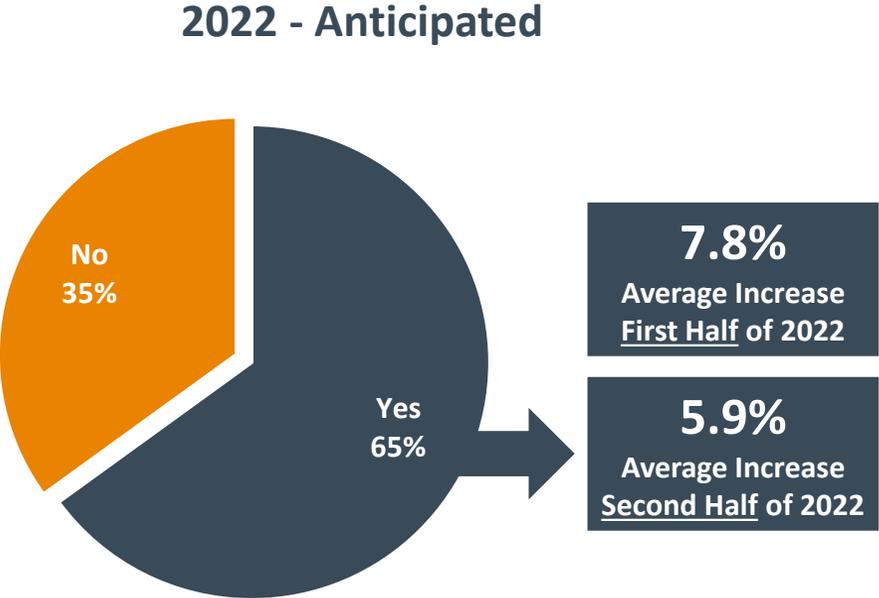
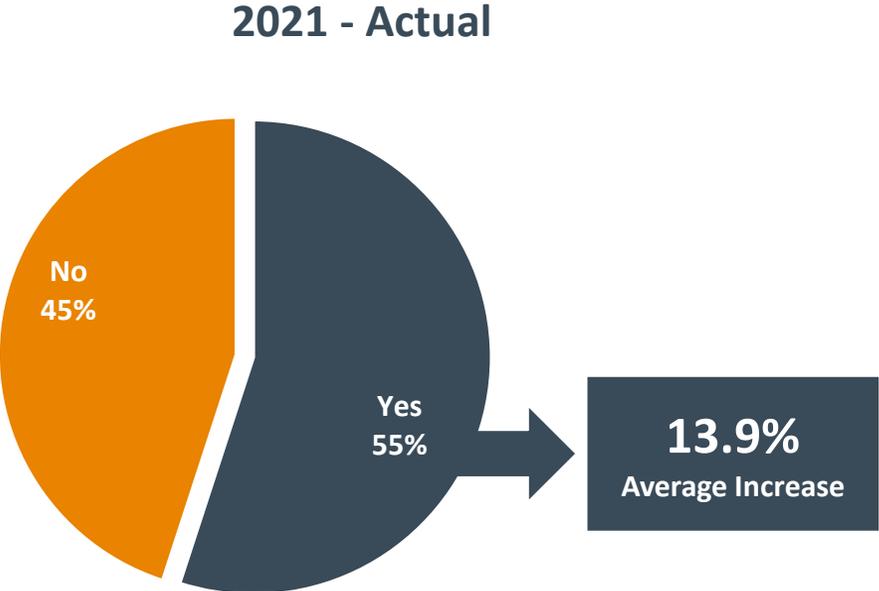


The View From Companies Primarily Operating in Europe



Incidence of Raising Prices

-- Primary Region: Europe --



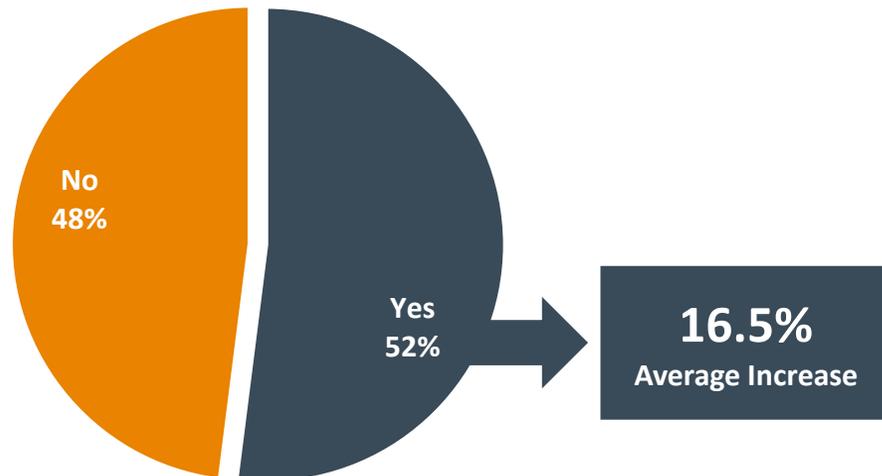
The View From Companies Primarily Operating in APAC



