News Release

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S&P Global Electronics PMI®

Growth improves to three-month high in April despite sustained supply issues

Key findings

Global Electronics PMI rises to three-month high

New order, output and employment growth rates pick up

Input cost and output price inflation rates hold close to records

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 rose to 55.4 in April, from 55.0 in March and signalling the fastest improvement in operating conditions across the global electronics manufacturing sector for three months. The increase in the headline index was driven by its three main components – new orders, output and employment – which all saw stronger expansions when compared to March.

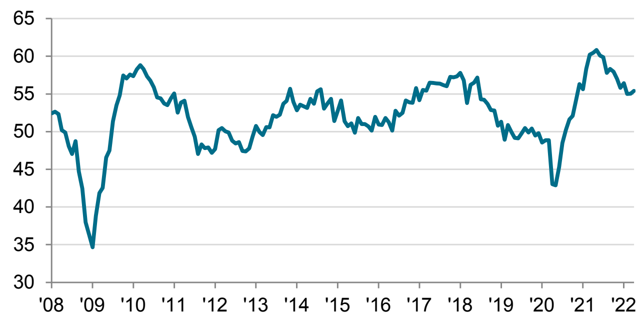
Global electronics output rose in April. Growth was almost entirely driven by industrial electronics producers as consumer electronics output rose only marginally, while contraction and stagnation were recorded elsewhere. Despite picking up, the expansion remained subdued and beneath the historical average. Capacity improvements and new order growth supported output, but factory closures (which were partly due to COVID-19 outbreaks) and supply issues weighed on the upturn.

Latest survey data signalled a further monthly increase in new orders received by global electronics producers. Although the upturn strengthened since March, it remained much weaker than the average seen across 2021. While some companies observed an improvement in demand for their goods, order book growth at others was reportedly restrained by the war in Ukraine, lockdowns in China and shipping issues.

The level of employment among global electronics firms increased for a twentieth month in a row during April. Overall, the rate of jobs growth gathered pace and was

S&P Global Electronics PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Comment

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

"The global electronics sector saw a modest improvement during April as faster expansions were seen in new orders, output and employment. There were numerous reports from survey respondents of supportive demand conditions, with this encouraging firms to bolster their purchasing activity and build up input stocks.

"However, inflationary pressures remained substantial in April as firms widely cited higher energy costs and raw material prices. Although we've seen rates of increase come down slightly from the highs, fresh lockdowns in China and the war in Ukraine have intensified supply-chain issues and therefore inflationary risks.

"Overall, as can be clearly seen in the data over the last 12 months or so, the electronics sector has lost a lot of momentum. Without supply issues subsiding, it's unclear how production growth steps up from its current subdued state."

the quickest since last November. According to anecdotal evidence, staffing numbers were lifted to boost capacity and accommodate higher demand.

Production schedules came under additional strain during April, as evidenced by a further increase in backlogs of work at global electronics manufacturers. The accumulation in unfinished orders was solid and the fastest in three months. Where backlogs rose, this was often linked to insufficient material stocks, increased demand and delivery delays.

The seasonally adjusted Stocks of Finished Goods Index moved further below the 50.0 no-change mark in April to signal a sharper reduction in post-production inventories at global electronics producers. The rate of depletion was the sharpest for ten months. Delayed input shipments reportedly hindered stock-building efforts, while other companies either fulfilled orders from warehouses or immediately delivered finished goods to customers.

Latest survey data pointed to a further increase in purchasing activity at global electronics manufacturers during April. While buying levels were lifted to support existing production requirements at several firms, others reportedly over-purchased certain items to mitigate future supply issues. Overall, the rate of growth was solid but well beneath the 2021 average.

There was another steep deterioration in supplier performance during April, with average input lead times lengthening sharply. Lockdowns in China, port congestion, labour shortages and low supply levels at vendors were cited as reasons for longer delivery times. Approximately 44% of survey respondents recorded a decline in supplier performance, compared to just 1% noting an improvement.

The seasonally adjusted Stocks of Purchases Index posted above the 50.0 no-change mark in April for a seventeenth month in a row, signalling a sustained increase in pre-production inventories. Stockpiling often reflected efforts by firms to build safety buffers, although others were preparing for higher new order volumes.

Global electronics producers were faced with another steep monthly increase in their average cost burdens during April. Furthermore, the rate of input price inflation was among the fastest since data were first collected in 1998. Where cost pressures were reported, this was often attributed to higher raw material and electronic component prices, as well as an increase in logistics and labour costs.

Prices charged by global electronics producers rose further during April. In fact, the extent to which selling prices were raised was among the steepest on record, despite easing slightly since March. Higher output charges were overwhelmingly attributed to greater cost pressures by surveyed firms.

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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