

Embargoed until 0930 (UTC) 8 November 2021

IHS Markit Global Electronics PMI®

Electronics sector continues to grow sharply, but supply issues remain at large

Key findings

Output, new orders and employment all expand further...

...but supply issues restrict production, causing sharp rise in backlogs

Output price inflation hits survey high as cost pressures mount

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 dipped marginally to 58.3 in October, down from 58.5 in September to signal the second-weakest improvement in the overall health of sector since February. Trends in output, new orders and employment all remained positive during October, although issues relating to supply chains, namely low stock levels at vendors and constrained transport capacities, weighed on demand and production. Consequently, intense cost pressures were recorded once again.

Global electronics manufacturers registered higher volumes of output during October. Where production growth was reported, many firms attributed this to stronger global demand conditions. The expansion was solid overall but eased marginally since September. According to some firms, component shortages and delayed deliveries of inputs restrained production growth.

Latest survey data signalled a further expansion in the level of new orders received by global electronics producers. That said, after a stronger rise in September, the respective seasonally adjusted index resumed its downward trend and indicated the weakest rise in demand since February.

While rising sales to clients in the US, Europe and Asia supported new orders, material shortages reportedly weighed on demand.

Workforce numbers at global electronics manufacturers

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:

"In comparison to what we were seeing between March and July, the latest survey data showed another relatively weak expansion in electronics output during October. Short supplies of raw materials and key components, constrained transport capacities and the resulting delivery delays are dampening growth in the sector quite considerably. The supply issues are also filtering through to demand as inadequate input stocks have a knock-on effect to client production schedules.

"Nevertheless, demand conditions still remain strong globally. Asia, Europe and the US were mentioned frequently by panel members as areas supporting new order growth in October. We also saw evidence of firms scaling up their businesses for growth, with employment rising sharply.

"However, the narrative for now remains firmly focused on the supply-related issues plaguing the sector. While also holding back production, they're piling on huge pressure to prices. Output charges increased at the fastest rate in almost 24 years of data collection in October as input cost inflation accelerated."

continued to rise in October. According to anecdotal evidence, extra staff were hired in line with growing order book volumes and the subsequent rise in production to satisfy this.

Although the rate of jobs growth was the joint-weakest in eight months, it was still strong and well above its long-term average.

Latest survey data signalled a further sharp and accelerated increase in the level of outstanding work at global electronics producers. In fact, the rate of backlog accumulation was the strongest on record, surpassing the previous peaks seen in September and July.

Surveyed firms suggested that capacity pressures were intensified by a combination of higher order book levels and short supplies of key components and raw materials.

The seasonally adjusted Stocks of Finished Goods Index remained below the neutral 50.0 mark for a fifteenth successive month in October, signalling sustained inventory draw-downs at global electronics producers.

Due to inadequate levels of input supplies, some firms had to ship finished goods from their warehouses to fulfil orders.

Another steep increase in purchasing activity was registered during the latest survey period. The rate of expansion was sharp overall and led by firms in the Industrials sub-sector. Communications electronics producers also saw a similarly-steep rise, although growth was less marked at computing and consumer electronics manufacturers.

A number of firms purchased in bulk to protect against supply-chain issues and short stock levels at vendors in the future.

Adjusted for seasonality, the Suppliers' Delivery Times Index remained below the 50.0 no-change mark by a considerable margin in October, signalling a further rapid deterioration in vendor performance. Insufficient stocks at suppliers, limited transport capacities and strong input demand placed supply chains under intense pressure, according to firms.

Latest survey data signalled a record month-on-month expansion in pre-production stock levels at global electronics manufacturers. Where inventories increased, many firms linked this to stock-building initiatives amid supply issues, as well as strong intakes of new orders.

Global electronics producers faced another substantial rise in the cost of inputs during October. The rate of inflation was the second-quickest since data were first collected in 1998, surpassed only by that seen in June. Transport bottlenecks and shortages of materials were the main cause of stronger cost pressures, according to survey respondents.

Prices charged by global electronics manufacturers increased at a survey-record rate during October, with the rate of inflation accelerating for a second successive month. Many businesses passed on higher costs to their clients through increased charges. Steep rates of output price inflation were seen across the four broad sub-sectors.

Contact

Joe Hayes
Senior Economist
IHS Markit
T: +44 1344 328 099

joseph.hayes@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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please contact joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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