



BUILD ELECTRONICS BETTER

# The Current Sentiment of the Global Electronics Manufacturing Supply Chain

*Monitoring the Pulse of the Global Electronics Industry*

June 2023

[ipc.org](https://www.ipc.org) →

## > Cost pressures continue to recede

- The majority of respondents are still reporting that labor costs and material costs are rising, but the number of companies experiencing rising costs declined again this month. Less than half of respondents believe material costs will rise in the coming months.

## > Industry demand moved higher, remains positive

- The Backlog Index slipped further into contraction territory this month, hitting the lowest level on record.
- The Orders Index rose to 107, the highest level in three months.

## > Industry doing more to recruit and retain workers

- A special question this month asked about recruiting and retaining workers.
- The majority of manufacturers indicate employee retention this year is comparable to 2022. Roughly 18% indicate retention is more difficult this year, 18% indicate it is easier than 2022 and 55% report it is about the same.
- In an effort to hire new employees, two-thirds (66%) of electronics manufacturers have raised salaries/rates beyond what was anticipated, with more than half (54%) looking for potential employees in non-traditional places. About 39% report they have improved benefit packages to attract new workers.
- As a means to retain existing employees, six in ten (59%) electronics manufacturers have raised salaries/rates beyond what was originally anticipated, with two-fifths (40%) making improvements to their benefits packages

# Current Conditions for the Electronics Supply Chain

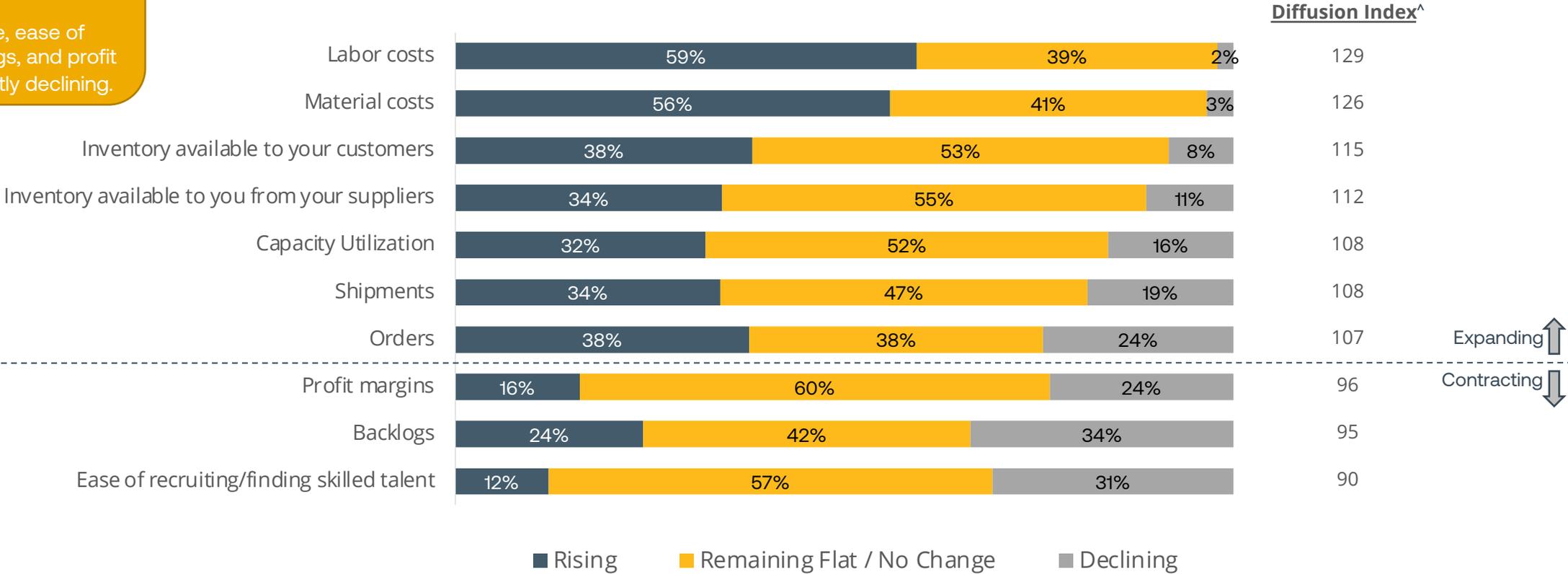


Nearly three-fifths of electronics manufacturers are currently experiencing rising labor (59%) and material (56%) costs.

At the same time, ease of recruitment, backlogs, and profit margins 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



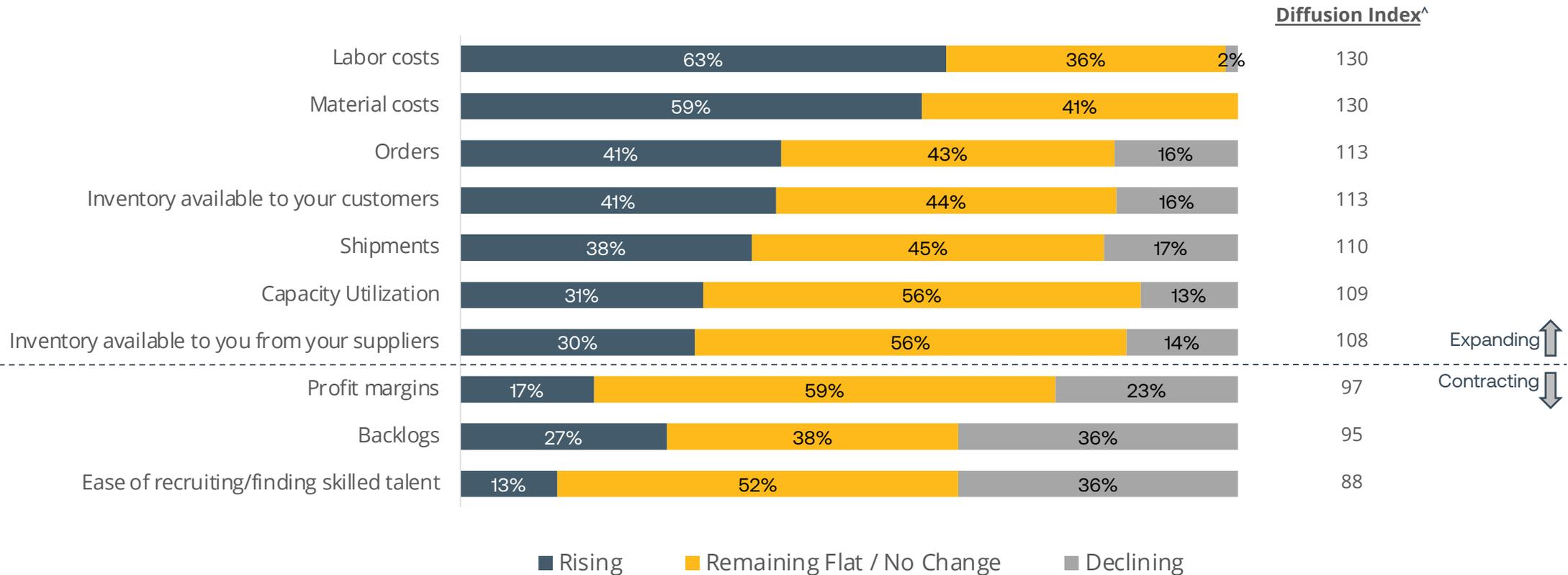
- **Shipments are declining more so among firms operating primarily in APAC vs. those operating Globally.**
  - Two-fifths (39%) of firms in APAC are currently experiencing a decline in shipments, which compares to 0% among firms operating Globally.
- **At the same time, orders are declining at a faster pace among firms operating in APAC when compared to North American manufacturers.**
  - Two-fifths (43%) of firms in APAC are seeing a current decline in orders vs. a much lower 16% among North American firms.
- **Additionally, APAC firms report material costs are declining more so than for firms in North America.**
  - Slightly more than one-tenth (13%) of APAC manufacturers are experiencing a decline in material costs, which compares to 0% among firms operating in North America.
- **Global manufacturers indicate inventory available to customers is rising more so when compared to APAC and European manufacturers.**
  - While two-thirds (68%) of firms operating Globally report rising customer inventory, only 26% of firms in APAC and 28% of those in Europe are experiencing a current increase, with European firms instead more likely to indicate customer inventory is holding steady.

