News Release

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S&P Global Electronics PMI™

PMI falls to 20-month low in June amid slowing demand and challenging global economic climate

Key findings

New orders rise at slowest rate since September 2020

Purchasing activity growth eases; output up only fractionally

Inflationary pressures stay elevated, but cool slightly

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.

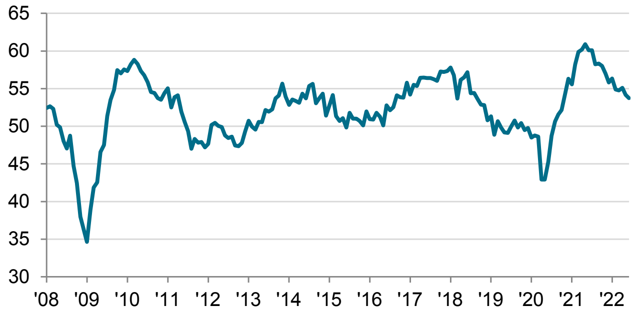
The headline seasonally adjusted PMI fell to a 20-month low of 53.7 in June, down from 54.2 in May. While still indicative of improving conditions in the global electronics manufacturing sector, the latest data highlighted a further slowdown in growth as both output and new orders rose at fractional rates. Overall, new orders increased at the weakest pace since September 2020, leading some firms to restrict their purchasing activity. Nevertheless, stockpiling of inputs continued as businesses sought to protect against supply issues and price rises.

The seasonally adjusted Output Index moved back into expansion territory during June, as signalled by a reading above the 50.0 no-change mark. However, the increase in global electronics production was only fractional overall. While the arrival of previously-ordered components reportedly supported an uplift in output at some firms, others commented on the dampening impact of weak demand conditions and sustained disruptions from COVID-19.

June survey data highlighted a further softening of new order growth at global electronics producers. The respective seasonally adjusted index posted above 50.0, but fell to its lowest mark since September 2020 at the end of the second quarter. According to panel comments, the slowdown reflected subdued underlying demand for goods, although others mentioned the war in Ukraine and the challenging global economic climate.

S&P Global Electronics PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Comment

Joe Hayes, Senior Economist at S&P Global Market Intelligence, said:

"It was another disappointing result for the global electronics sector in June, with survey data highlighting diminishing demand pressures and a continuation of the weak production trend.

"Fragmentation across the supply chain remains a notable issue for companies. While the availability of some parts may have improved, shortages of other components meant firms lack all the inputs required to raise production. The result is strong, sustained – and sometimes unintentional – inventory accumulation.

"Some cooling of inflationary pressures can perhaps be viewed as a minor positive, particularly as this coincided with delivery times lengthening to the least marked extent in just over a year-and-a-half."

PMI™ by S&P Global

The level of employment across the global electronics manufacturing sector continued to expand in June. Moreover, the rate of job creation was the quickest in ten months and strong overall. Where hiring was recorded, this was often linked to efforts to clear backlogs, although some companies reportedly expanded their capacities to accommodate for greater activity levels.

The seasonally adjusted Backlogs of Work index posted above the 50.0 no-change threshold in June, indicating an additional strain on operating capacities. The rate of backlog accumulation accelerated slightly since May and was solid overall. Insufficient input supplies, in part due to late deliveries, as well as labour shortages were mentioned.

Post-production inventories were further depleted by global electronics manufacturers in June. Existing finished goods were reportedly used by some firms to fill orders, while others noted their inability to restock due to delays in raw material shipments. The rate of decrease was marginal and the weakest for six months.

Global electronics manufacturers raised their purchasing activity once again in June, extending the current sequence of expansion to 21 months. Where input buying was raised, firms mentioned efforts to hedge against shortages and long lead times. That said, the rate of increase was the softest since October 2020 amid cutbacks due to soft demand.

The Supplier's Delivery Times Index posted below the 50.0 no-change mark, signalling a deterioration in vendor performance. Raw material shortages and issues with transport were often cited by survey respondents, with companies also commenting on continued disruption in China and strikes by workers in the supply chain. That said, the extent to which delivery times lengthened was the weakest since November 2020.

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Global electronics manufacturers recorded a further expansion in their holdings of pre-production items at the end of the second quarter. Safety-stock building was commonly linked to the increase in inventories, but some companies saw an excess build-up of certain inputs due to the poor availability of other components necessary for production.

Global electronics producers faced another steep monthly rise in their average input costs during June. Anecdotal evidence highlighted a variety of inflationary sources including raw materials, energy and oil. Approximately 50% of survey respondents recorded higher operating expenses, compared to around 3% that noted a fall. Although the rate of increase in input prices was historically sharp, it slowed to a 14-month low.

June survey data pointed to rising prices charged by global electronics manufacturers. According to firms, the increase in selling charges reflected higher costs, with many companies opting to share greater burdens at least partly with their clients. The rate of inflation was sharp overall, but eased to a six-month low.

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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