

IHS Markit Global Electronics PMI®

Output growth slows to 15-month low

Key findings

Persistent supply issues and weaker demand growth weigh on output...

...although delivery times worsen to weakest extent since last January

Price pressures ease slightly, but hold close to record levels

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 fell to its lowest mark in 11 months during December, falling from 57.1 in November to 55.8 and signalling a softer improvement in the global electronics sector. Most notably, output growth slowed to a 15-month low as firms continued to report difficulties in acquiring sufficient quantities of inputs due to supplier delivery delays. New orders also rose at a slower pace during December as some companies reported subdued demand conditions, particularly in China.

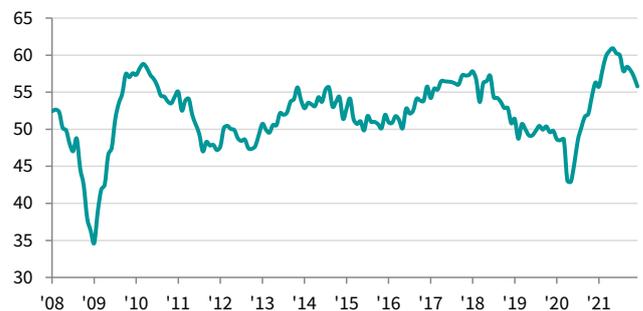
Global electronics producers recorded a further increase in output during December, in line with the trend seen since August 2020. That said, the latest expansion was only modest and the weakest in 15 months.

While demand conditions remained accommodative of production growth, intakes of new orders were reportedly subdued and weighed on the strength of the upturn. Other companies were also adversely affected by shortages of inputs.

The seasonally adjusted New Orders Index recorded above the 50.0 no-change mark in December, signalling an increase in demand for goods produced by global electronics firms. According to panel members, new orders from European and US-based clients had increased. That said, the overall expansion was the softest since October 2020, having eased for a third successive month. Some firms noted weaker 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 narrative in the global electronics sector was broadly unchanged during December. Supply chains are still struggling under the pressure of strong input demand, and rising COVID-19 infection rates around the world are causing issues such as staff shortages and bottlenecks to persist. Meanwhile, demand conditions continue to show signs of softening as new order growth slowed during December. There were notable mentions of weak sales performances in China.

"Consequently, production growth slumped to a 15-month low in December as firms struggle to gain momentum. However, companies are still preparing for expansion. We saw continued jobs growth at the end of the year, and firms are stockpiling inputs to a historically-elevated extent.

"While the slowdown trend in new orders does present some concern, it's encouraging to see firms continue to hire additional staff. Encouragingly, we also saw supplier delivery times worsen to a lesser degree. Once firms acquire healthier stocks of inputs, strong jobs growth we've seen in recent months should facilitate a re-acceleration in production growth, which will certainly have a strong multiplier effect for other parts of the manufacturing sector which rely on electronic goods and components."

conditions in China.

A further solid expansion in employment at global electronics manufacturers was registered at the end of 2021. Furthermore, staffing levels increased at each of the four monitored sub-industries, although a broad-based growth slowdown was seen. As a result, the overall rate of employment growth was the weakest since last February.

Operating capacities at global electronics producers were put under additional strain during December, as evidenced by the seasonally adjusted Backlogs of Work Index recording above the 50.0 no-change threshold. Component shortages, issues with staff availability and increasing new order intakes all reportedly contributed to the increase in unfinished work.

Global electronics manufacturers recorded another drop in their post-production inventories during December, continuing the trend seen since August 2020. That said, the latest reduction was marginal and the weakest seen across this period. Difficulties in acquiring raw materials prevented some firms from building up their warehoused products, although some companies placed finished goods into stocks due to delivery postponements.

A sharp increase in purchasing activity was seen once again at global electronics manufacturers during the latest survey period. Overall, the rate of expansion was unchanged from November, but remained well above its historical average. Long lead times, expectations of price increases and stock-building efforts were all mentioned by firms that boosted their buying activity.

The seasonally adjusted Suppliers' Delivery Times Index remained below the 50.0 no-change mark by a notable margin once again in December, signalling a sharp lengthening in average input lead times. Low stocks at vendors, poor transport capacity and high COVID-19 infection rates were to blame for the deterioration in supplier performance. That said, delivery times lengthened to the weakest extent since last January.

Global electronics producers recorded another substantial increase in their stocks of purchases during December. Overall, the accumulation was only marginally slower than in November, which was a survey record. According to anecdotal evidence, many firms were increasing their pre-production inventories to protect against rising raw material prices and future supply shortages.

Latest survey data continued to signal steep cost pressures facing global electronics producers. Overall, the rate of input price inflation remained substantial and, despite easing to a three-month low, was among the strongest on record. A wide range of raw materials and commodities were reportedly up in price, while firms also mentioned greater costs relating to energy and transport.

Prices charged by global electronics manufacturers increased during December, reflecting firms' efforts to pass on higher cost burdens to their clients. The rate of output price inflation was steep and among the quickest in 21 years of data availability, but eased to a three-month low.

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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

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.
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