# The View From Companies Primarily Operating in North America



## Current Direction of Key Business Indicators

-- Primary Region: North America --

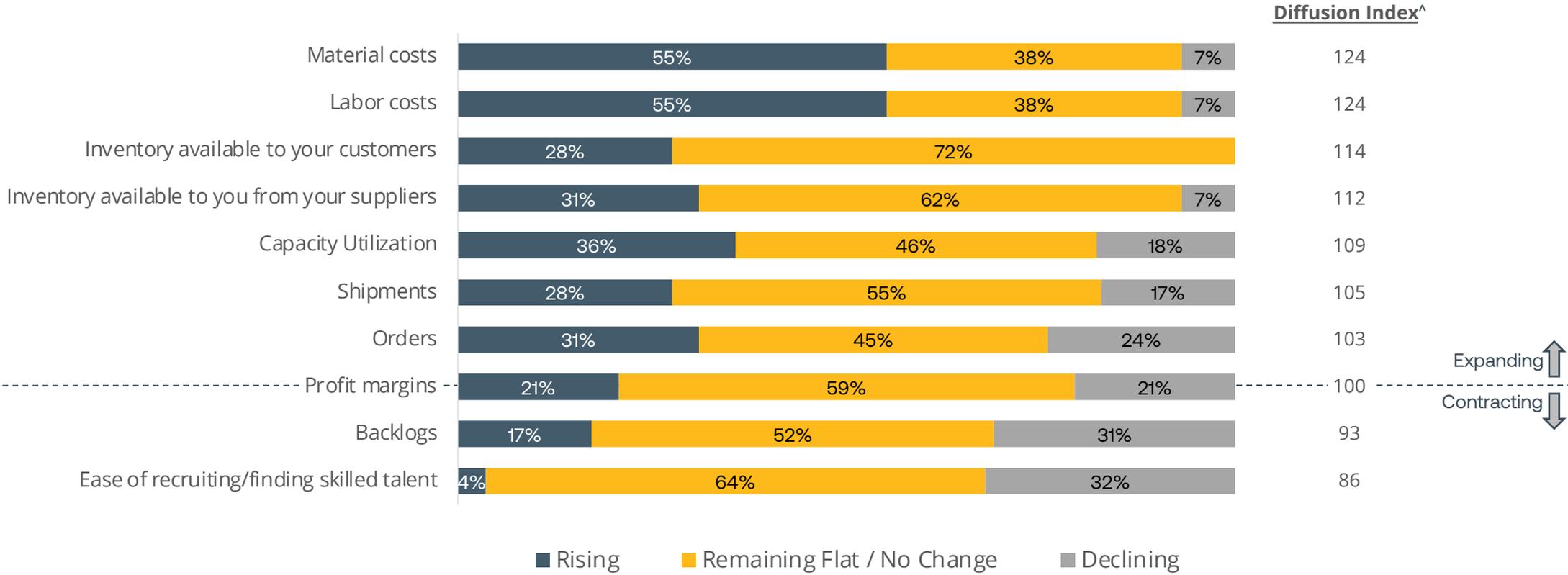


<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in Europe



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



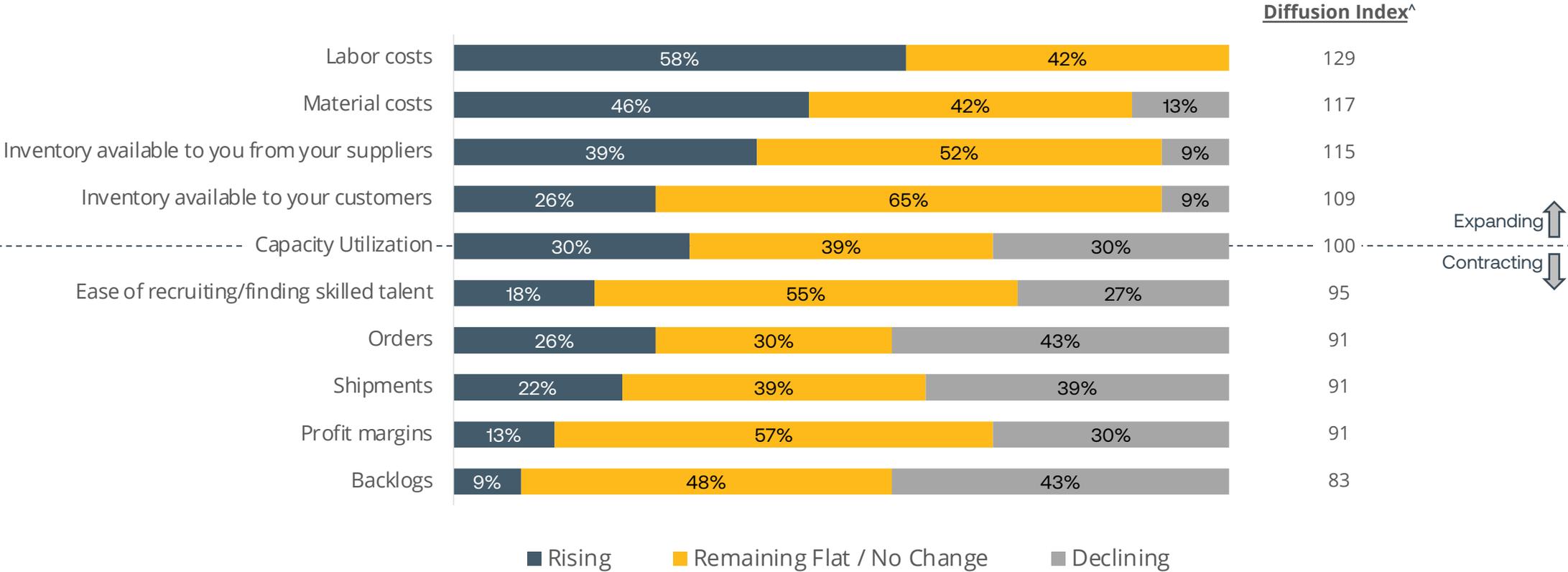
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# The View From Companies Primarily Operating in APAC



