

News Release

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S&P Global Electronics PMI™

Strongest deterioration in operating conditions since June 2020

Key findings

New orders fall further despite fractional uptick in output

Inflation rates soften to slowest for two-and-a-half years

Second-strongest improvement in vendor performance on record

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 48.2 in April, the headline seasonally adjusted PMI fell slightly from 48.4 in March to signal a sustained deterioration in operating conditions across the global electronics manufacturing sector at the start of the second quarter of 2023. The downturn was moderate, albeit the strongest since June 2020. Nonetheless, the latest headline figure reflected a steep improvement in vendor performance, which masked a renewed rise in output and softer fall in new order inflows.

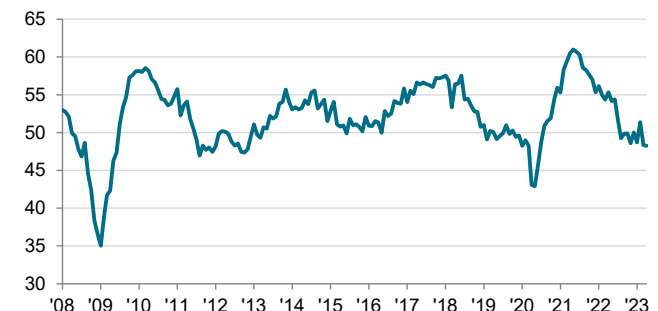
Global electronics production rose for only the second time in ten months during April. That said, the expansion was fractional and well below the long-run trend. Where an increase was reported, panellists attributed this to pockets of improvements in demand from key markets such as Europe and the US. Of the four monitored sub-sectors, the strongest rise was recorded in Industrials, while only Communications saw a decrease in output.

Subdued client demand weighed on new business placed with electronics manufacturers, as new orders fell for the ninth time in the past ten months. The decline was moderate, however, and the joint-softest over this period. Inflationary pressures and global economic uncertainty were often cited as factors dampening demand. New orders in the Consumers segment fell at the fastest pace for six months, while there was a renewed decline in Industrials, the first since January. Computing saw a slower contraction, with stabilisation registered in Communications.

Despite subdued new order levels, electronics firms globally continued to expand their workforce numbers at the start of the second quarter. The rate of job creation eased from March and was the softest in the current 31-month sequence of job creation, however. Some firms commented that higher

S&P Global Electronics PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Comment

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

"The global electronics sector continued to signal weak client demand at the start of the second quarter of 2023 as new orders waned further. While there was a fractional increase in production levels, this largely reflected firms diverting resources towards the clearing of outstanding business, with backlogs falling at the strongest pace for three months.

"On a more positive note, cost pressures eased further to reach the lowest seen since October 2020, as reduced demand for inputs dampened supplier hikes which also helped to curb charge inflation.

"Moreover, suppliers' delivery times shortened for the second month running. The improvement was marked overall and the second-strongest on record (behind May 2001)."

PMI™

by S&P Global

staffing numbers reflected the filling of existing vacancies as well as efforts to clear backlogs. Industrials led the expansion in employment, while Consumers was the only sector to signal a decline.

April data indicated a steep 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 decrease in backlogs was the tenth in a row and the strongest since January, with all four monitored sub-sectors seeing sharp reductions.

Post-production inventories held by global electronics firms contracted for the seventh time in the past eight months at the start of the second quarter. Weak demand conditions reportedly led to sales being fulfilled from existing stocks. The fall in stocks of finished goods was only marginal, however.

Global electronics manufacturers posted a ninth consecutive monthly decline in purchasing activity during April. Firms reportedly trimmed input buying in response to lower demand levels. The rate of contraction was solid, and the strongest seen since last November. The decrease in purchasing activity was broad-based across the four monitored sub-sectors, led by Computing.

Latest data indicated a marked improvement in vendor performance across the electronics manufacturing sector. Shorter delivery times were commonly linked to suppliers being readily able to provide components due to weaker demand and smoother logistics. The extent to which lead times shortened was the most marked since the series record in May 2001. There was a widespread improvement in delivery times at the sub-sector level, led by series record improvements at Computing and Industrials firms.

Adjusted for seasonal factors, the Stocks of Purchases

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Index posted fractionally below the neutral 50.0 threshold for the second time in three months to indicate a renewed downturn in pre-production inventories. Anecdotal evidence suggested that lower new order inflows and improving supply chains encouraged destocking at electronics firms.

Average cost burdens at global electronics manufacturers increased at a solid, albeit softer pace at the start of the second quarter. As such, the pace of cost inflation eased to the slowest since October 2020. Where an increase was signalled, firms mentioned higher raw material and energy costs, though some panel members noted lower oil and metals prices. At the sub-sector level, Industrials recorded the sharpest increase in input prices, although slowdowns were noted across the four monitored segments.

Global electronics producers signalled a slower uptick in output charges in April, as companies looked to only partially pass through higher cost burdens to clients. Also, other firms noted efforts to remain competitive and stimulate demand. As a result, the rate of increase was the slowest since November 2020. Consumers and Communications both recorded a reduction in output prices in April, with the latter seeing the sharpest reduction since June 2020. The strongest rise was seen at Industrials firms.

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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