News Release

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S&P Global Electronics PMI™

Sharpest decline in electronics output since June 2020 as demand deteriorates further

Key findings

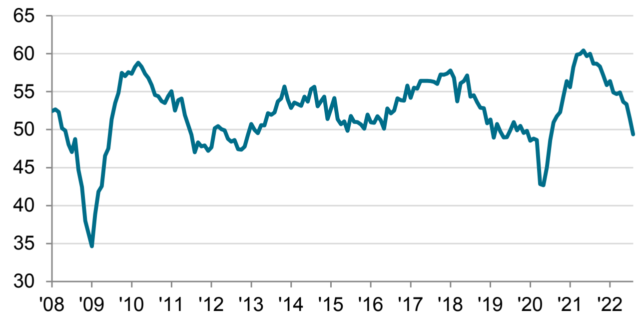
Production and new orders fall at fastest rates in over two years

Inventory levels rise due to sluggish sales

Easing supply-chain pressures helps soften input cost inflation

S&P Global Electronics PMI

sa, >50 = improvement since previous month



Source: S&P Global.

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 below the crucial 50.0 threshold in August, signalling a deterioration in operating conditions across the global electronics manufacturing sector and the first sub-50.0 reading for just over two years. The two principal sub-components of the PMI – new orders and output – both slipped deeper into contraction territory during August, while inventory levels increased due to sluggish sales and falling production requirements. Positively, there were further signs of supply-chain pressures subsiding, which contributed to softer rates of inflation.

Global electronics manufacturers recorded a fourth successive reduction in output levels in August. The contraction accelerated and was the strongest since June 2020. Where a decrease was reported, this was often linked to weak demand, shortages of inputs and high inventory levels at clients. All four monitored sub-groups saw production fall, with the sharpest seen at Communications electronics.

The seasonally adjusted New Orders Index slumped further below the 50.0 no-change mark in August, signalling a sharper deterioration in demand for electronic goods. August's decline was steep overall and the quickest in just over two years. Panellists frequently commented on general weakness in demand across major markets including Europe, the US and Asia.

Staffing numbers at global electronics manufacturers continued to rise during August, extending the current period

Comment

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

"The global electronics sector continued its downward slide in August, with a broad range of PMI survey indicators highlighting worrying trends. New orders and production both fell at their sharpest rates in over two years, reflecting subdued underlying demand conditions across the globe for manufactured electronic goods.

"The extent of the deterioration in new orders also appears to have caught some companies off guard, as seen through strong increases in inventory levels during August. According to some companies, this was an unintentional outcome following underwhelming sales, leading to fuller warehouses of finished goods and rising stocks of inputs."

of job creation to two years. Some companies mentioned capacity improvements as a factor driving the expansion. Although, the rate of employment growth was the weakest in 18 months as some companies opted for lower workforce numbers in response to the fall in production.

August survey data pointed to rising spare capacity at global electronics producers as outstanding business levels declined. Furthermore, the rate of backlog depletion was strong and the fastest since June 2020. Communications electronics led the drop at the sector level, while Computing was the only area to see accumulation. According to panellists, work-in-hand was cleared due to higher employment levels and lower new order intakes.

For the first time since July 2020, stocks of finished goods at global electronics firms increased during August. Moreover, the rise in inventories was the second-fastest on record, surpassed only by that seen in January 1999. Although some companies linked the accumulation of warehoused goods to strategic stockbuilding efforts, others commented on an unintentional increase due to poor sales performances and client requests for delivery postponements.

For the first time since July 2020, global electronics manufacturers reduced their purchases of inputs midway through the third quarter. Fewer new order intakes and sufficient stock levels reportedly led companies to cut their buying activity. The only monitored sub-group where an increase was seen was Industrial electronics.

The seasonally adjusted Suppliers' Delivery Times Index remained below the 50.0 no-change mark in August, signalling a decline in vendor performance. That said, it reached its highest level since October 2020, indicating the weakest strain on supplier capacity for almost two years. While congestion, material shortages and backlogs continued to cause delays, some companies saw timelier deliveries due to falling input demand and some availability improvements.

Adjusted for seasonal factors, the Stocks of Purchases Index posted above the neutral 50.0 threshold in August, pointing to higher inventories of pre-production items at global electronics manufacturers. The rate of accumulation was solid and the fastest in three months. Some companies indicated that the expansion was a due to sluggish demand.

Global electronics manufacturers continued to record greater operating costs in August. The increase was sharp, with companies commenting on greater prices for electronic components, electricity and gas, as well as higher transportation costs. That said, the rate of inflation was the softest since January 2021 amid a reduction in the price of commodities.

Matching the trend for input costs, output charges rose at a slower rate midway through the third quarter. Although selling prices rose at a sharp rate, the pace of increase was the weakest for almost a year-and-a-half. While many companies continued to upwardly adjust their prices in line with greater costs, some offered discounts.

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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@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.

PMI™ by S&P Global