## Current Direction of Key Business Indicators

-- Primary Region: APAC --



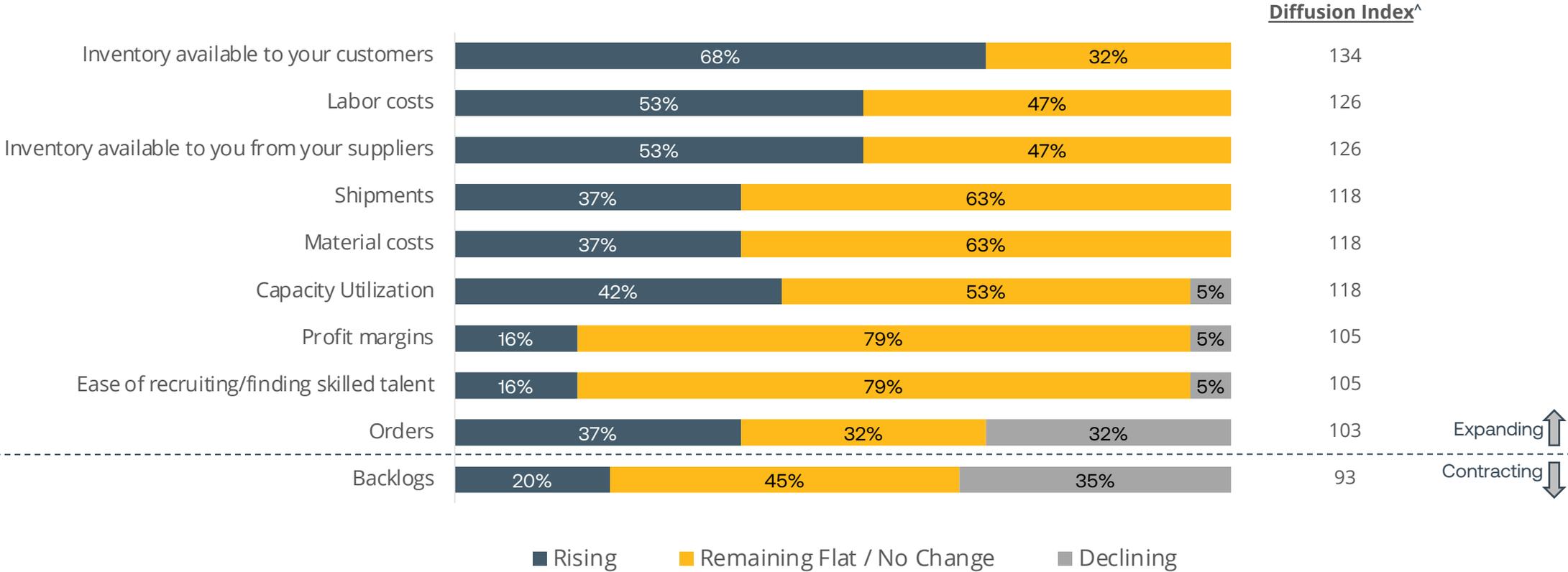
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# 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.

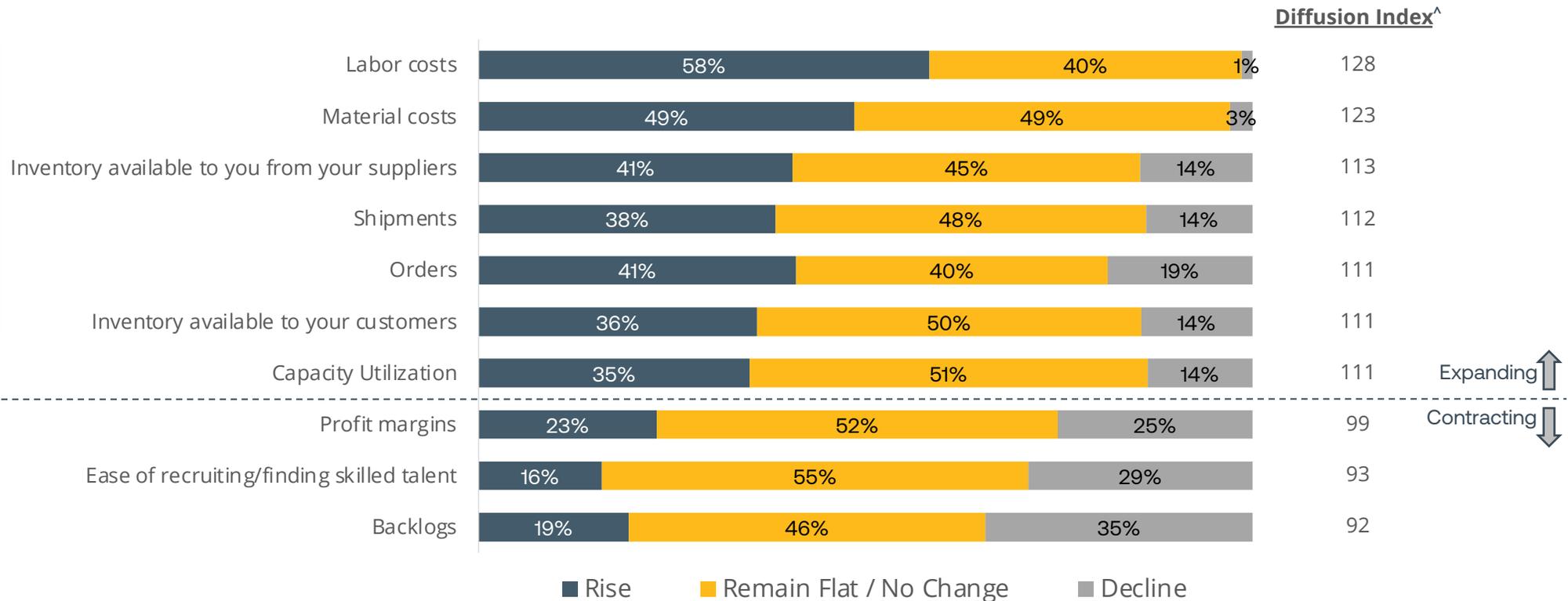
# The Outlook for the Next 6 Months



Notably, there are no significant differences in the outlook by region.

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

-- Total --



Over the next six months, electronics manufacturers expect to see continued increase in both labor and material costs, although to somewhat of a lesser extent in respect to materials.

Conversely, backlogs, ease of recruitment, and profit margins are expected remain challenging.

