



BUILD ELECTRONICS BETTER

# The Current Sentiment of the Global Electronics Manufacturing Supply Chain

*Monitoring the Pulse of the Global Electronics Industry*

January 2023

[ipc.org](https://www.ipc.org) →

# Executive Summary



## > Industry sentiment continues to show surprising resiliency

- The Orders Index rose this month to 112. While the index is off its peak, it remains in expansionary territory.
- The Capacity Utilization Index also rose, hitting 111. This marks the highest level since April 2022. The Capacity Utilization Outlook Index rose to 118, nearing an all-time high for the index.

## > Material costs are expected to remain high, but the Material Costs Index continues to move off its peak.

## > Labor costs and related constraints continue to weigh on companies

- 74% of the industry report labor costs are rising and 73% expect labor costs to rise further over the next 6 months
- Only 13% of the industry reports that the ease of recruiting is improving and 39% report it is getting worse. The outlook is even more dire. Only 18% expect the ease of recruiting and finding skilled talent to improve in the months ahead. Moreover, 28% expect recruiting to get more difficult over the next 6 months.

## > Potential Risks on the Horizon

- The Inventories Available to Customers (IAC) Index hit a new high. It is early, but weak demand could lead to an undesirably high levels of inventories.

# Current Conditions for the Electronics Supply Chain

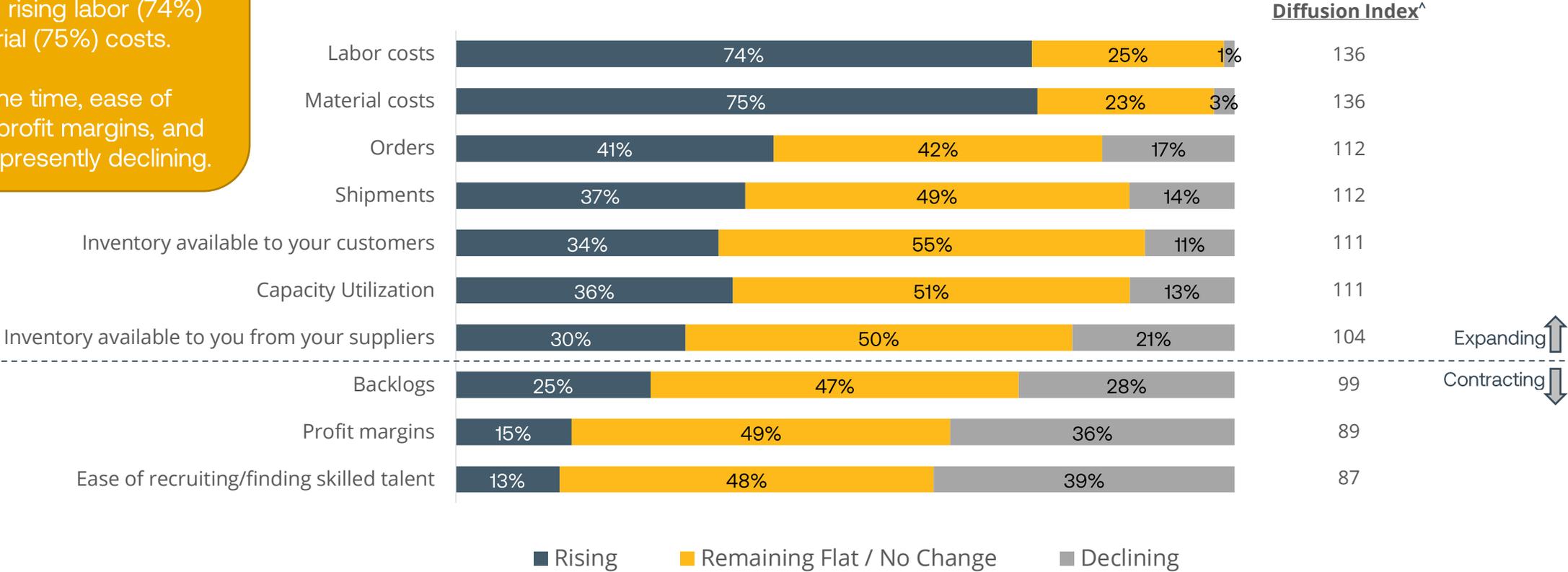


Three-fourths of electronics manufacturers are currently experiencing rising labor (74%) and material (75%) costs.

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.

# Regional Differences in Current Conditions



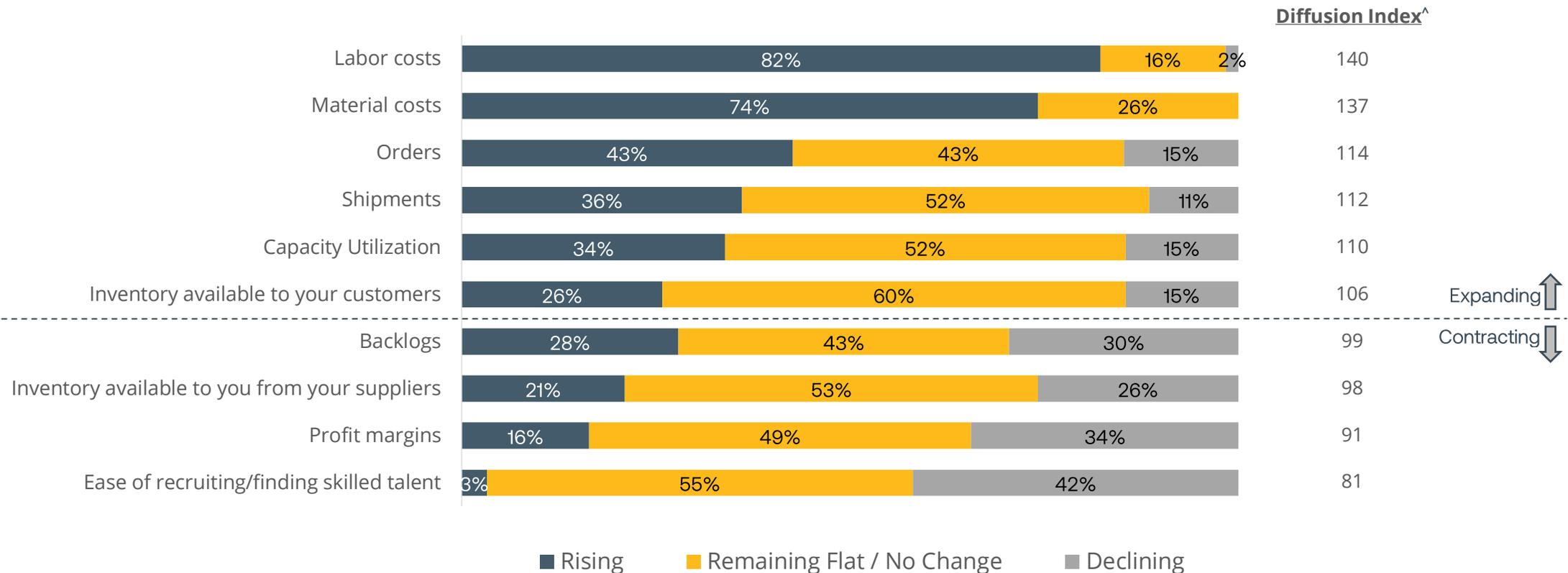
- **Ease of recruitment is rising at a faster pace in APAC and Europe.**
  - Nearly a third (31%) of firms in APAC, along with 18% of those in Europe, indicate ease of recruitment is rising, both of which are significantly higher than the 3% reported in North America.

