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North American Electronics Industry’s Slowing Growth Likely to Continue, Leading Indicators Suggest

North American electronics industry growth has been slowing since the beginning of this year but most supplier segments’ sales growth through June 2019 remained positive. Growth in June slowed markedly for printed circuit board (PCB) fabricators. Although growth strengthened a bit in June for electronics manufacturing services (EMS) companies, their growth has been slowing gradually and remains modest. Semiconductor sales continued its downward trend deep in negative territory but the downward slope has eased in recent months, indicating a possible turnaround later this year. These year-over-year growth rates reflect three-month rolling averages.

The leading indicators remained positive in June 2019 but they too are softening. The U.S. Purchasing Managers’ Index (PMI), which tends to lead industry sales by two to six months, continued to trend downward but remains positive (above 50). The 3/12 rate of change for U.S. new orders for electronic products, which leads industry sales by one to three months, also weakened slightly but remains in positive territory.

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 book-to-bill ratio was at parity (1.00) in June. The North American PCB industry’s growth rates for both sales and orders have been slowing this year. Because orders have slowed more than sales, the book-to-bill ratio has decreased. A ratio at parity suggests that flat growth may be on the horizon. Ratios above parity indicate greater demand than supply, which may be a precursor of sales growth for electronics manufacturers, while ratios below parity indicate the reverse. Following some volatility last winter, the PCB book-to-bill ratio has been trending downward since March.

These indicators suggest the likelihood of slowing sales growth for the EMS and PCB segments of the industry in the coming months.