News Release

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S&P Global Electronics PMI™

Electronics output declines further amid weak demand conditions at the end of 2022

Key findings

Activity contracts at slower pace, but new orders fall strongly

Inflationary pressures soften

Employment growth quickens to fastest for six months

The S&P Global Electronics PMI™ is compiled from survey responses from purchasing managers in electronics manufacturers 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.

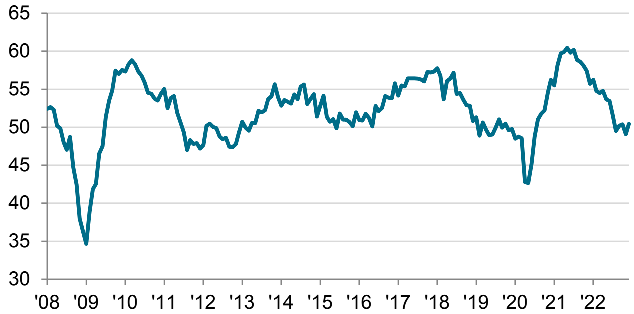
The headline seasonally adjusted PMI posted 50.4 in December, up from 49.1 in November, to signal a renewed improvement in operating conditions across the global electronics manufacturing sector at the end of 2022. The upturn was only fractional, but the third in four months. Nonetheless, the latest headline figure reflected a further marked deterioration in vendor performance and a stronger rise in employment, thereby masking further contractions in output and new orders.

Global electronics production continued to contract at the end of 2022, thereby extending the current sequence of decline to six months. The decrease was often linked to subdued client demand, with key export markets such as Europe, China and the US mentioned as areas of weakness. The fall in output was only marginal, however, and the slowest since July. Of the four monitored sub-sectors, only Industrials posted an uptick in output.

Weak client demand weighed on new business placed with electronics manufacturers, as new orders fell further in December. The decline was sharp overall, despite easing to the slowest in three months. Global economic uncertainty and inflationary pressures were often cited as factors driving the downturn in sales. At the sub-sector level, the decrease in new orders was led by the Computing segment, with all four monitored sectors registering a decline in client demand.

S&P Global Electronics PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Comment

Commenting on the PMI data, Siân Jones, Senior Economist at S&P Global Market Intelligence, said:

"The global electronics sector continued to signal weak client demand as 2022 was brought to a close, as production and new orders waned. Although rates of contraction eased, firms scaled back their purchasing activity again in response.

"On a more positive note, hopes of future upticks in demand supported job creation which accelerated in December. At the same time, inflationary pressures eased further from the highs seen earlier in the year. Reduced demand for some inputs dampened supplier price hikes, which in turn curbed charge inflation.

"Nonetheless, supply issues continued to weigh on the sector as specialist materials were highlighted as being in short supply. This, alongside subdued demand conditions, may result in a challenging start to 2023 for electronics manufacturers."

PMI™ by S&P Global

Despite further contractions in output and new orders, electronics firms continued to expand their workforce numbers during December. The rate of job creation picked up to a strong pace that was the fastest since June 2022. Some companies stated that higher staffing numbers reflected efforts to clear backlogs and expectations of future improvements in demand. Computing was the only sector to signal a decline in employment, with Industrial and Communications firms leading the expansion.

Average cost burdens at global electronics manufacturers increased markedly at the end of 2022. Higher input prices stemmed from hikes in material and energy costs, according to panellists. Although historically elevated, the pace of cost inflation eased for the third month running to the slowest since December 2020.

Global electronics manufacturers signalled a sharp uptick in output charges in December, as companies commonly noted the pass-through of higher costs to clients. The rate of increase softened, however, and was the slowest since February 2021.

December data indicated a solid fall in backlogs of work at global electronics manufacturers. Lower new order inflows allowed firms to work through outstanding business in a timely manner, according to panellists. The decrease in work-in-hand was similar to that seen in November, with all monitored sub-sectors recording contractions.

Post-production inventories held by global electronics firms contracted for the fourth month running at the end of the year. Weak demand conditions reportedly led to sales being made directly from stocks. The fall in stocks of finished goods was only marginal, however, and the slowest for three months.

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Global electronics manufacturers posted a fifth consecutive monthly decline in purchasing activity during December. Firms reportedly adjusted down their input buying in response to lower new order inflows. The rate of contraction was solid, but slower than that seen in November. The decrease in purchasing activity was driven by Computing firms, with only Industrial companies registering growth.

December data indicated a further marked deterioration in vendor performance across the electronics manufacturing sector. Delays to input deliveries were commonly linked to logistics issues, material shortages including semiconductors, and COVID-19 lockdowns in China. Nonetheless, the extent to which lead times lengthened was among the least marked since January 2020.

Adjusted for seasonal factors, the Stocks of Purchases Index posted above the 50.0 neutral mark in December, to signal an upturn in pre-production inventories at electronics firms. Although some companies noted that material shortages led to the stockpiling of materials, others suggested that lower than expected inflows of new orders drove the increase in stocks. The rate of expansion was the second-slowest since February 2021, however.

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@ihsmarkit.com.

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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. ihsmarkit.com/products/pmi.html.

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