# The View From Companies Primarily Operating in North America



## Current Direction of Key Business Indicators

-- Primary Region: North America --

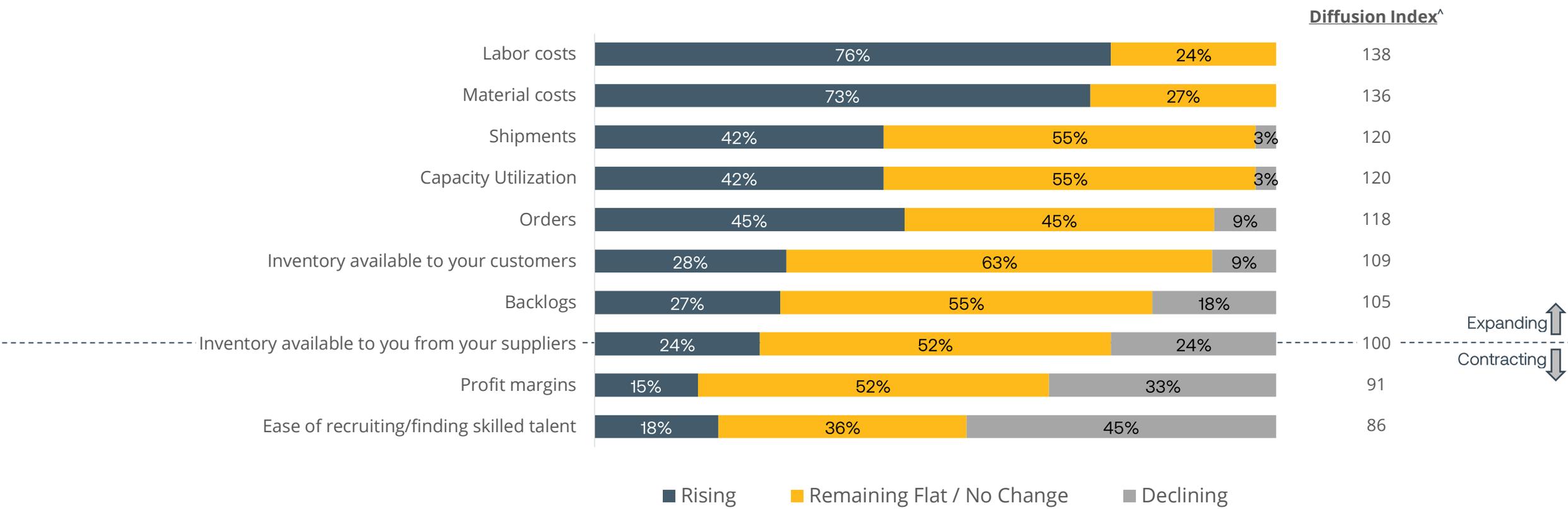


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# The View From Companies Primarily Operating in Europe



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



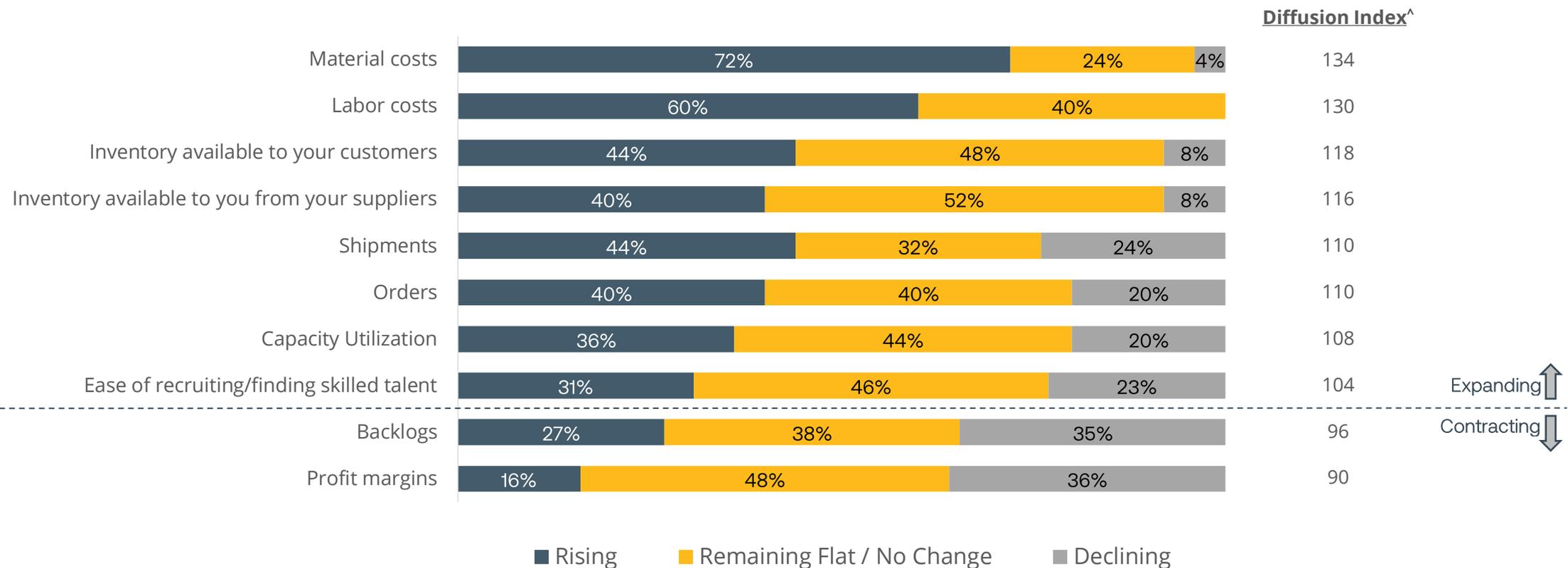
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# The View From Companies Primarily Operating in APAC