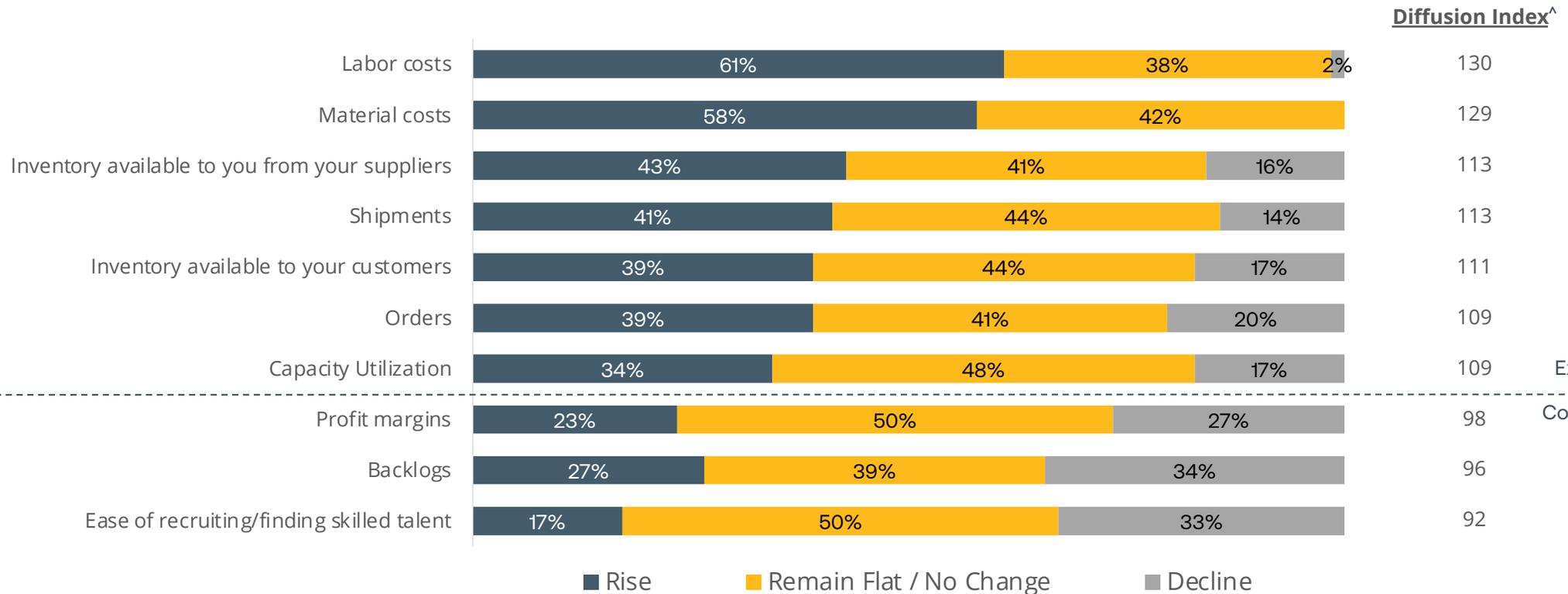
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# The View From Companies Primarily Operating in North America



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

-- Primary Region: North America --



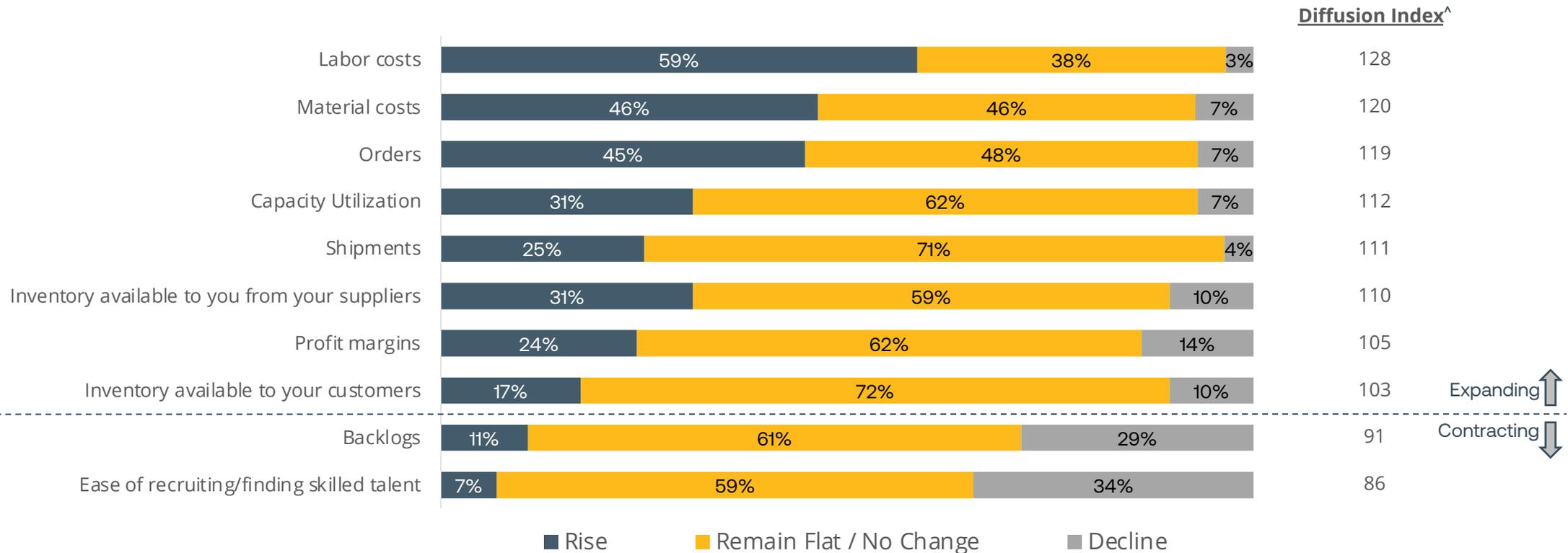
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# The View From Companies Primarily Operating in Europe



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

-- Primary Region: Europe --



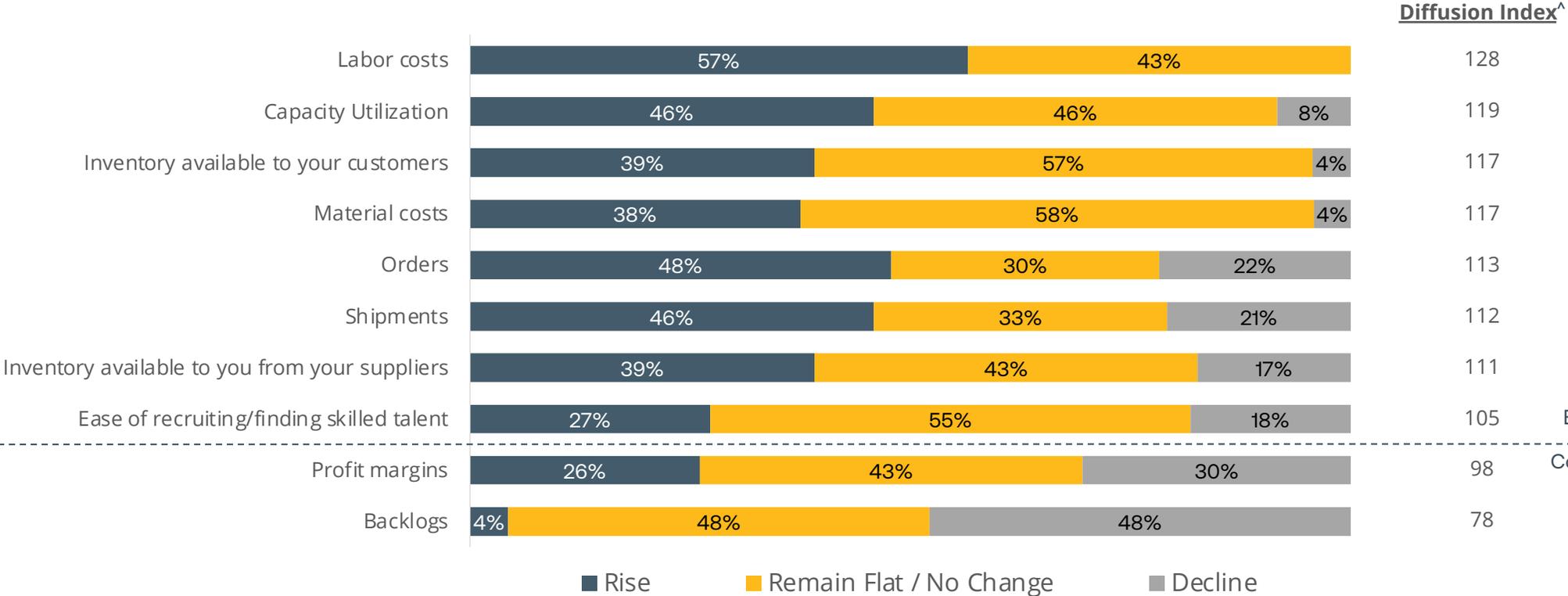
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# The View From Companies Primarily Operating in APAC



