News Release

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S&P Global Electronics PMI®

Electronics PMI hits joint-lowest level since June 2020

Key findings

Sharpest fall in output for five months

Renewed lengthening in suppliers' delivery times

Input prices rise at strongest rate since March

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 47.0 in December, the headline seasonally adjusted PMI fell from 48.0 in November to signal a sustained and stronger deterioration in operating conditions across the global electronics manufacturing sector at the end of 2023. The downturn was notably the joint-sharpest recorded in three-and-a-half years, alongside October's reading. The latest headline figure came amid the steepest contractions in new orders and output for four and five months respectively.

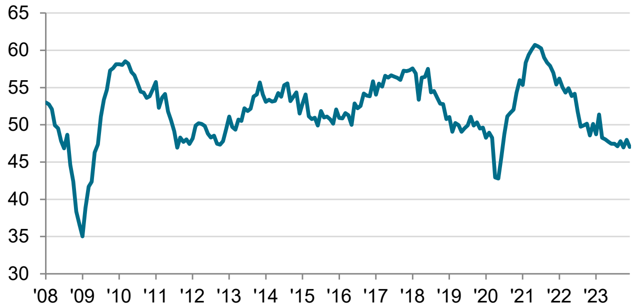
Global electronics production fell for the tenth month in a row during December. The rate of reduction quickened from that seen in November to the fastest since July. Panellists often mentioned that global weaknesses in demand and productivity had held back output. The four monitored sub-sectors all registered contractions during December, led by the strongest fall in Consumers since June 2020.

Subdued client demand weighed on new business placed with electronic manufacturers which fell for the tenth consecutive month. The decline was steep, and the strongest recorded since August. A muted global economy, sustained inflation and postponed projects were often cited as factors dampening demand. New orders in the Consumer segment fell at the fastest pace for 14 months, while there was a quicker reduction in Computing. There was also a renewed decline in Communications, whereas the Industrials segment saw the softest contraction for eight months.

Electronics firms globally continued to reduce their workforce numbers at the end of the fourth quarter. The rate of job creation quickened from November and was only marginal. Some firms commented that lower staffing numbers reflected the non-replacement of voluntary leavers and staff restructuring amid weak demand. Consumers led the decline in employment, followed by Industrials. There were renewed increases in Communications and Computing however.

S&P Global Electronics PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Comment

Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"The global electronics sector continued to indicate weak client demand at the end of the year. Both output and new orders, which together comprise 55% of the headline reading, remained firmly in contraction territory, with the former posting one of the sharpest declines since mid-2020.

"Firms continued to attribute the deterioration in operating conditions to global economic weakness, alongside stubborn inflationary pressures and an increasing number of projects being placed on hold. Some electronics manufacturers also cited that higher raw materials had weighed on the sector, as indicated by the strongest rise in average cost burdens for nine months.

"Despite reduced pressure on supply chains amid weak input demand, global electronics firms signalled a lengthening of delivery times for the first time in three months, amid some suggestion that material shortages and delivery delays had placed additional strain on suppliers."

PMI® by S&P Global

December data indicated a sharp fall in backlogs of work at global electronics manufacturers. According to anecdotal evidence, lower new order inflows allowed firms to work through outstanding business in a timely manner. The latest decrease extended the current sequence of depletion to 18 months, and was the sharpest since September. All four monitored sub-sectors saw solid reductions in backlogs.

Post-production inventories held by global electronics firms contracted for the sixth successive month at the end of 2023. Weak demand conditions and efforts to cut costs reportedly led to the winding down of stocks, according to anecdotal evidence. The fall in stocks of finished goods was solid and the quickest for three months.

Global electronics manufacturing firms posted a seventeenth consecutive monthly decline in purchasing activity during December. Firms reportedly trimmed input buying in response to lower demand levels. The rate of contraction quickened from November and was sharp overall. The decrease in purchasing activity was broad-based across the four monitored sub-sectors, led by Industrials.

Latest data indicated a renewed deterioration in vendor performance across the electronics manufacturing sector. Longer delivery times were commonly linked to raw material shortages and delivery delays. The extent to which lead times lengthened was slight, but the most pronounced since January. Only Communications saw a deterioration during December, though one that was sharp overall. There were softer improvements in Consumer and Industrials, while lead times for Computing shortened for the first time since August.

Adjusting for seasonal factors, the Stocks of Purchases Index posted below the 50.0 no-change mark for the sixth month running. The latest reading was indicative of a moderate decline that was nonetheless softer than that seen in November. Anecdotal evidence suggested that lower new orders encouraged destocking at electronics firms.

Average input costs at global electronics manufacturers increased at a solid pace in December. The rate of cost inflation picked up from November and was at a nine-month high. Where an increase was signalled, firms mentioned higher raw material prices, global exchange rate fluctuations and widespread inflationary pressures.

At the sub-sector level, Computing firms signalled the strongest rise in input prices since January, alongside further increases across Communications and Industrials. Consumer electronics saw input prices rise for the first time in three months.

Global electronics producers signalled a quicker uptick in output charges in December, as companies sought to pass on higher cost burdens to clients. As a result, the rate of charge inflation was the strongest since September. All four monitored segments recorded a steeper rise in prices charged, led by Computing firms.

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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.

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.