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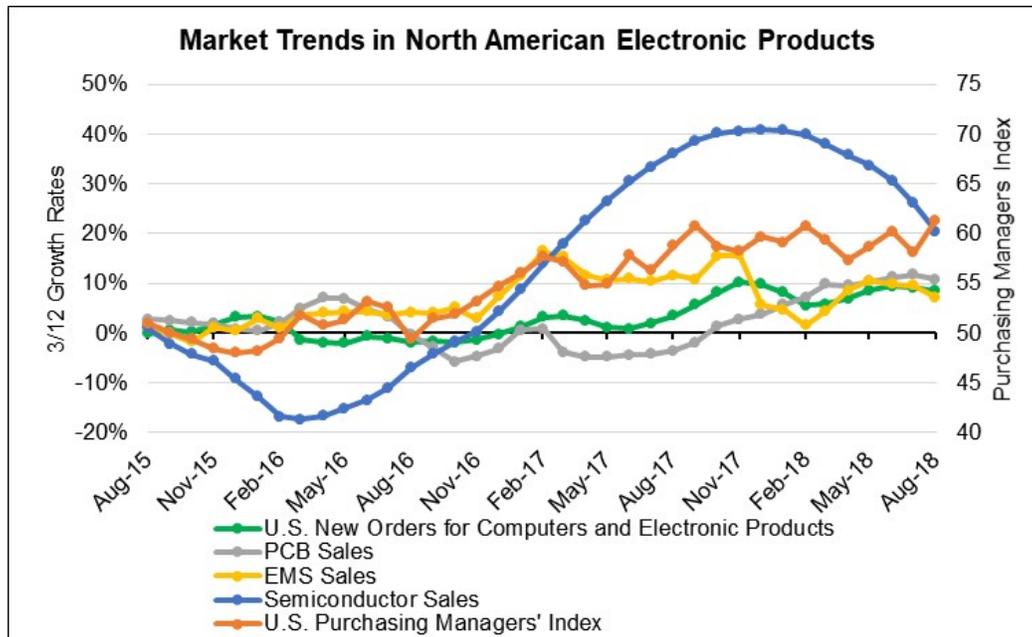
North American Electronics Business Growth and Leading Indicators Remain Strong

Growth in the North American electronics business remained solid in August 2018 but decreased slightly from the previous month. Sales growth for printed circuit boards (PCBs) and electronics manufacturing services (EMS) appear to have plateaued and may now be retreating from their peaks in the current growth cycle. Semiconductor sales growth peaked at the end of 2017 and continues to fall but is still positive. These year-over-year growth rates reflect three-month rolling averages.

The leading indicators are also strong. The U.S. Purchasing Managers' Index (PMI), which tends to lead industry sales by two to six months, increased sharply in August and remains high. 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, held steady 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 19 consecutive months, driven mainly by growth in orders. The book-to-bill ratio held steady at 1.05 in August. 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 at least through the end of 2018.



Notes:

1. This information is provided by IPC International, Inc.
2. Other industry data can be found at www.ipc.org.
3. Three-month rolling averages smooth out some of the volatility in monthly data to show clearer trends.
4. The U.S. Department of Commerce revised its historical data on U.S. new orders and issued new data on May 17, 2018. The graph above reflects the revised data.

Sources: IPC statistical programs for the EMS and PCB industries; SIA for semiconductor data; U.S. Census Bureau for U.S. new orders for computer and electronic products; and Institute for Supply Management for the U.S. Purchasing Managers' Index.