## Current Direction of Key Business Indicators

-- Primary Region: APAC --



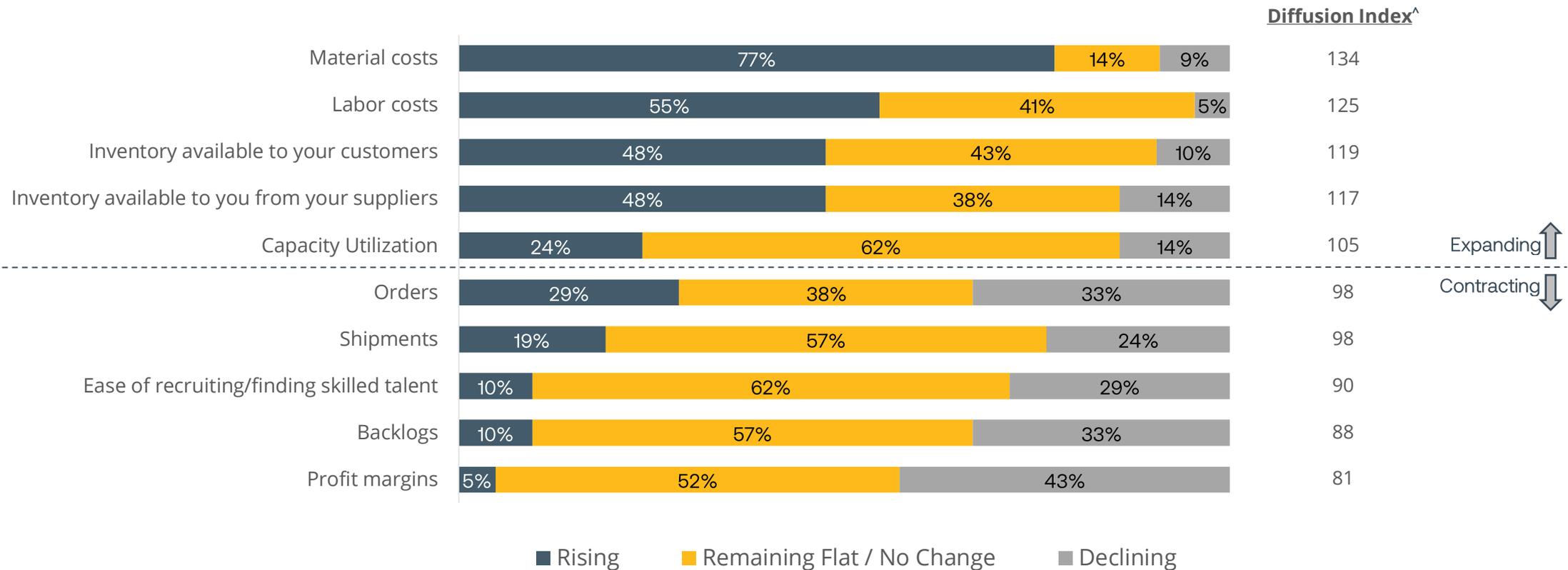
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating Globally



## Current Direction of Key Business Indicators

-- Primary Region: Global --



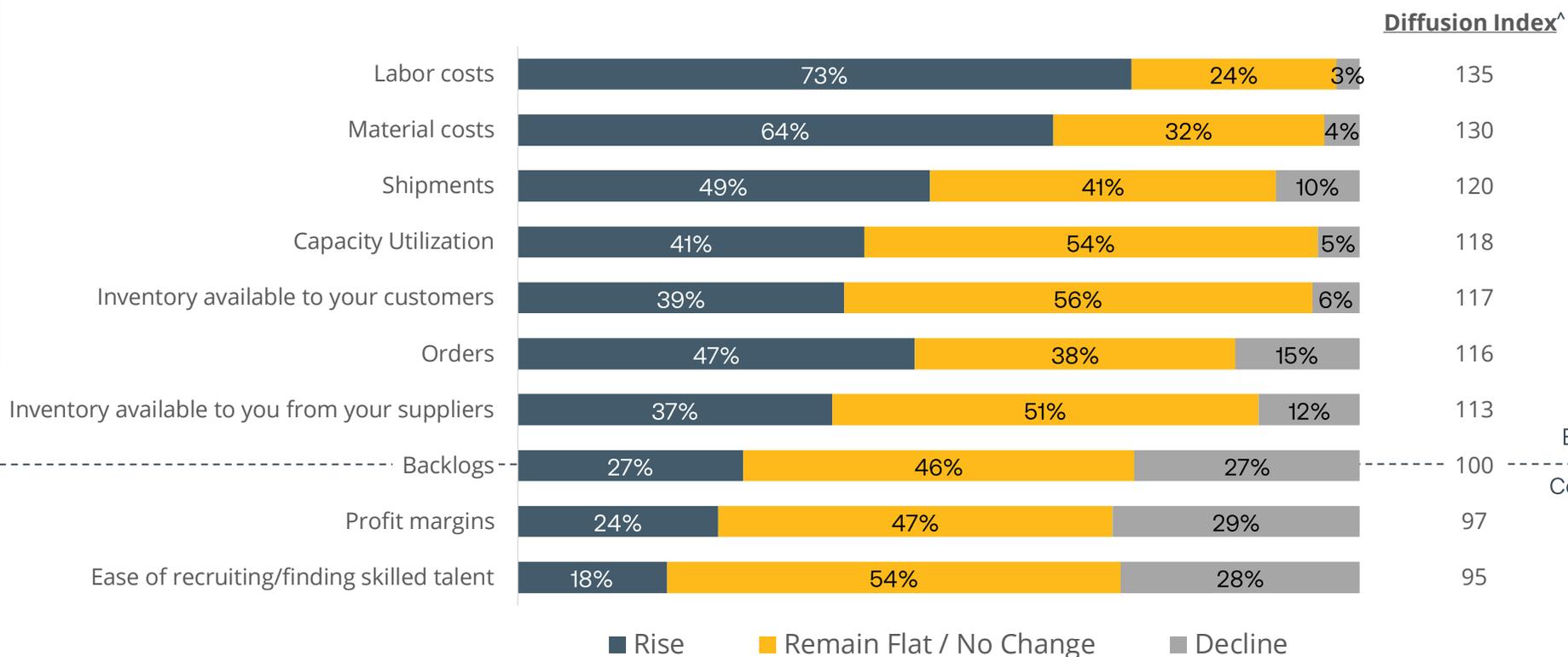
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The Outlook for the Next 6 Months: Continued Challenging Conditions



## Anticipated Direction of Key Business Indicators – Next Six Months

-- Total --



Over the next six months, manufacturers expect to see continued increase in both labor and material costs, although material costs are expected to see some level of improvement.