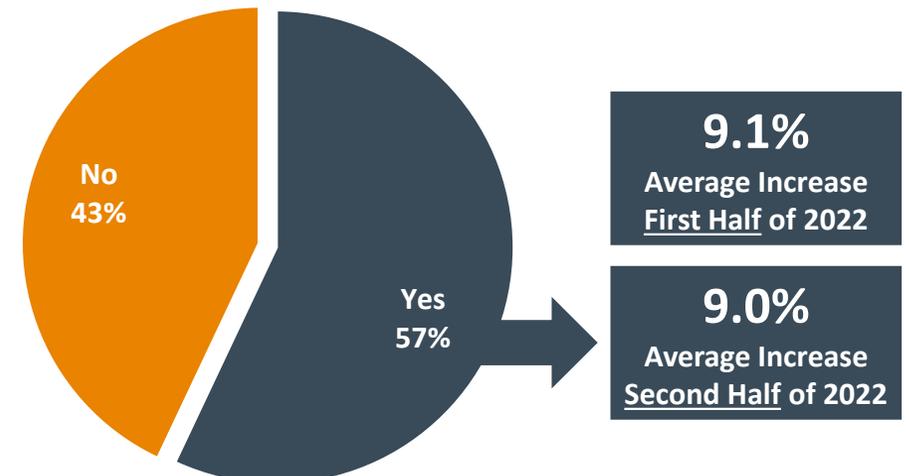
Incidence of Raising Prices

-- Primary Region: APAC --

2021 - Actual



2022 - Anticipated



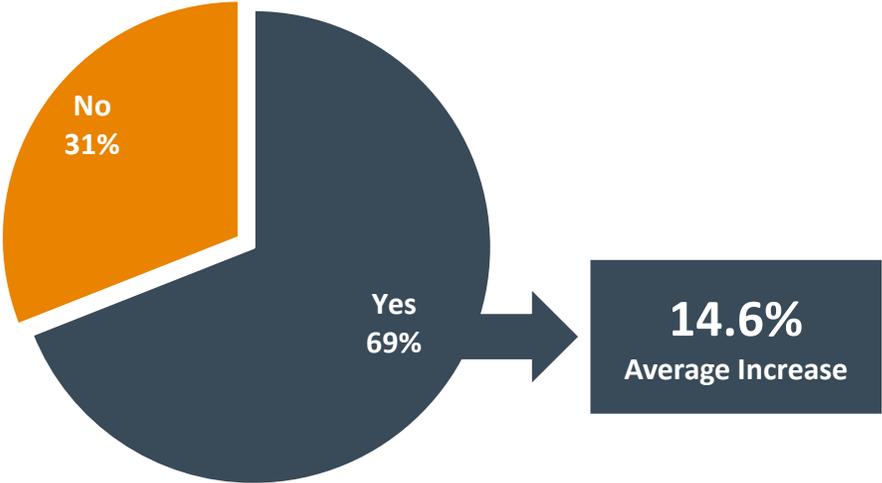
The View From Companies Primarily Operating Globally



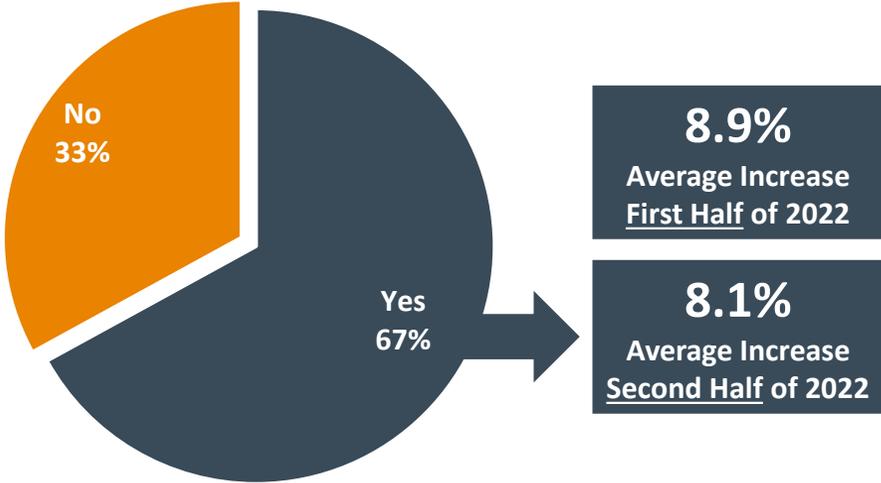
Incidence of Raising Prices

-- Primary Region: Global --

2021 - Actual



2022 - Anticipated



Current Conditions Diffusion Indices



	September 2021	October 2021
Material costs	144	144
Labor costs	133	136
Orders	127	124
Backlogs	125	122
Sales	124	123
Capacity utilization	114	115
Profit margins	96	91
Inventory available to your customers	89	92
Ease of recruiting/finding skilled talent	77	80
Inventory available to you from your suppliers	73	78

Outlook Diffusion Indices



	September 2021	October 2021
Material costs	136	139
Labor costs	131	135
Orders	126	128
Backlogs	112	116
Sales	128	129
Capacity utilization	119	118
Profit margins	103	100
Inventory available to your customers	100	100
Ease of recruiting/finding skilled talent	91	88
Inventory available to you from your suppliers	95	92

- > 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 7 to October 21, 2021.



Questions? Please contact:

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