

News Release

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S&P Global Electronics PMI™

Global electronics output declines further in October

Key findings

Production volumes decline further amid muted demand

Staffing levels continue to increase

Cost pressures remain historically sharp

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 rose from 50.3 in September to 50.5 in October. While still indicative of an improvement in overall operating conditions, latest data also pointed to a sharper decline in new orders and a drop in production which was the fourth in as many months. Nevertheless, global electronics firms continued to build-up safety stocks of inputs in anticipation of further cost pressures and hired additional staff.

Production levels at global electronics manufacturers declined at the start of the final quarter. The reduction, though softer than in September, was the fourth in as many months and reportedly driven by muted demand conditions. Three of the four monitored sectors recorded falls in output, with the fastest reduction seen in communications electronics. Meanwhile, business activity stagnated in the industrial electronics sector.

The seasonally adjusted New Orders Index posted below the 50.0 no-change mark in October, to mark a fifth consecutive month whereby new orders at global electronics manufacturers declined. The latest reduction was quicker than in September and strong overall. Survey respondents primarily linked the downturn to weakness in underlying demand, specifically across Europe, the US and China. All four monitored sectors saw a contraction in sales, led by consumer electronics.

October data signalled a further expansion in the level of employment across the global electronics sector. Moreover,

S&P Global Electronics PMI
sa, >50 = improvement since previous month



Source: S&P Global.

Comment

Commenting on the PMI data, Laura Denman, Economist at S&P Global Market Intelligence, said:

“Despite a slight strengthening in the headline PMI figure, underpinned by growth of input stocks and employment, the latest survey data signalled that the economic landscape across the global electronics sector remained gloomy at the start of the final quarter of 2022. A sharper downturn in new orders reportedly triggered reductions in several indices – including output, input buying and backlogged work. Meanwhile, price pressures remained elevated in October, with rates of input cost and output charge inflation accelerating on the month.”

PMI™

by S&P Global

the rate of job creation remained solid and above its historical average. Anecdotal evidence suggested that the rise in staffing numbers was reflective of anticipated improvements in demand and the requirement to fill vacant positions.

Latest survey data pointed to spare capacity across the global electronics manufacturing industry. Volumes of incomplete work fell in October, and for the fourth month running. Muted demand reportedly allowed firms to work through backlogged work, according to survey respondents. Declines were seen across three of the four monitored segments, with the sharpest reduction recorded in computing electronics.

Post-production inventories at global electronic manufacturers contracted for the second month in a row during October. In line with demand trends, firms reportedly depleted inventories by using current stocks to fulfil sales requirements. The reduction, though only slight, was primarily driven by the sharpest decline in communications electronics stocks since December 2020.

Global electronics manufacturers lowered their purchasing activity once again in October, thereby stretching the current sequence of decline to three months. According to anecdotal evidence, firms trimmed input buying amid demand weakness. Notably, the overall downturn was underpinned by the sharpest contraction at communications electronics firms since April 2020. There was a solid reduction in the computing electronics segment, with growth registered elsewhere.

In line with the trend seen since July 2019, the Supplier's Delivery Times Index posted below the 50.0 no-change mark in October to signal a further deterioration in vendor performance. Panel members frequently mentioned that raw materials and freight shortages contributed to delays. That said, the extent of the latest deterioration was the least

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pronounced since October 2020.

Pre-production inventories held by global electronics manufacturers increased in October, extending the current sequence of expansion to just short of two years. Anecdotal evidence suggested that, despite the reduction in new orders, firms were building safety stocks in anticipation of further price increases and raw material shortages. Sub-sector trends were mixed as accumulation in consumer and industrial electronics contrasted with depletion in communications and computing electronics.

Average cost burdens faced by global electronics manufacturers rose further in October, with the rate of inflation accelerating for the second month running. There were widespread reports of increasing raw materials costs. Other panel members mentioned that currency weakness against the US dollar added to price pressures.

As has been the case since August 2020, prices charged by global electronics firms increased in October. The rate of inflation was the fastest in three months and reportedly reflective of greater input costs. For the eighth month running, the rate of selling price inflation at industrial electronics firms outpaced those seen in the other monitored sectors.

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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