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

-- Primary Region: APAC --



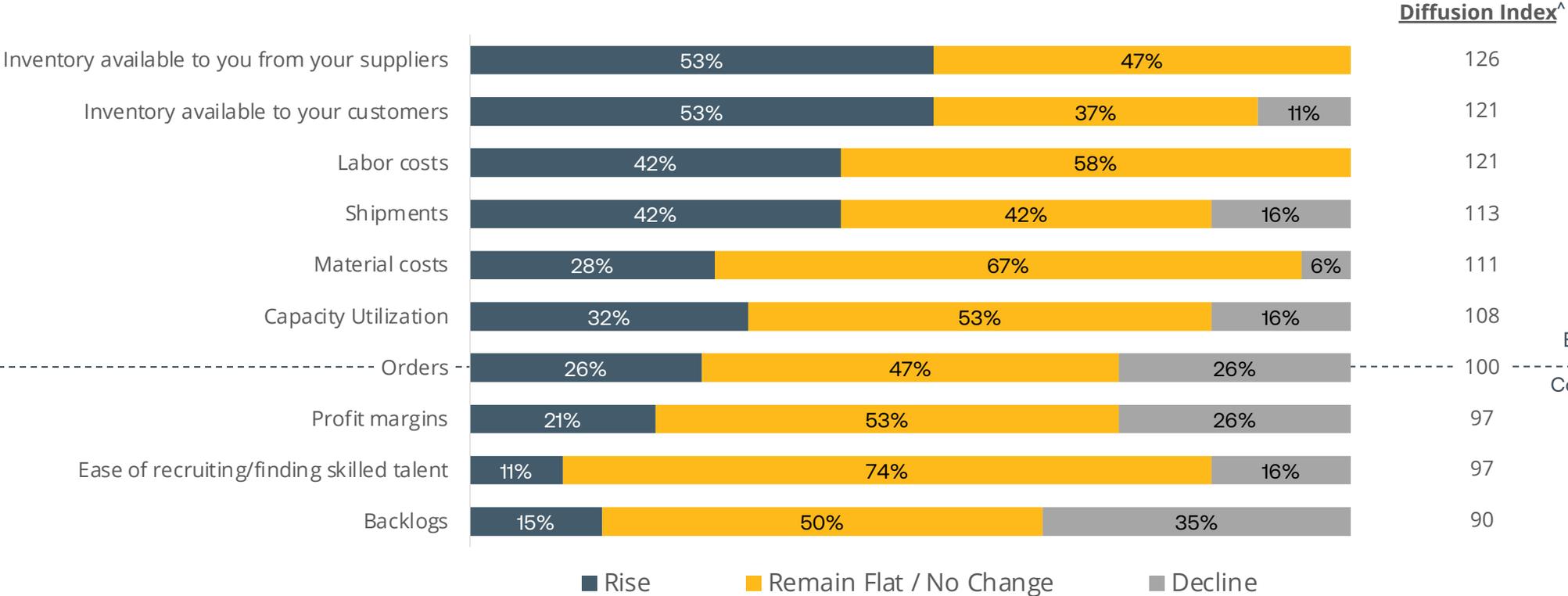
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating Globally



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

-- Primary Region: Global --



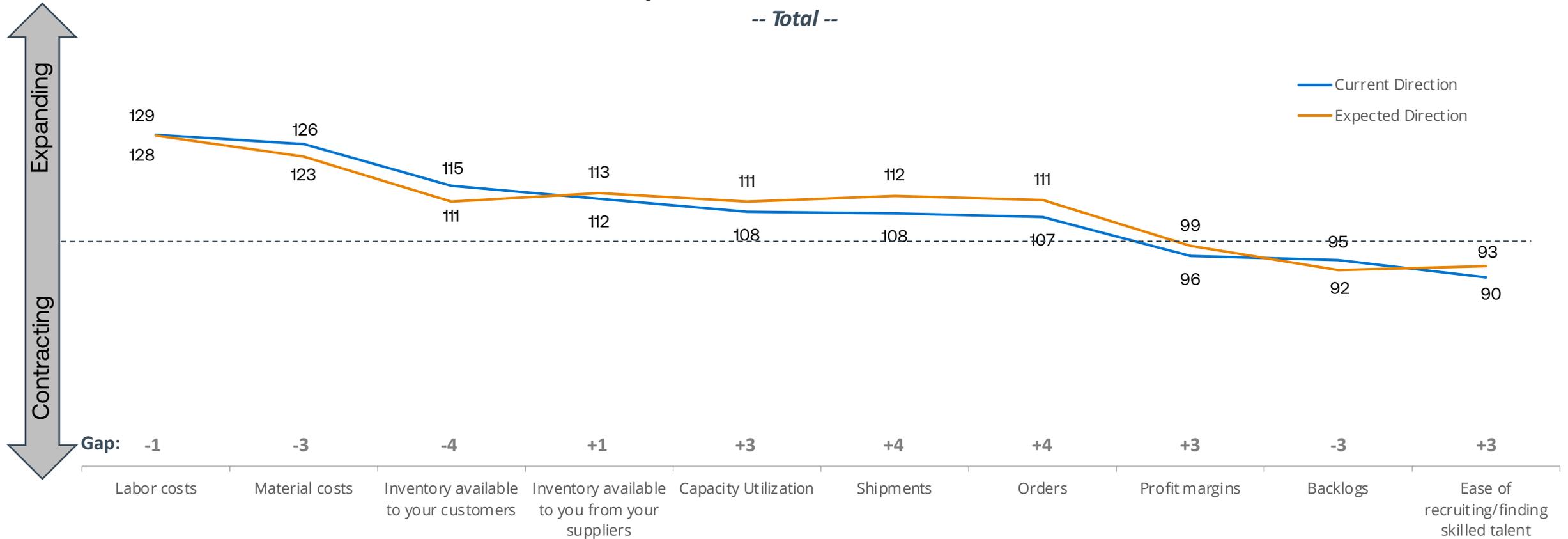
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# Over the Next Six Months, Electronics Manufacturers Expect All Key Business Indicators to Remain Relatively Stable