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

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

# Regional Differences in The Outlook



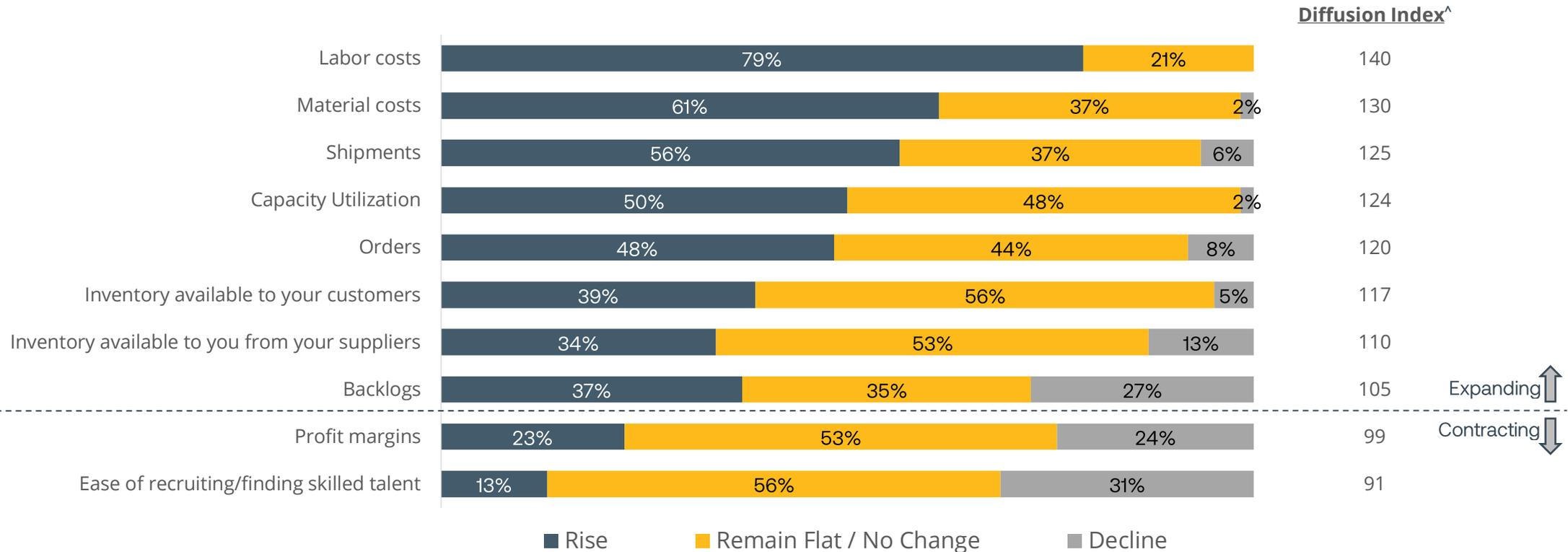
- **Orders are expected to decline more so among firms operating Globally.**
  - More than a third (35%) of Global manufacturers are anticipating a decline in orders over the next six months, which compares to a significantly lower 8% in North America.
- **Concurrently, backlogs are expected to increase at a significantly higher rate in North America.**
  - Just under two-fifths (37%) of North American manufacturers anticipate increasing backlogs vs. only 8% among APAC manufacturers.
- **Over the next six months, labor costs are expected to rise more so for firms operating in North America and Europe.**
  - Four-fifths of manufacturers in North America (79%) and Europe (78%) expect labor costs to increase, which compares to a significantly lower 45% reported by Global manufacturers, who instead are more likely expecting labor costs to remain stable (50%).

# The View From Companies Primarily Operating in North America



## Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: North America --



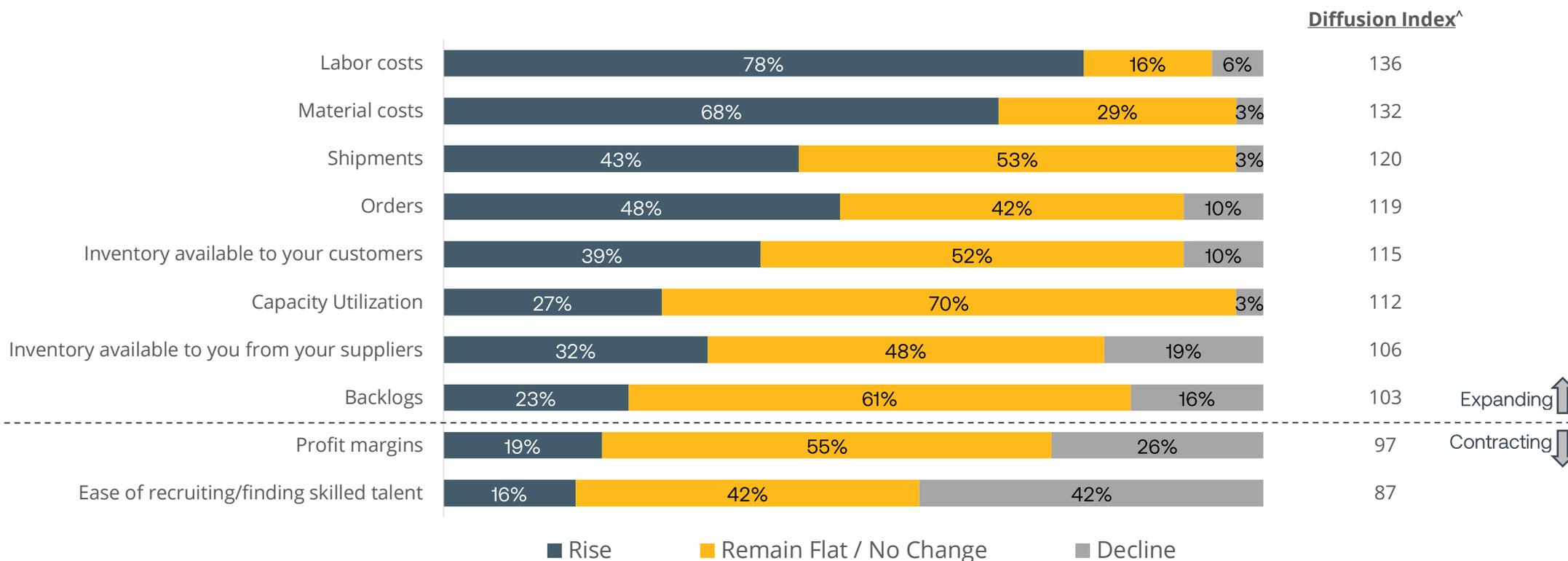
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# The View From Companies Primarily Operating in Europe



## Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Europe --



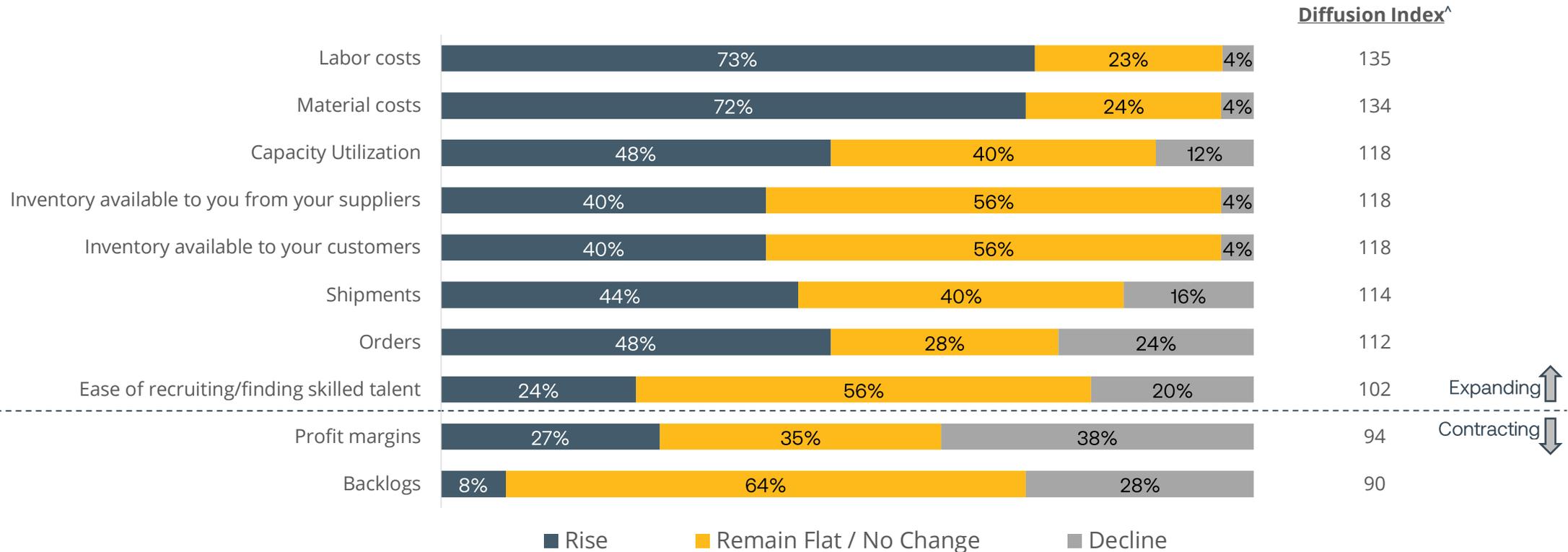
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in APAC



## Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: APAC --



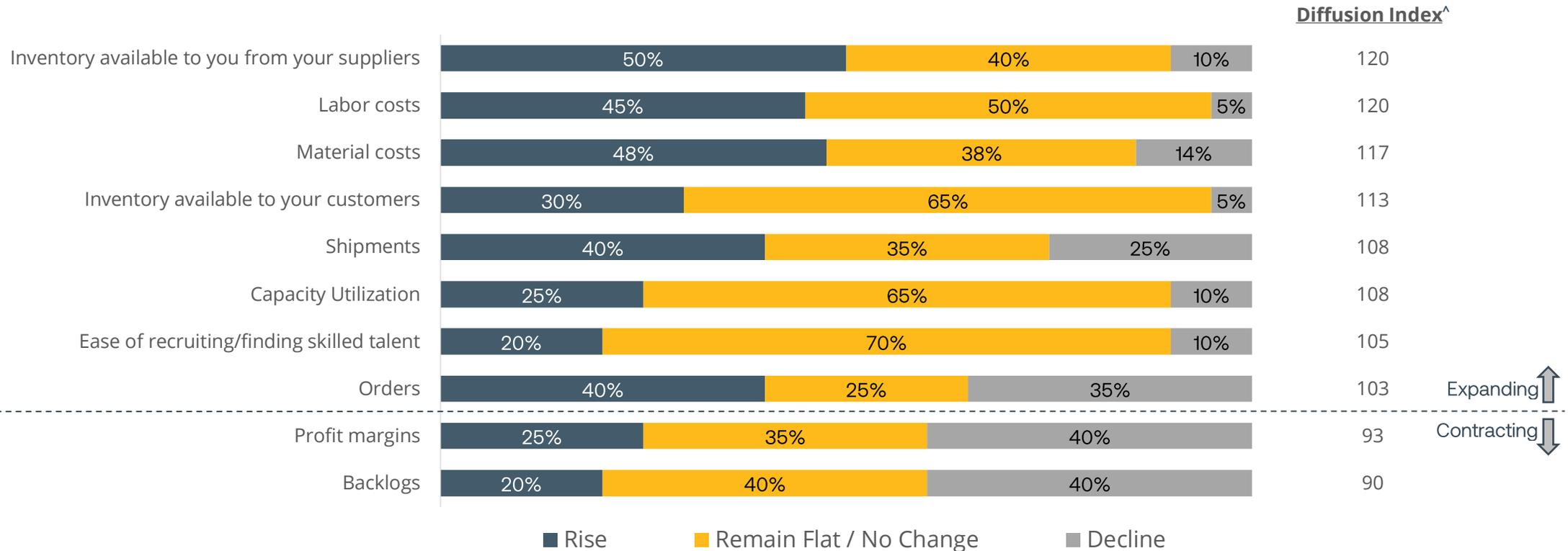
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating Globally



## Anticipated Direction of Key Business Indicators – Next Six Months

-- Primary Region: Global --



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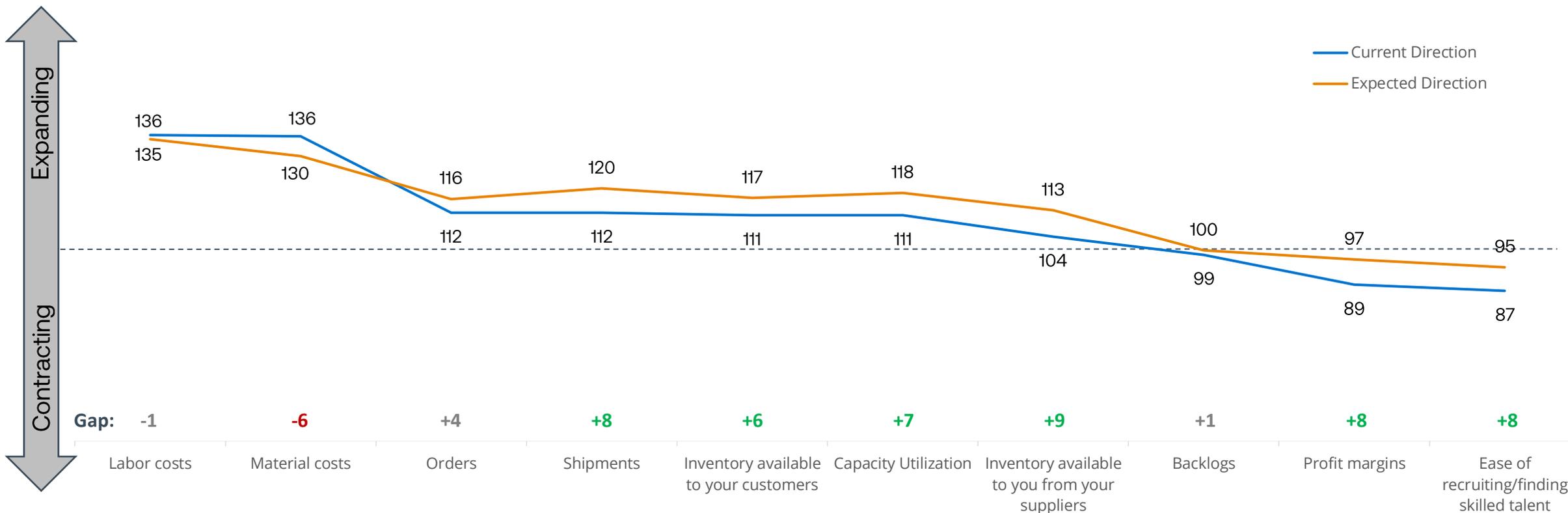
# Labor Costs, Backlogs, and Orders Expected to Remain Relatively Stable Over the Next Six Months



