July 2019

North American PCB and EMS Sales Growth Slowing but Still Positive

North American electronics industry suppliers’ sales growth through May 2019 has been mostly positive. Growth continues to slow for printed circuit board (PCB) fabricators and electronics manufacturing services (EMS) companies, but their growth remains in positive territory. Semiconductor sales continued its downward trend deep in negative territory, although the downward slope has eased, indicating that it might soon turn the corner. These year-over-year growth rates reflect three-month rolling averages.

The leading indicators remained positive in May 2019. The U.S. Purchasing Managers’ Index (PMI), which tends to lead industry sales by two to six months, experienced normal volatility. It has been trending downward since late 2018, but it remains positive (above 50), where it has been for over 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 in May 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 fell to 0.99 in May, which marks the first time it has fallen below parity (1.00) since January 2017. 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. One month’s change up or down does not indicate a trend. High or low ratios or trends over several months may be considered leading indicators.

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