

# News Release

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## S&P Global Electronics PMI®

### Sharpest deterioration in global electronics sector since mid-2020

#### Key findings

New order and output decline at faster rates

Second monthly fall in employment in just over three years

Price pressures soften

The S&P Global Electronics PMI® is compiled from survey responses from purchasing managers in electronics manufacturing worldwide. The headline figure is the Purchasing Managers' Index™ (PMI), a weighted average of indices tracking new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI provides a single-figure snapshot of the underlying health of the electronics sector.

At 46.9 in October, the headline seasonally adjusted PMI eased from 47.7 in September to signal a sustained deterioration in operating conditions across the global electronics manufacturing sector, and the quickest since June 2020. The latest decline in the headline PMI reading was attributed to sharper falls in new orders, output, employment and stocks of purchases, while lead times shortened as a result of reduced capacity pressures. Amid slower cost increases and falling new orders, firms also raised their selling prices at a more muted rate.

An eighth straight monthly downturn in global electronics production was recorded in October. Moreover, the rate of reduction was marked and the fastest since July. According to survey respondents, weakness in global demand led to lower levels of production. Output has fallen in 15 of the past 16 months. The four monitored sub-sectors all registered contractions during October, led by the strongest fall in Computing since January.

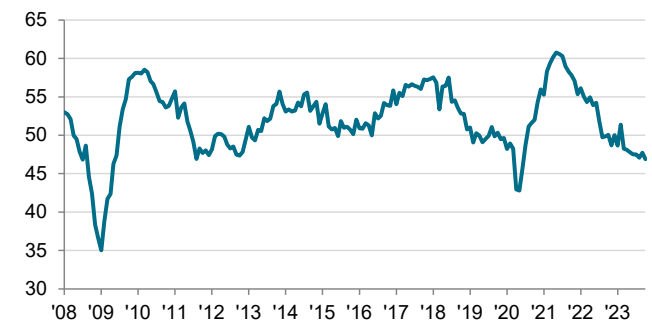
Incoming new orders placed with electronic manufacturers fell on the back of a deterioration in global economic conditions, elevated prices and inventory destocking efforts at clients, according to panellists. The rate of decline accelerated from September and was strong overall.

Quicker declines in new orders were observed across all but the Consumer segment, with rates of decline remaining sharp across the board.

Electronics manufacturers shed staff for a second consecutive month in October. Despite being only moderate, the rate at which staffing levels declined was the fastest since July 2020. Anecdotal evidence suggested that the non-replacement of leavers was the main reason for the reduction in headcounts as firms grew more cautious with their budgets amid falling new work intakes.

S&P Global Electronics PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

#### Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

"October's Global Electronics PMI pointed to an even sharper downturn in the electronics sector at the start of the final quarter of 2023. At 46.9, the latest PMI was the lowest recorded since the COVID-19 pandemic. Destocking efforts and softening global economic conditions eroded demand in October and led to a further fall in production. Forward-looking indicators, including the backlogs of work index, remained weak, thereby pointing to sustained declines in output in the months ahead.

"The decline in production has further depressed employment conditions in October as global electronics manufacturers tightened their belts by leaving vacancies unfilled.

"That said, price increases slowed amid softer cost inflation, which hopefully can allay some pressures on demand from a price perspective."

PMI®

by S&P Global

The Consumer segment led the fall in employment, while Industrial firms were the only ones to record higher employment.

Amid a reduction in new work inflows and with firms working through their outstanding orders, the level of backlogged work fell again among global electronics manufacturers. This marked the sixteenth straight month in which backlogs depleted. The rate of decline was sharp, despite easing from September. Industrial firms led the latest reduction in backlogs among the four monitored segments.

Post-production inventories held by global electronics firms contracted for a third straight month in October as outbound shipments of finished goods and cost-related reductions in finished goods holdings for costs cutting led to the decrease. The rate of depletion eased from September, however, and was mild overall. Three of the four monitored sub-sectors saw marked reductions, while there was a marginal rise in stocks of finished goods in Communications.

In line with reduced new orders and production, global electronics manufacturers lowered their purchasing activity in October. Moreover, the pace of contraction was the fastest since June 2020 and sharp. All four monitored segments registered lower buying activity in October, led by Industrial firms.

Vendor performance across the electronics manufacturing sector improved in October after worsening slightly in the previous month. That said, lead times shortened to only a mild degree, with some firms indicating that supply conditions improved as demand conditions softened.

Average lead times shortened in two of the four monitored sectors, namely the Industrial and Consumer segments.

Caution with regards to holding additional inputs led to electronics producers paring back their stocks of purchases for a fourth consecutive month in October. This was broad-based across sectors and most pronounced amongst Industrial firms. The overall rate of depletion accelerated to the fastest since October 2020, though it remained moderate overall.

Average cost burdens at global electronics manufacturers rose again at the start of the fourth quarter, albeit at the slowest rate

#### Survey methodology

The S&P Global Electronics PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in electronics manufacturers worldwide. The sample is selected from S&P Global's PMI survey panels in Austria, China, Czech Republic, Germany, France, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, Poland, Russia, South Korea, Spain, Taiwan, UK and the USA.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

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since June. Where an increase was signalled, firms mentioned higher raw material and labour costs contributing to increased expenses. Cost burdens rose in all but the Consumer segment, with Computing firms facing the fastest hikes.

In line with the trend for input costs, output prices rose at a slower rate in October. Global electronics producers noted efforts to soften price hikes in part to drive sales. The rate at which selling prices rose was modest and slower than the average seen over the past 12 months.

Charges rose the fastest within the Industrial segment, followed by Communications. Computing firms kept charges broadly unchanged, while Consumer firms lowered prices for the fifth time in six months.

#### About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

#### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.