Manufacturers anticipate material costs will decline, while expecting inventories, capacity utilization, shipments, profit margins, and ease of recruitment to rise.

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

-- Total --



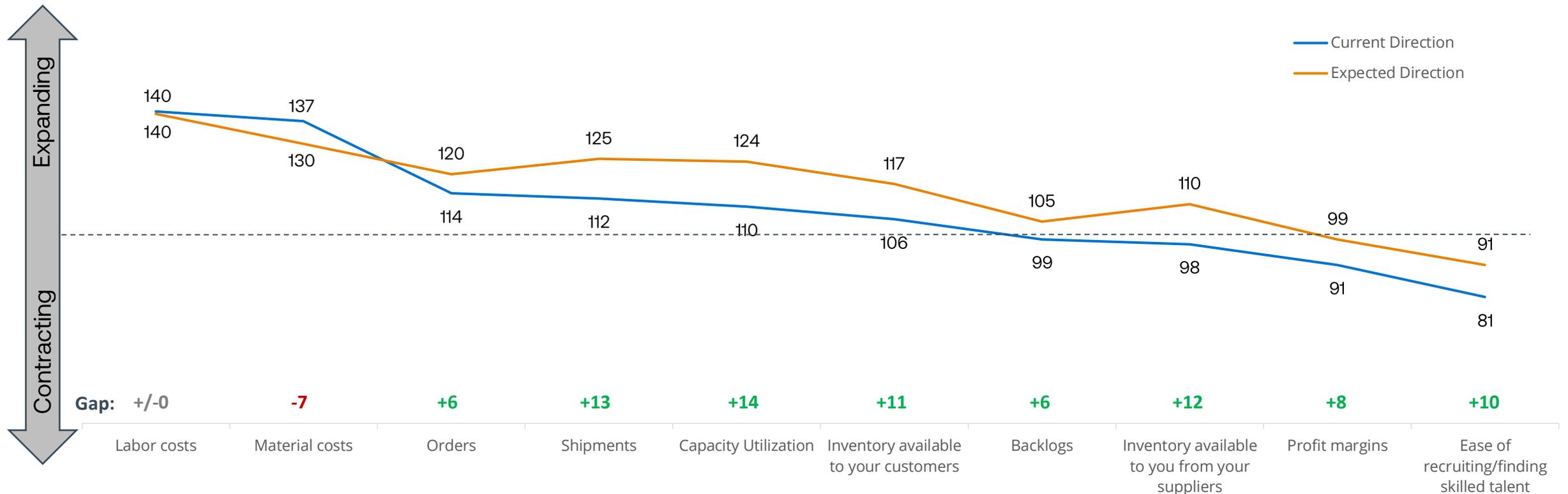
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# The View From Companies Primarily Operating in North America



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

-- Primary Region: North America --



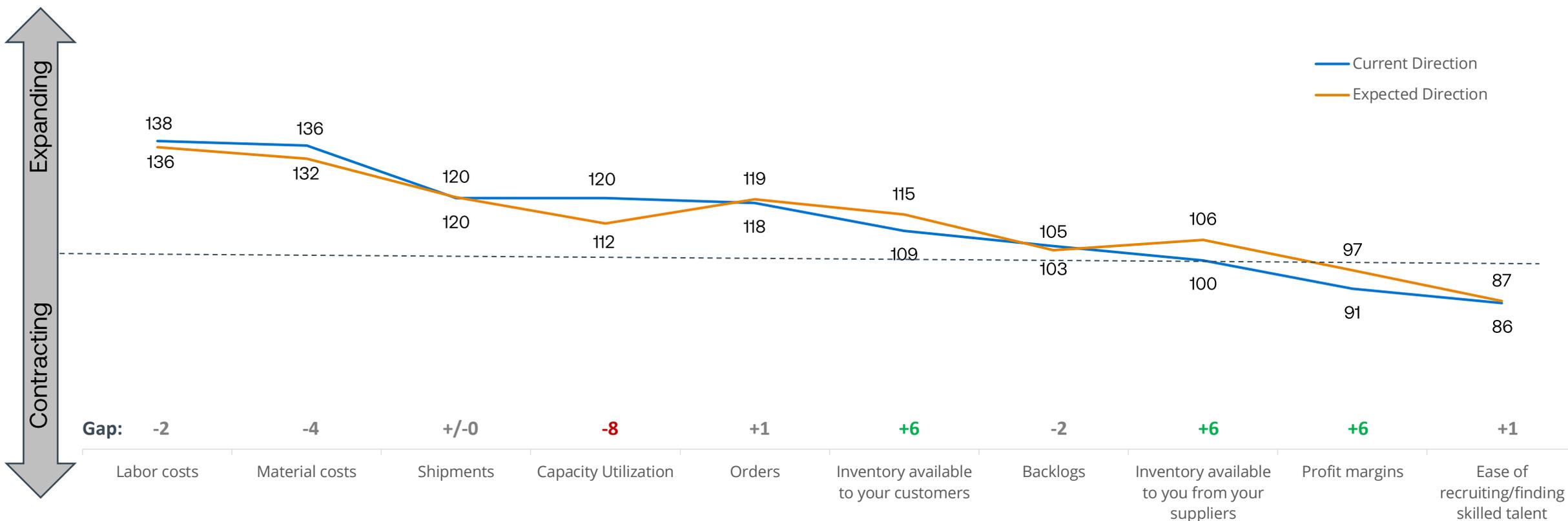
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in Europe



