November 2019

North American Electronics Industry Growth is Slow but Holding Steady

North American electronics industry growth has slowed this year but growth rates appear to have plateaued as of September. Results for September 2019 are mixed. Printed circuit board (PCB) sales growth continued to be flat (-0.1 percent). Electronics manufacturing services (EMS) growth remains slow but strengthened slightly to 3.8 percent in September. The steep decline in semiconductor sales continues, but the negative growth rate may have bottomed out at -29 percent. These year-over-year growth rates reflect three-month rolling averages.

The leading indicators are also mixed as of September 2019. The U.S. Manufacturing Purchasing Managers’ Index (PMI), which tends to lead industry sales by two to six months, has been declining all year but has not reached its neutral point of 50 and it strengthened slightly in September to 51.1. The 3/12 rate of change for U.S. new orders for electronic products, which leads industry sales by one to three months, declined in September and is nearly flat but remains positive at 0.5 percent growth.

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 has strengthened in recent months, reaching 1.04 in September based on a rebound in orders. 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.

These indicators suggest that sales growth is likely to remain slow for the EMS and PCB segments of the industry in the coming months.

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 for computers and electronic products, as of May 16, 2019. This graph reflects the revised data.
5. As of November 2019, PMI data is from the U.S. Manufacturing Purchasing Managers Index, a more relevant leading indicator for the electronics industry than the general Purchasing Managers Index, which was used previously.

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 IHS Markit for the U.S. Manufacturing Purchasing Managers’ Index.

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