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IHS Markit Global Electronics PMI®

Strong growth continues in September amid glaring supply constraints

Key findings

Output growth re-accelerates, but remains weaker than earlier in 2021

Demand for electronics continues to rise sharply

Inflation rates holds close to survey-records as supply issues persists

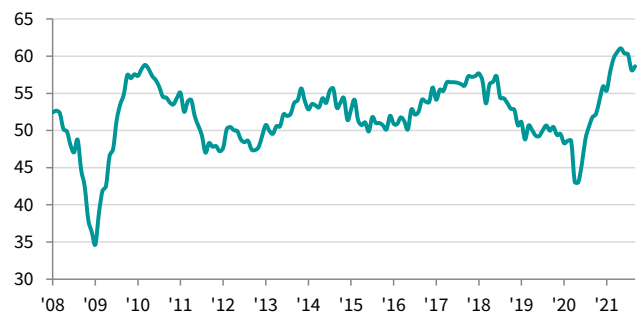
The IHS Markit Global Electronics PMI™ is compiled from survey responses from purchasing managers in electronics manufacturers worldwide. The headline figure is the Purchasing Managers' Index™ (PMI), a weighted average of indices tracking new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI provides a single-figure snapshot of the underlying health of the electronics sector.

The headline seasonally adjusted PMI increased to 58.6 in September, up from 58.1 in August, signalling a faster rate of improvement in the health of the global electronics sector. Stronger increases were seen in output and new orders, although rates of growth were weaker than those seen earlier in the year as severely delayed supplier delivery times restricted production schedules. Consequently, inflationary pressures remained acute, with input costs and output charges both rising at near-record rates in September.

Global electronics producers registered a further rise in output during September, continuing the expansionary trend which began in August last year. Production increased in all four monitored sectors, with industrial electronics leading growth. According to firms, strong global demand conditions supported higher output volumes. That said, although the expansion accelerated from August, it was weaker than those seen earlier in the year as production at some firms was held back by shortages of key inputs.

Latest survey data signalled sharp growth in new orders at global electronics manufacturers during September. Anecdotal evidence suggested that China, Japan, Taiwan, Europe and the US were all sources of higher demand.

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



Source: IHS Markit.

Comment

Commenting on the PMI data, Joe Hayes, Senior Economist at IHS Markit said:

"The global electronics sector grew sharply in September, spurred on by accelerated increases in output and new orders. Key markets such as China, Japan, Taiwan, Europe and the US were all mentioned as sources of growing demand, and underpinned the strong increase in production .

"That said, expansions were still well off the pace seen in May, where it looks like pandemic-recovery growth may have peaked. Electronics manufacturers are being held back by supply-side issues, with firms reporting shortages of key materials as a major hindrance to their production schedules, and in some cases it is causing orders to be postponed.

"Supplier delivery times continue to lengthen substantially, keeping price pressures high. As a result, firms are endeavouring to secure inventories at prevailing prices in anticipation of continued shortages and more price rises.

"It's difficult to envisage the supply-side of the manufacturing sector catching up with the demand-side any time soon, which means excess demand will persist, keeping pressure firmly on supplies and prices."

New orders placed at industrial and communications electronics producers grew at particularly-strong rates, while much softer growth was seen elsewhere.

Electronics producers globally hired additional staff during September. The rate of jobs growth was slightly weaker than in August, but marked by historical standards. The industrial sub-sector posted an especially-marked rate of employment growth, followed by communications. Higher staffing levels were a response to growing output requirements, according to firms.

There was clear evidence of growing capacity pressures in the global electronics sector during September, as work-in-hand (i.e. orders received but not yet completed) increased at one of the fastest rates seen in over 21 years of data collection. Excess demand was a key contributor to the sharp rise in backlogs, as firms were unable to produce sufficient goods to meet demand due to input and staff shortages.

Global electronics manufacturers depleted their stocks of finished goods in September, a trend which was also seen across each of the four monitored sub-sectors. Many firms shipped orders from their inventories due to shortfalls in production, and were thus unable to replenish stocks.

Manufacturers of electronic goods expanded their purchases of inputs during the latest survey period. The rate of increase was sharp overall and accelerated from that seen in August. Where higher buying activity was reported, firms attributed this to stockpiling efforts in order to secure inputs in anticipation of higher prices. Meanwhile, other firms boosted their purchasing in line with stronger demand.

There was a further steep lengthening in average input lead times during September, as signalled by the Suppliers' Delivery Times Index posting well-below the neutral 50.0 mark. Stock shortages at vendors was a major restraint on shipment times, according to anecdotal evidence, although strong demand for inputs reportedly exacerbated

supply-side issues. Nonetheless, the deterioration in supplier performance was the weakest for eight months.

Latest survey data signalled the sharpest rise in pre-production inventories at global electronics manufacturers since data were first collected in January 1998. Stock-building was driven by expectations of higher input prices and a continuation of low supply levels at vendors, as well as efforts to hold adequate input stocks in order to meet production schedules.

Cost pressures faced by global electronics producers continued to ramp up during the latest survey period. Around half of respondents recorded higher input prices when compared to August, while less than 1% observed a decline. Inflationary pressures were a result of rising prices for a multitude of items, including semiconductors, metals, packaging and plastic, as well as greater costs for transport. Overall, the rise in input prices was among the fastest in the series history.

In response to higher costs, global electronics firms hiked their charges during September. The industrial, communications and computing sectors recorded sharp increases in selling prices, while the rise at the consumer sector were relatively more restrained, but strong nonetheless. Overall, the rate of inflation was the quickest for three months and only marginally weaker than May's survey peak.

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Survey methodology

The IHS Markit Global Electronics PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in electronics manufacturers worldwide. The sample is selected from IHS Markit'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

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