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

-- Primary Region: Europe --



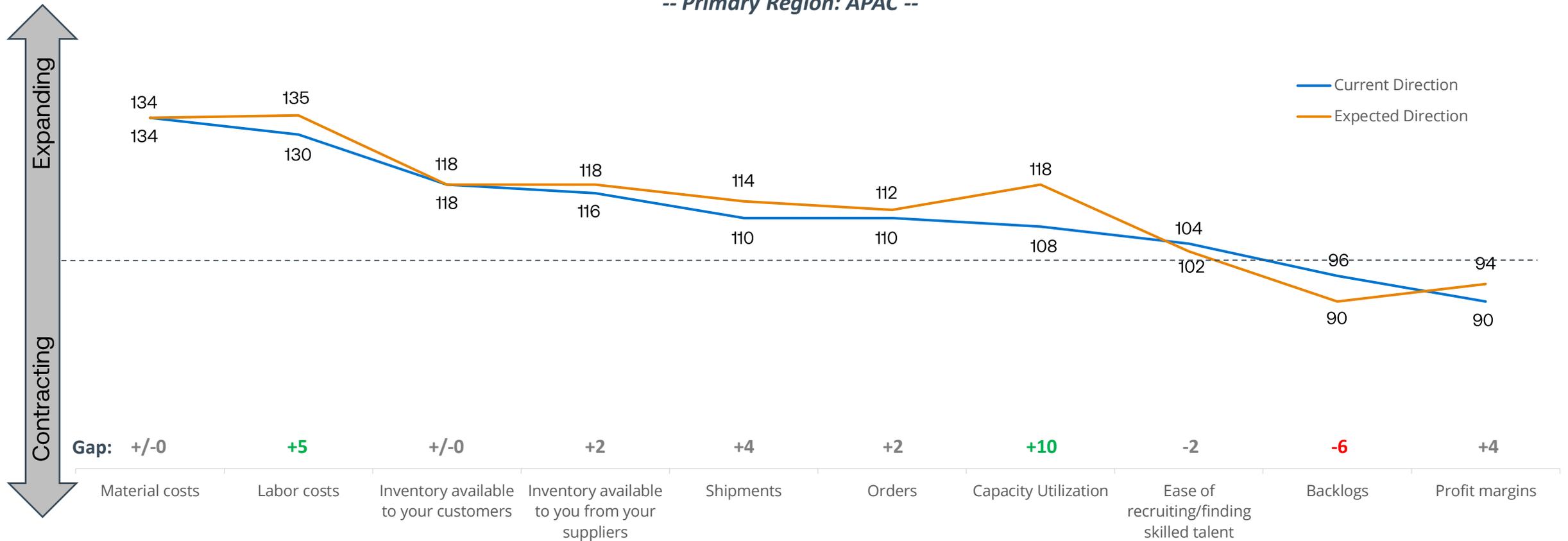
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in APAC



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

-- Primary Region: APAC --



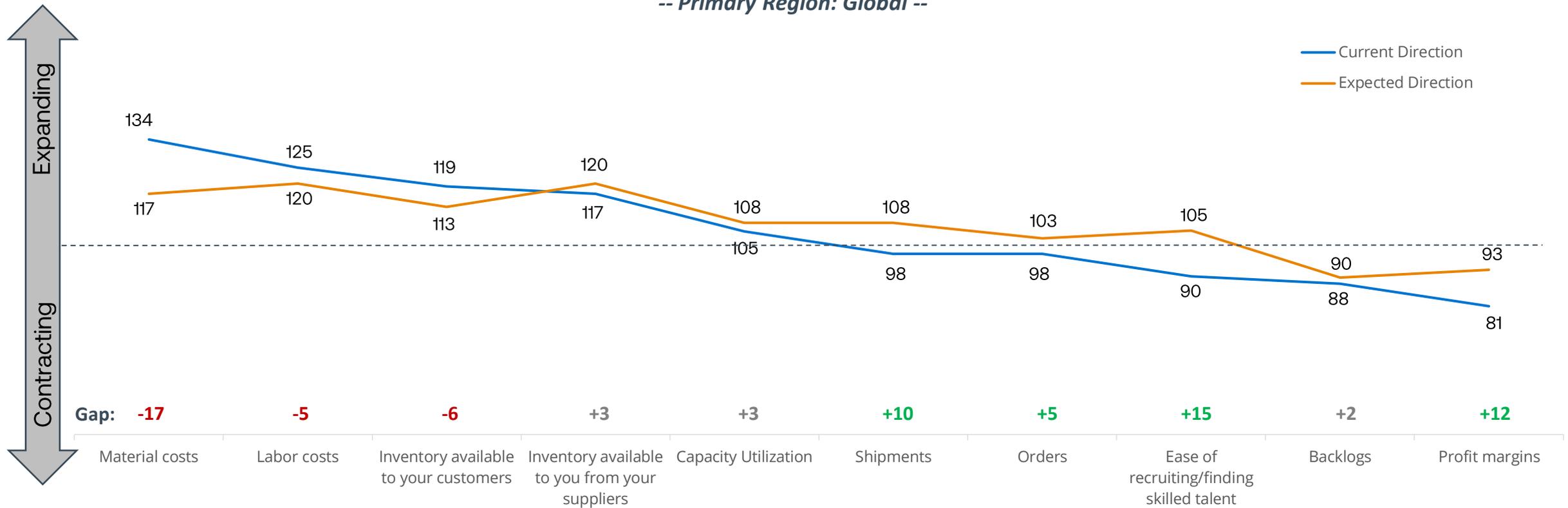
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# The View From Companies Primarily Operating Globally



