

# News Release

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## S&P Global Electronics PMI<sup>®</sup>

### Electronics output falls for first time since July 2020

#### Key findings

Production levels decline amid supply issues and weak demand

New order growth eases to 20-month low

Stockpiling continues amid continued material shortages

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 54.2 in May, down from 55.1 in April and its lowest figure since October 2020. The headline index was pulled lower by four of its five sub-components. A renewed decline in output, slower increases in new orders and employment, as well as a weaker lengthening in input lead times (the Suppliers Delivery Times Index is inverted in the headline PMI calculation) were registered in May. The outlier was stocks of purchases which increased at a stronger rate as companies built up their inventories to mitigate supply risks.

Production levels at global electronics manufacturers declined for the first time since July 2020 during the latest survey period. The renewed downturn was driven by firms in the consumer and communications sectors as expansions were seen at computing and industrial electronics manufacturers. Material shortages were widely cited as a constraint on output in May, as well as weak demand and COVID-related disruptions such as China lockdowns.

The seasonally adjusted New Orders Index posted above the 50.0 no-change mark, but fell to its lowest level since September 2020 to signal subdued growth in demand for electronic goods. While some companies reported bulk purchases from customers due to supply issues, other firms saw their new business intakes curtailed by competitive pressures, rising costs and uncertainty.

Global electronics manufacturers expanded their employment during the latest survey period. Capacity

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:

*"The global electronics sector showed further signs of weakening during May as production volumes declined for the first time since July 2020. The electronics industry continued to be adversely affected by ongoing supply-side issues such as material shortages, transport delays, the war in Ukraine and lockdowns in China, according to surveyed firms. Demand-side weakness also became increasingly apparent as new order growth was only marginal and at its weakest for almost two years."*

*"Nevertheless, we still saw companies expand their capacity during May through an increase in employment, while stocks of purchases were expanded to a stronger extent as companies looked to secure inventories. If the clear downward trend in demand persists, it may be possible for firms to ride out a soft patch by clearing backlogs of work and stockpiling finished goods."*

PMI™

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improvements, company expansions and efforts to clear backlogs were cited as reasons for the increase in staffing numbers. The rate of jobs growth was strong overall and above its historical average, but eased to a 15-month low.

There was evidence of additional strain being placed on production lines at global electronics manufacturers in May as backlogs of work rose for a nineteenth month running. The rate of accumulation was solid, albeit weaker than in April. Material shortages and long lead times from suppliers were commonly mentioned factors which led to growing capacity pressures.

The seasonally adjusted Stocks of Finished Goods Index posted below the 50.0 no-change mark in May, indicating a decline in post-production inventories. According to anecdotal evidence, input shortages hindered firms' ability to replenish their stocks, although others adjusted their inventory levels in response to subdued demand conditions.

Global electronics manufacturers continued to purchase additional inputs during the latest survey period. Where an increase was reported, this was often as part of efforts to mitigate future supply issues and price rises. That said, the rate of growth in purchasing activity was the slowest since October 2020 as some firms downwardly adjusted buying levels in response to subdued demand.

Average lead times on the delivery of inputs continued to lengthen drastically during May, as evidenced by the respective seasonally adjusted index posting well below the 50.0 no-change mark. Stock shortages at suppliers, COVID-19 disruptions in China and logistic issues were cited by surveyed companies. That said, the extent to which delivery times lengthened was the weakest since January 2021.

Adjusted for seasonal influences, the Stocks of Purchases Index posted above the 50.0 no-change mark in May, pointing

## Contact

Joe Hayes  
Senior Economist  
S&P Global Market Intelligence  
T: +44-1344-328-099  
[joe.hayes@spglobal.com](mailto:joe.hayes@spglobal.com)

Joanna Vickers  
Corporate Communications  
S&P Global  
T: +44207-260-2234  
[joanna.vickers@spglobal.com](mailto:joanna.vickers@spglobal.com)

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to an increase in holdings of pre-production items. Moreover, for the first time since November last year, the rate of stock accumulation quickened. According to survey respondents, safety buffers were increased at some companies due to shortages.

Global electronics manufacturers observed a further substantial increase in their cost burdens during May. The overall rate of input price inflation was among the fastest on record and accelerated to a six-month high. According to panel members, the rise in costs was primarily due to raw materials, although energy, transport, as well as exchange rate pressures were also mentioned.

In response to rapid cost inflation, global electronics manufacturers raised their prices charged during the latest survey period. The rate of inflation was little-changed from those seen in both March and April and was steep overall. At the sector level, the fastest increase in selling charges was seen at industrial electronics producers.

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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](mailto:economics@ihsmarkit.com).

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