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

-- Total --



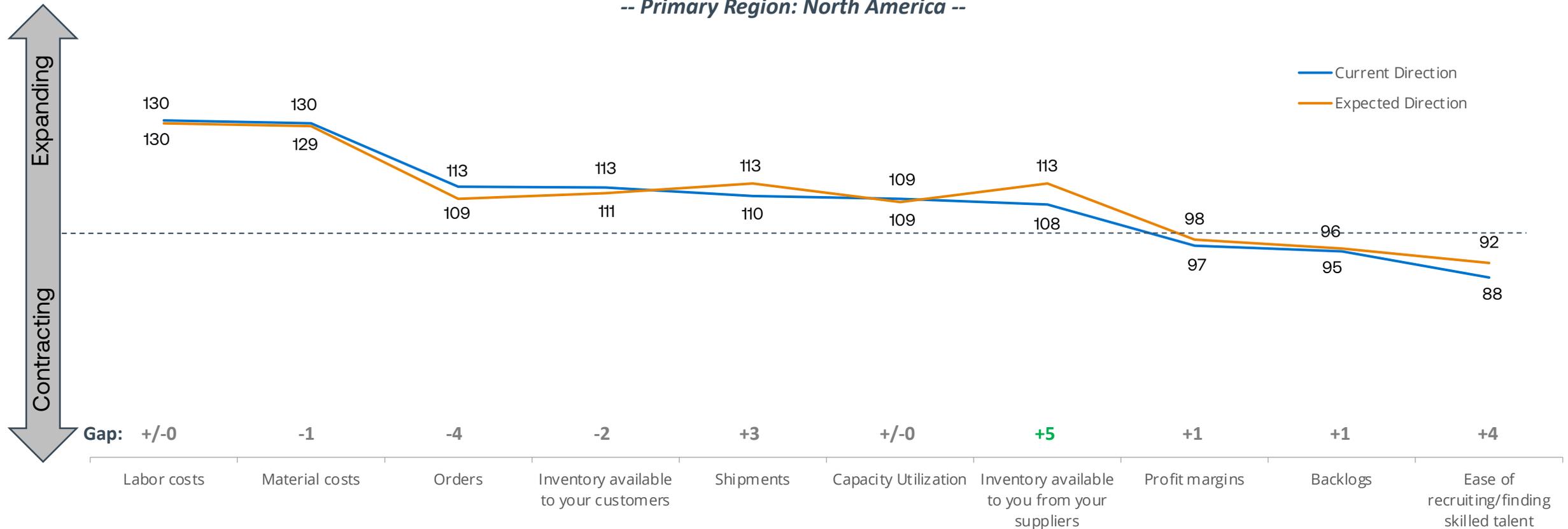
<sup>^</sup>A diffusion index is a statistical measure used to detect economic turning points.

# The View From Companies Primarily Operating in North America



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

-- Primary Region: North America --



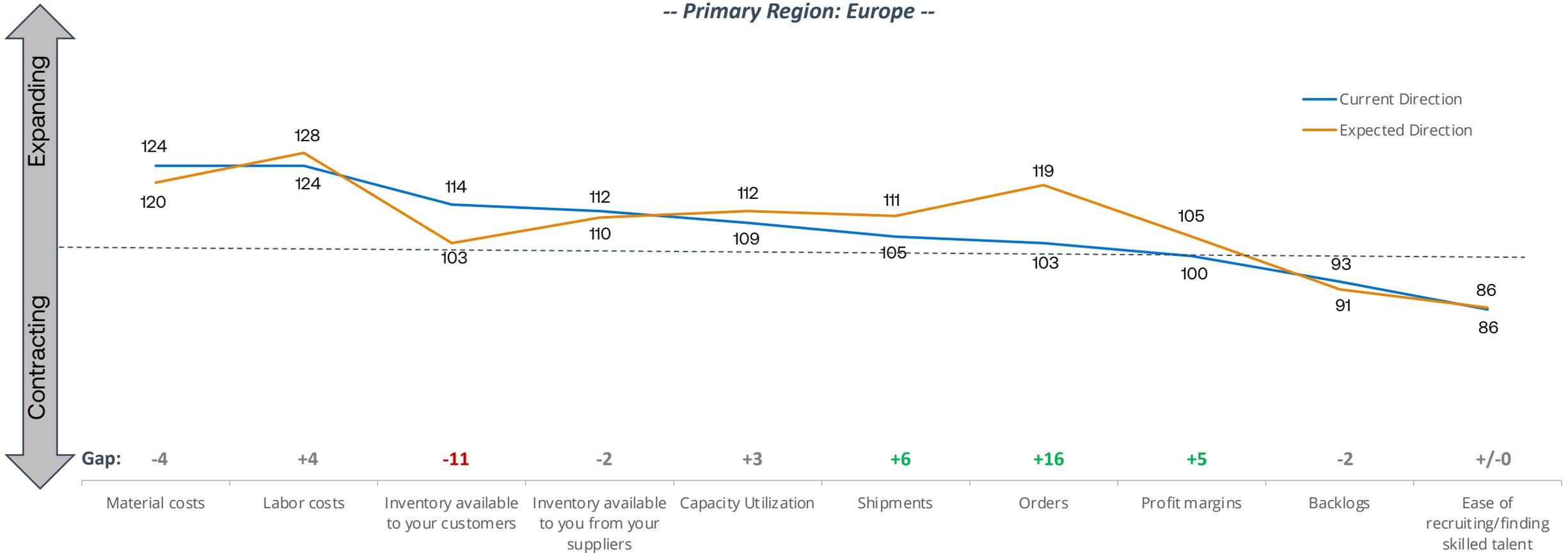
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# The View From Companies Primarily Operating in Europe



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

-- Primary Region: Europe --



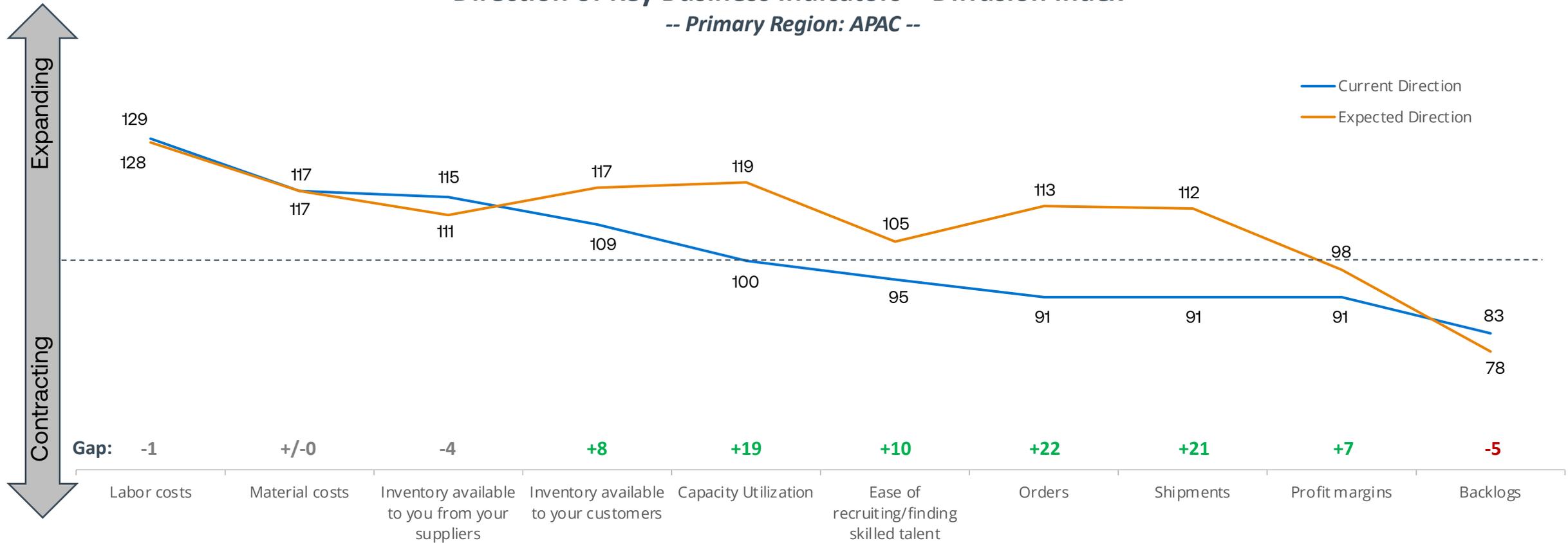
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# The View From Companies Primarily Operating in APAC



