REAL-TIME UPDATE ON ELECTRONICS MANUFACTURING AND COVID-19
MARCH 30, 2020
Over the past week, IPC has continued to monitor the health of the electronics manufacturing industry amid the COVID-19 pandemic, including a series of calls with member company executives. The following observations are current as of March 30, 2020.

**State of business:** The majority of electronics manufacturers and suppliers continue to report they remain open for business.

**Summary of third round of legislation in response to COVID-19:** On March 27, the U.S. House of Representatives passed, and the President signed, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2 trillion package aimed at stabilizing the health care and economic crisis in the United States caused by the COVID-19 pandemic. IPC is preparing a report about the provisions in this legislation that will be of interest to IPC member companies. In the meantime, IPC invites you to review the [Holland & Knight](#) summary of the CARES Act, particularly the following sections:

- Small Business (Title I) – pages 1-3
- Business Tax (Title II, Subtitle C) – page 5
- Labor (Title III, Subtitle C) – page 9
- Economic Stabilization and Industry Support Generally (Title IV) – pages 12-17

**Increase in new orders:** Many companies report they are seeing an increase in new orders for medical equipment components. Other sectors of the industry, notably the automotive supply chain, are reporting fewer orders. Some of these companies have begun marking down their 2020 forecasts. Because of the large uptick in orders for components for medical equipment like ventilators, some new orders are showing up in non-traditional channels. As of now, companies have not reported any orders from the U.S. Government related to the Defense Production Act.

**Increased transportation costs:** Several companies continue to report higher transportation costs, in some instances reaching an order of magnitude higher than normal rates. This is especially the case with air freight. Passenger flights account for roughly half of air cargo capacity. With the precipitous decline in passenger flights, air cargo capacity declined significantly, and freight costs increased significantly. Recently, several airlines including American, Delta, Qantas, Lufthansa, and Korean have reported they are beginning to run cargo-only flights. The government of China announced they will increase cargo flight capacity by relaxing certain restrictions. Shipping company CMA CGM recently reported that some ships diverted to other ports are in the process of being directed back to their final destination in China.

**“Quick rates” being waived for medical equipment orders:** Standard quick rates are normal premiums charged for short turnaround requests. Some manufacturers report waiving any normal premiums on orders related to medical equipment.
Prioritizing medical equipment: Several manufacturers report they are prioritizing incoming medical-related orders.

Building inventory: Some companies are reporting they are building additional inventory and output in case of unforeseen disruptions. For example, some companies report using public warehouses. Because there is a concern that certain public warehouses might be closed by state or federal order, companies are diversifying their warehousing and building additional inventory and output.

Operational adjustments: Many electronics manufacturers and suppliers report they have adjusted their operations to mitigate the spread of COVID-19 and abide by state and federal guidelines. Here are some ways companies are adjusting operations:

Separating manufacturing shifts: Electronics manufacturers often run three shifts a day. In the past, these shifts might have overlapped by 30 to 90 minutes, but many companies have adjusted shifts to maintain a 30-minute separate between them. This avoids overlap between arriving and departing employees and provides additional time for cleaning.

Limiting access to manufacturing facilities: Manufacturers and suppliers report they have taken steps to limit access to facilities, such as limiting employees to a single entrance and conducting health screenings there (see below). Some are locking down facilities to suppliers and customers in order to limit the number of individuals on premise. They are using common carriers, such as UPS, as the only mechanism to get things in or out of manufacturing facilities.

Increased sanitization: Many companies report they have increased sanitization efforts including adding full-time sanitizers who clean common surfaces like doors, tables, and desks.

Masking in many facilities: Some manufacturers have begun requiring employees to wear N95 or other protective masks while on site.

Systematic employee temperature checks: Some companies have begun checking the temperatures of every employee as they arrive on site. Once their temperatures have been verified, employees are given a daily wristband and allowed to enter the facility.

“Essential” status information for employees: Some companies report providing their employees with letters that state the work they do is “essential” under government guidelines, in case these employees are ever stopped by law enforcement.

Increased communication: Many companies report they have increased the frequency of communications between management and employees and among partners up and down the supply chain. Many companies report using the daily safety briefing to update employees on current expectations, respond to questions, and address issues.
Flash poll on industry sentiment: As part of weekly calls with member organizations, IPC is gauging the sentiment and expectations of electronics manufacturers and suppliers. These flash polls provide insights into how some executives are feeling about the current environment. Executives of electronics manufacturers and suppliers who replied to a March 25 flash poll remained concerned about the impacts that COVID-19 is having on their businesses. Overall, 67 percent of respondents reported they are “extremely” concerned about the impacts on their business.

Figure 1: Electronics Manufacturers and Suppliers Remain Extremely Concerned about the Impact Coronavirus will have on their Operations

Q: How concerned are you about the Coronavirus impacting your business?

While electronics manufacturers and suppliers remain extremely concerned, expectations might be stabilizing somewhat. Half of respondents report they feel about the same as they did last week. Just over a third report they feel worse than they did last week.
Figure 2: Executives’ Feelings About the Impact of Coronavirus Stabilization

I’m feeling about the same about the impact of the Coronavirus on my business
I’m feeling better about the impact of the Coronavirus on my business
I’m feeling worse about the impact of the Coronavirus on my business

Q: Compared to last week, how are you feeling about the impact of the Coronavirus on your business?

Electronics manufacturers and suppliers report they expect business to return to “normal” in the coming months. Just over 40 percent of respondents expect business to return to normal by June 2020; 75 percent expect normalcy by August 2020; and 90 percent see it returning by October 2020.

Figure 3: Respondents Expect Normalcy by Late Summer

Q: Given the current state of the Coronavirus outbreak, when do you expect things for your business to be “back to normal”?
**IPC updates:** IPC staff remains on the job working to support the needs of the industry. Visit IPC’s COVID-19 resource page at [www.ipc.org/coronavirus](http://www.ipc.org/coronavirus). There, you will find more information about:

- IPC’s Policy Roadmap for Economic Recovery
- Federal assistance for electronics manufacturers
- Changes to IPC workforce training & certifications
- Changes to IPC’s calendar of events and meetings
- Ongoing standards development activities

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