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North American Electronics Business Keeps Growing and Outlook Remains Rosy

Growth in the North American electronics business remained strong in June 2018. The printed circuit board (PCB) rate of sales growth continued to strengthen and electronics manufacturing services (EMS) sales growth held steady at around 10 percent over the same period last year. Semiconductor sales growth remains the strongest of the segments tracked in this report, but the rate of growth continued to slow in June as it retreated from its late-2017 peak. These year-over-year growth rates reflect three-month rolling averages.

The leading indicators are also positive and climbing. The U.S. Purchasing Managers’ Index (PMI), which tends to lead industry sales by two to six months, increased and remained strong in June. It has been in positive territory (above 50) for almost two years. The 3/12 rate of change for U.S. new orders for electronic products, which leads industry sales by one to three months, continued to increase and remains strong.

Another leading indicator is IPC’s PCB book-to-bill ratio. It is based on three-month rolling averages of orders and sales, and normally leads industry sales by three to nine months. The ratio has been in positive territory for the past 17 consecutive months, driven mainly by growth in orders. The book-to-bill ratio decreased to 1.05 in June but remains in positive territory. Ratios above parity (1.00) indicate greater demand than supply, which may be a precursor of sales growth for electronics manufacturers, especially when a run of positive ratios over several months is seen.

These indicators suggest the likelihood of continued sales growth in the industry in 2018.