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

-- Primary Region: APAC --



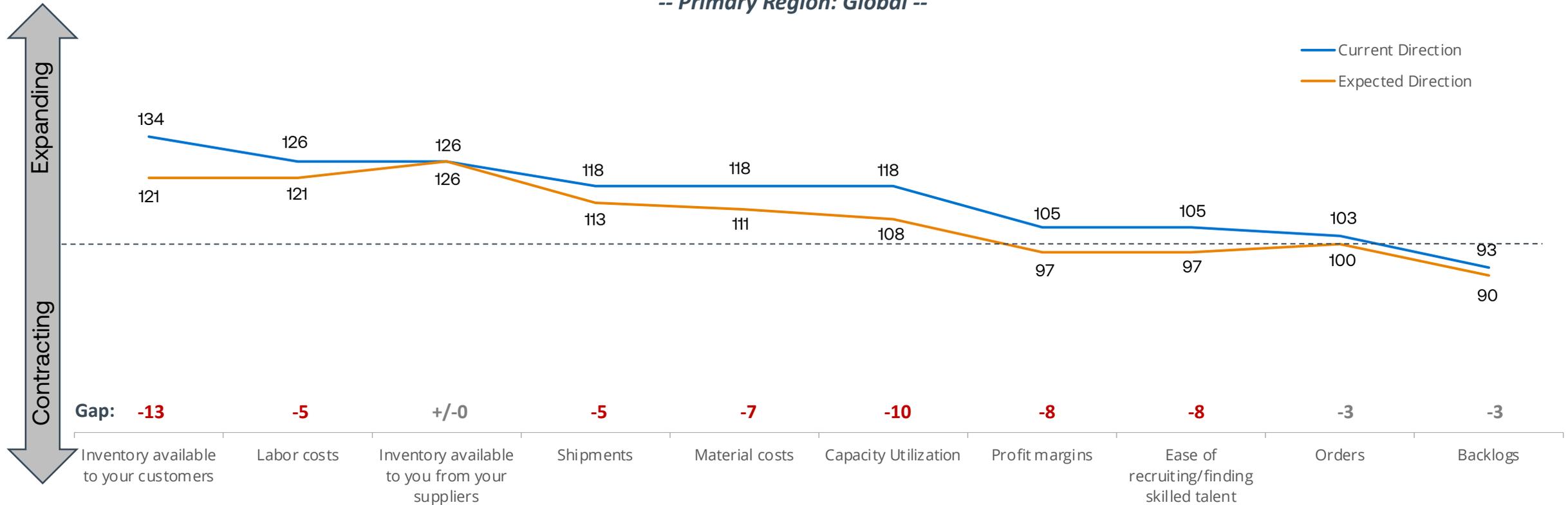
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# The View From Companies Primarily Operating Globally



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

-- Primary Region: Global --



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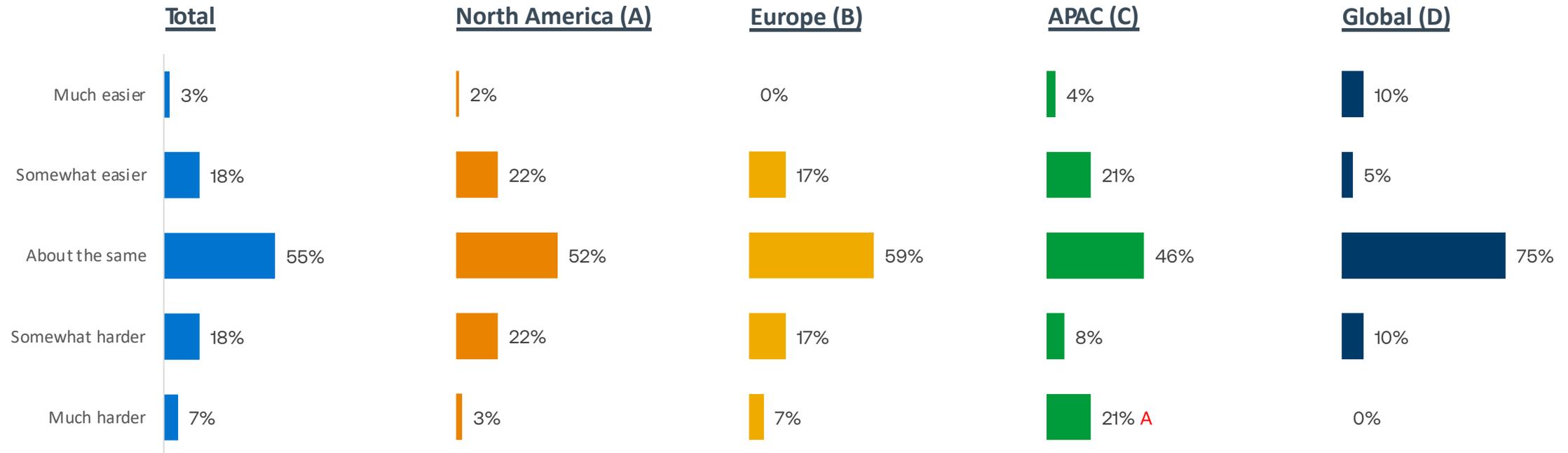
# June 2023 Special Questions

# The Majority of Manufacturers Indicate Employee Retention in 2023 is 'About the Same' Relative to 2022, Which is Consistent Across All Regions



Of interest, manufacturers in APAC are significantly more likely to indicate employee retention is 'much harder' in 2023 when compared to firms in North America (21% vs. 3%, respectively).