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

-- Primary Region: Global --



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

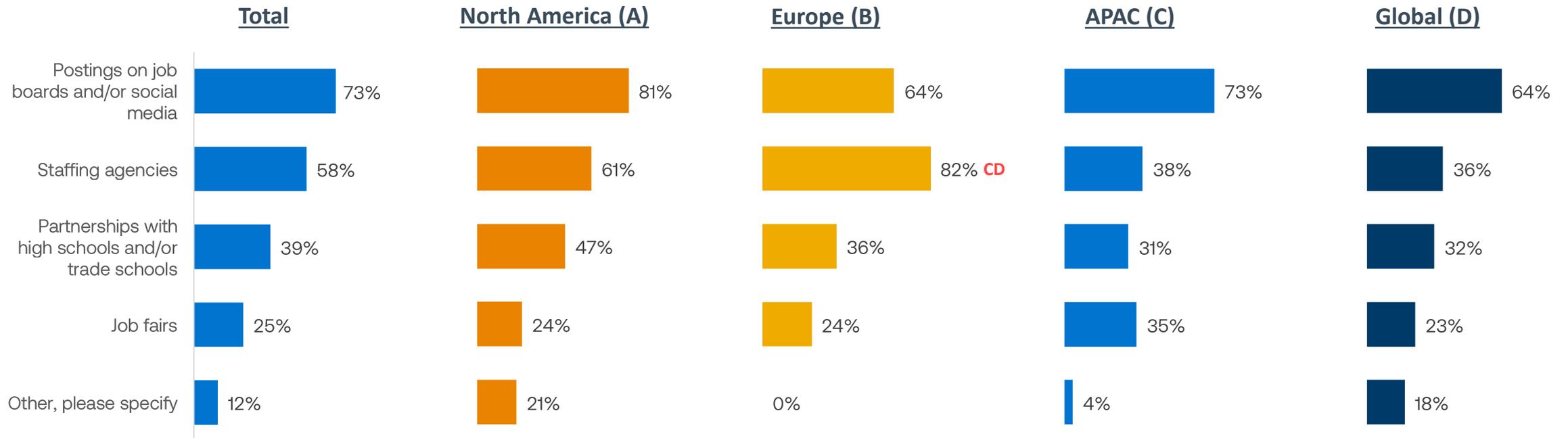
# January 2023 Special Questions

# The Majority of Manufacturers are Utilizing Postings on Job Boards/Social Media Sites or Staffing Agencies to Find Operators



Notably, manufacturers in Europe are significantly more likely to be utilizing staffing agencies to find Operators when compared to APAC and Global manufacturers.

## Sources Being Utilized to Find Operators



“Other” includes employee referrals/incentives, company website, mass mailings, word of mouth, and advertising (general)

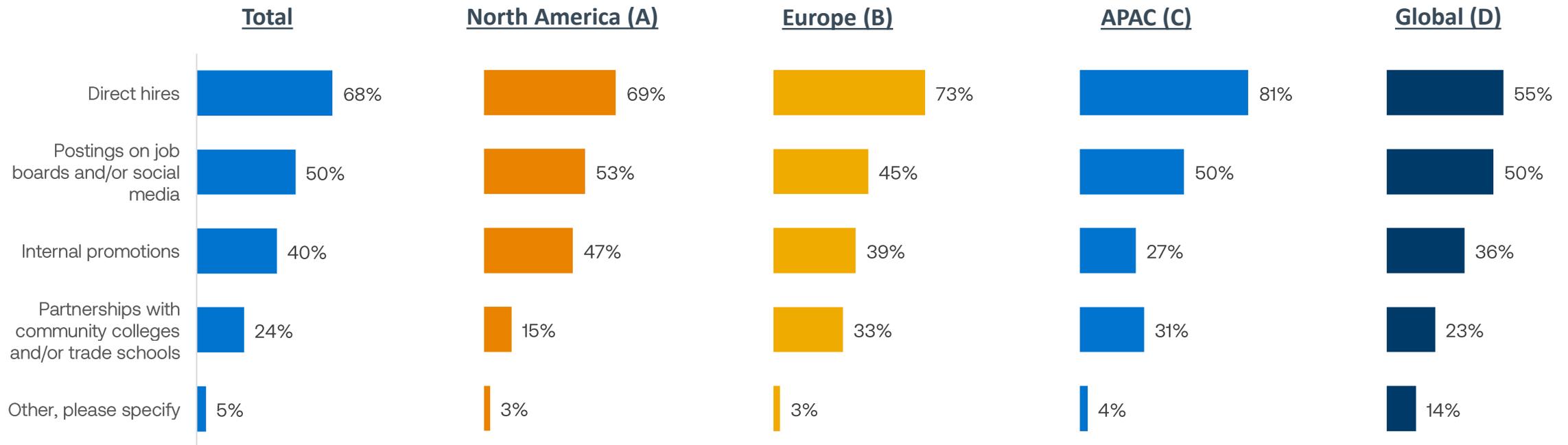
A/B/C/D Statistically significant at 90% confidence interval

# To Find Technicians, the Majority of Manufacturers are Seeking Out Direct Hires and Utilizing Postings on Job Boards/Social Media Sites



Notably, there are no significant differences in sources being utilized to find Technicians across all regions.

## Sources Being Utilized to Find Technicians



“Other” includes staffing agencies, employee referrals/incentives, and word of mouth

A/B/C/D Statistically significant at 90% confidence interval

# Appendix

# Current Conditions Diffusion Indices

## Month-to-Month Comparisons



	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022	April 2022	May 2022	June 2022	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023
Material costs	144	144	145	145	143	142	146	145	146	144	142	139	141	139	138	136
Labor costs	133	136	135	137	138	138	134	138	137	139	138	136	136	139	136	136
Orders	127	124	123	123	120	124	121	119	118	115	112	109	112	109	107	112
Backlogs	125	122	124	124	122	119	114	120	119	114	111	107	110	108	105	99
Shipments^	--	--	--	117	112	115	115	114	114	111	110	112	111	106	109	112
Capacity utilization	114	115	110	114	111	113	114	110	104	107	110	109	110	107	105	111
Profit margins	96	91	90	87	82	86	85	89	85	84	86	86	89	87	90	89
Inventory available to your customers	89	92	87	91	88	109	94	94	91	96	102	106	101	102	105	111
Ease of recruiting/finding skilled talent	77	80	77	78	80	78	79	81	79	80	85	85	84	84	88	87
Inventory available to you from your suppliers	73	78	73	77	78	78	83	79	82	86	94	96	99	98	102	104

Δ+5 points or more vs. previous month

Δ-5 points or more vs. previous month

^Added January 2022

# Outlook Diffusion Indices

## Month-to-Month Comparisons



	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022	April 2022	May 2022	June 2022	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023
Material costs	136	139	138	139	142	139	140	138	140	138	136	131	134	131	131	130
Labor costs	131	135	133	133	137	136	135	134	135	139	136	134	136	135	133	135
Orders	126	128	126	125	121	123	121	122	119	120	117	113	108	110	113	116
Backlogs	112	116	116	120	113	110	109	114	112	103	104	99	100	100	99	100
Shipments^	--	--	--	120	119	121	117	119	115	120	117	116	114	112	112	120
Capacity utilization	119	118	116	118	118	116	116	116	112	115	114	117	112	111	111	118
Profit margins	103	100	96	92	94	97	94	97	90	92	95	93	95	94	98	97
Inventory available to your customers	100	100	99	97	99	103	101	100	102	105	107	111	114	106	109	117
Ease of recruiting/finding skilled talent	91	88	86	82	87	86	88	86	90	88	88	92	86	90	93	95
Inventory available to you from your suppliers	95	92	88	90	93	94	93	92	92	102	104	107	108	110	108	113

Δ+5 points or more vs. previous month

Δ-5 points or more vs. previous month

^Added January 2022

- > 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 December 13 and December 31, 2022.



Questions? Please contact:

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