

News Release

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S&P Global Electronics PMI™

Electronics demand and production post renewed growth in February

Key findings

Electronics output expands as demand conditions improve

Supplier's delivery times lengthen at slowest rate since mid-2019

Price pressures recede in February

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 51.4 in February, up from 48.7 in January, to signal a return to expansion territory for the global electronics sector midway through the first quarter. The rate of growth was also the fastest since last July and was supported by improvements in new orders and output.

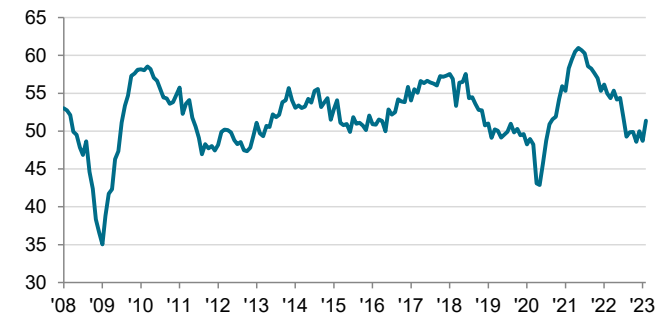
Global electronics production returned to growth in February after declining for seven successive months. Moreover, the rate of expansion was the fastest since September 2021 and solid overall. Survey respondents frequently linked the improvement to higher demand for electronics and the easing of virus disruptions. The Industrials sector saw the fastest growth in output among the four monitored sub-sectors, while only Communications was in contraction.

New business placed with electronics manufacturers saw renewed growth in February following seven consecutive months of decline. The rate at which new orders rose was only marginal, though this represented an improvement from the strong declines earlier. Where higher new orders were reported, better underlying demand conditions across the US, Europe and China were mentioned by panellists. New orders expanded at Communication and Industrial electronics firms.

Employment levels continued to rise at global electronics firms, extending the current sequence of workforce expansion to 29 months. According to panellists, higher demand and output led to increased hiring activity. That said, the rate of job creation decelerated to match the series

S&P Global Electronics PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Comment

Commenting on the PMI data, Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

“The global electronics sector started the year on weak footing, but advancements were made into February with the latest PMI indicating a return to growth territory. While marginal in the rate of expansion, demand for electronics products nevertheless showed a marked improvement from January, supported by higher demand across the US, Europe and mainland China, according to anecdotal evidence.

“Growth of production was also made possible by easing supply-side constraints, as seen via the least severe deterioration of vendor performance since mid-2019. Concurrently, price pressures receded both for electronics manufacturers and their clients.

“That said, excess capacity remains the case as backlogs fell at a historically-sharp rate in February. Continued upticks in new orders will be key to lift the electronics sector further away from the spate of weakness observed around the turn of the year.”

PMI™

by S&P Global

average and was mild overall. Industrials led the upturn in workforce levels at the sector level, while Consumer was the only area to record reduced workforce capacity in February.

The level of work outstanding at global electronics manufacturers fell for an eighth straight month in February, though the rate of contraction eased to the slowest since last October. Anecdotal evidence suggested that higher production supported the clearing of backlogged work in February. All four monitored sub-sectors recorded contractions in backlogs in February.

The level of post-production inventories was almost unchanged in February. While some firms saw accumulated finished goods amid outbound delivery delays, others were able to clear their stocks to fulfil backlogged work. Growth in the Industrial and Communication categories was mostly offset by declines in the Consumer and Computing sectors.

Global electronics manufacturers reduced their input acquisition for a seventh consecutive month during February. That said, the rate of contraction eased to the weakest in four months on the back of a revival of demand growth. Industrials was the only sector to show a renewed rise in buying activity, while all other monitored sectors reported lower purchasing activity. Computing saw the sharpest contraction.

Vendor performance in the global electronics manufacturing sector worsened in February, linked by survey participants to supply and labour constraints. However, the rate at which lead times extended eased to the slowest since July 2019. In fact, the Consumer category showed the first improvement in supplier performance since June 2019 while the other three monitored sectors continued to experience delivery delays.

Pre-production inventory levels declined in February, following a sustained improvement in January, albeit at a marginal rate. Anecdotal evidence suggested that supply

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delays and the utilisation of input stocks for production led to the depletion of inventories. Lower stocks of purchases were observed in two of the four monitored sectors, namely Computing and Consumer.

Average cost burdens at global electronics manufacturers increased markedly in the second month of 2023. Higher raw material costs, underpinned by shortages of some items, and greater transport fees were reported as having contributed to rising input costs. Although historically elevated, the pace of inflation eased for the fifth month running to the lowest since November 2020. At the sub-sector level, Industrials recorded the sharpest increase in input prices.

In line with softer cost pressures, selling price inflation eased in February to a two-month low. That said, charges continued to increase at a historically elevated rate in as firms shared their cost burdens with clients.

All four sub-sectors recorded higher output prices in February, led by Industrials. Consumer electronics manufacturers recorded the slowest increase for a second month running.

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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