

IHS Markit Global Electronics PMI®

Output growth slows sharply amid COVID-19 outbreaks and supply shortages

Key findings

Slowest rise in production since last October

New orders and employment continue to increase sharply

Joint-record accumulation in stocks of purchases

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 posted 58.1 in August, down from 60.2 in July but still signalling a sharp monthly improvement in operating conditions for global electronics manufacturers. The rate of new order growth remained elevated, with firms expanding employment levels sharply in response. That said, the rate of expansion in output slowed to the weakest in ten months, partly due to ongoing severe supply-chain disruption. Meanwhile, both input costs and output prices rose at near-record rates.

Although global electronics production continued to rise in August, the rate of expansion slowed sharply amid the spread of the COVID-19 pandemic in key regions and supply-chain delays. The rise in output was the slowest since last October, with weaker expansions registered across each of the four monitored sectors. Where production increased, firms highlighted ongoing rises in demand for electronics products from a range of markets including the US, Europe and China.

Global electronics manufacturers continued to record sharp growth of new orders in August, despite the rate of expansion easing for the third month running. Anecdotal evidence pointed to ongoing increases in demand for semiconductors from around the world, with shortages of

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



Source: IHS Markit.

Comment

Commenting on the PMI data, Andrew Harker, Economics Director at IHS Markit said:

"The slump in output growth in August highlights some of the headwinds facing global electronics firms at present. While demand for products continues to rise sharply, COVID-19 outbreaks in the key Asia-Pacific region are limiting capacity, while ongoing supply-chain delays also acted to prevent a stronger rise in production.

"In order to guard against supply-chain disruption, firms are favouring stockpiling, with inventories of inputs accumulated at the joint-strongest pace on record.

"Firms will be hoping that output growth can rebound in the months ahead, but a sustained slowdown would inevitably impact manufacturers further along the supply chain."

materials leading customers ramp up efforts to secure items.

The rate of job creation remained elevated midway through the third quarter, with employment rising at the same pace as in July and at one of the strongest rates since the series began in January 1998. The industrial and communications sectors posted particularly marked rates of jobs growth. Efforts to boost capacity in line with rising demand led to hiring, according to respondents.

A combination of strong demand and supply shortages resulted in a further substantial rise in backlogs of work in August. The rate of accumulation was among the sharpest on record, slowing only slightly from the joint-record high posted in July.

With production growth slowing markedly, global electronics manufacturers were often unable to replenish their stocks of finished goods during August. As a result, post-production inventories decreased for the thirteenth month running. Communications was the only sector to post a rise in finished goods stocks, with the steepest reduction in the consumer electronics category.

Purchasing activity continued to rise in August, extending the current sequence of monthly expansion to one year. The rate of growth remained sharp, but eased for the third successive month to the weakest since January. Where input buying increased, panellists generally linked this to higher new orders.

Global electronics manufacturers continued to face severe delays in receiving ordered inputs from suppliers. The rate at which lead times lengthened in August was again one of the strongest on record and unprecedented prior to the COVID-19 pandemic. High demand for inputs, material shortages, insufficient capacity at vendors and COVID-19 outbreaks in some key areas all contributed to delivery delays.

The rate of accumulation in stocks of purchases was unchanged at July's series record during August, with pre-production inventories rising for the ninth month running. Anecdotal evidence suggested that rising stock levels

often reflected efforts to stockpile inputs amid widespread material shortages. All four monitored sectors posted rises in stocks of purchases, led by communications.

Manufacturers signalled a further considerable rise in input costs in August. The rate of inflation was the fourth-fastest in the series history, bettered only by those seen in the preceding three months. Widespread increases in costs for materials were reported amid supply shortages, while firms also mentioned rising shipping fees. The industrial sector posted the steepest pace of inflation.

In response to higher input costs, manufacturers raised their own selling prices in August. Charges have now increased in each of the past 12 months. The rate of inflation slowed only slightly from July and remained at a level unprecedented prior to the current spike in prices. Computing registered the sharpest rise in charges.

Contact

Andrew Harker
Economics Director
IHS Markit
T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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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