## Employee Retention in 2023 vs. 2022



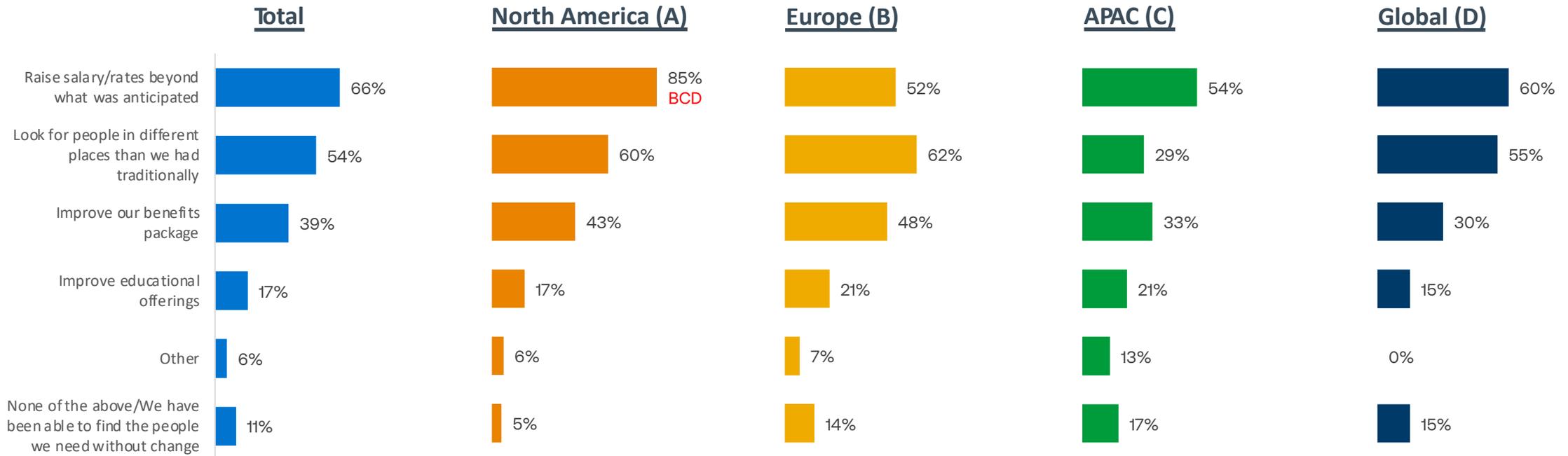
A/B/C/D Statistically significant at 90% confidence interval

# In an Effort to Hire New Employees, Two-Thirds (66%) of Manufacturers Have Raised Salaries/Rates Beyond What Was Anticipated, With More Than Half (54%) Looking for Talent in Non-Traditional Places



Notably, incidence of raising salary/rates is significantly higher among North American firms when compared to all other regions.

## Hiring New Talent in the Past 2-3 Years (Since the Pandemic Began)



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

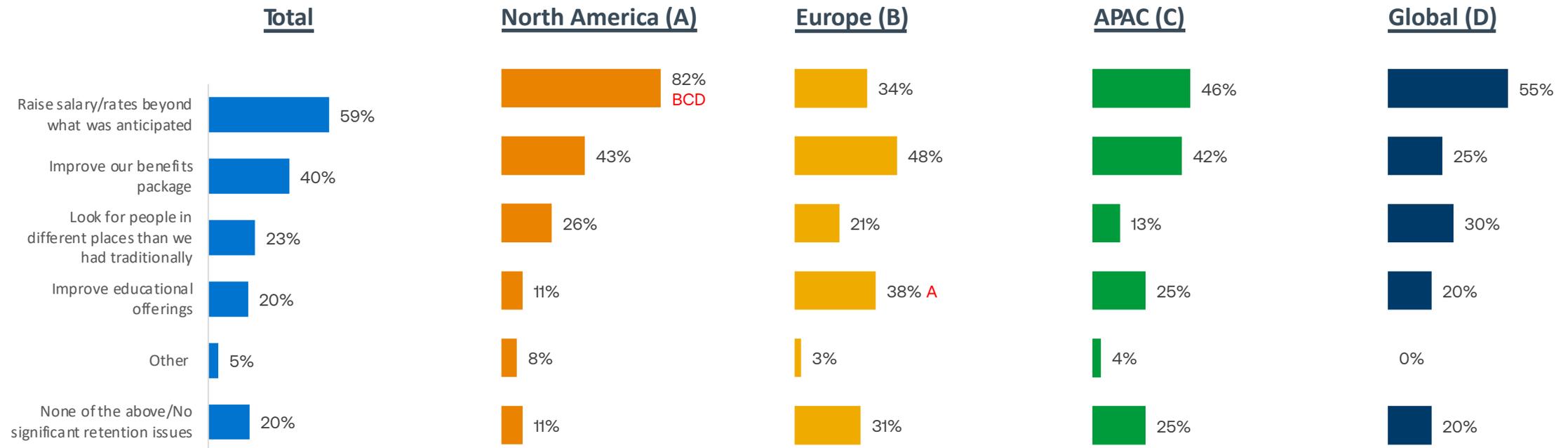
# As a Means to Retain Existing Employees, Six in Ten (59%) Manufacturers Have Raised Salaries/Rates Beyond What Was Anticipated, With Two-Fifths (40%) Making Improvements to Their Benefits Package



While raising salaries/rates is the most common action taken in North America, APAC, and among Global manufacturers, improving the benefits package is most common in Europe.

Incidence of raising salary/rates is significantly higher among North American firms when compared to all other regions, while European firms are more likely to have improved their educational offerings vs. manufacturers in North America.

## Retaining Existing Talent in the Past 2-3 Years (Since the Pandemic Began)



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

# Appendix

# Current Conditions Diffusion Indices

Past 12 Month Comparisons (TOTAL)



	June 2022	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023
Shipments	114	111	110	112	111	106	109	112	110	111	110	109	108
Orders	118	115	112	109	112	109	107	112	111	112	105	101	107
Profit margins	85	84	86	86	89	87	90	89	86	90	93	95	96
Backlogs	119	114	111	107	110	108	105	99	101	104	97	99	95
Ease of recruiting/finding skilled talent	79	80	85	85	84	84	88	87	84	91	89	92	90
Material costs	146	144	142	139	141	139	138	136	135	133	130	128	126
Labor costs	137	139	138	136	136	139	136	136	137	136	131	128	129
Capacity utilization	104	107	110	109	110	107	105	111	108	110	105	103	108
Inventory available to you from your suppliers	82	86	94	96	99	98	102	104	102	106	108	110	112
Inventory available to your customers	91	96	102	106	101	102	105	111	106	108	111	116	115

Δ+5 points or more vs. previous month

Δ-5 points or more vs. previous month

# Outlook Diffusion Indices

## Past 12 Month Comparisons (TOTAL)



	June 2022	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023
Shipments	115	120	117	116	114	112	112	120	119	116	118	118	112
Orders	119	120	117	113	108	110	113	116	116	114	118	111	111
Profit margins	90	92	95	93	95	94	98	97	100	98	98	99	99
Backlogs	112	103	104	99	100	100	99	100	97	100	95	93	92
Ease of recruiting/finding skilled talent	90	88	88	92	86	90	93	95	95	93	95	95	93
Material costs	140	138	136	131	134	131	131	130	127	128	126	122	123
Labor costs	135	139	136	134	136	135	133	135	133	134	132	124	128
Capacity utilization	112	115	114	117	112	111	111	118	115	115	112	110	111
Inventory available to you from your suppliers	92	102	104	107	108	110	108	113	113	112	113	113	113
Inventory available to your customers	102	105	107	111	114	106	109	117	114	111	110	114	111

Δ+5 points or more vs. previous month

Δ-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 May 10 and May 31, 2023.



Questions? Please contact:

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