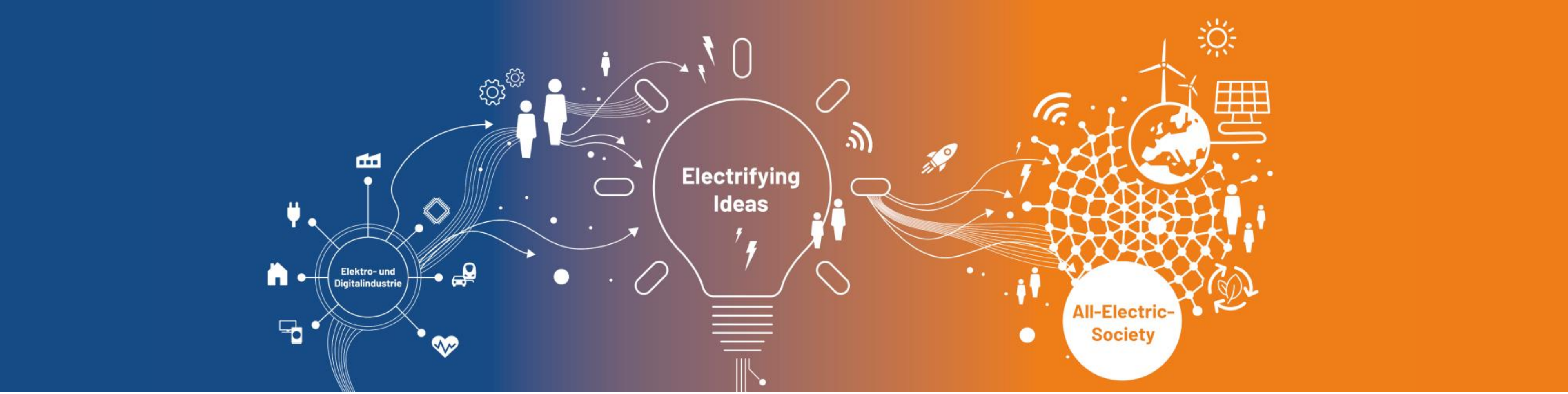
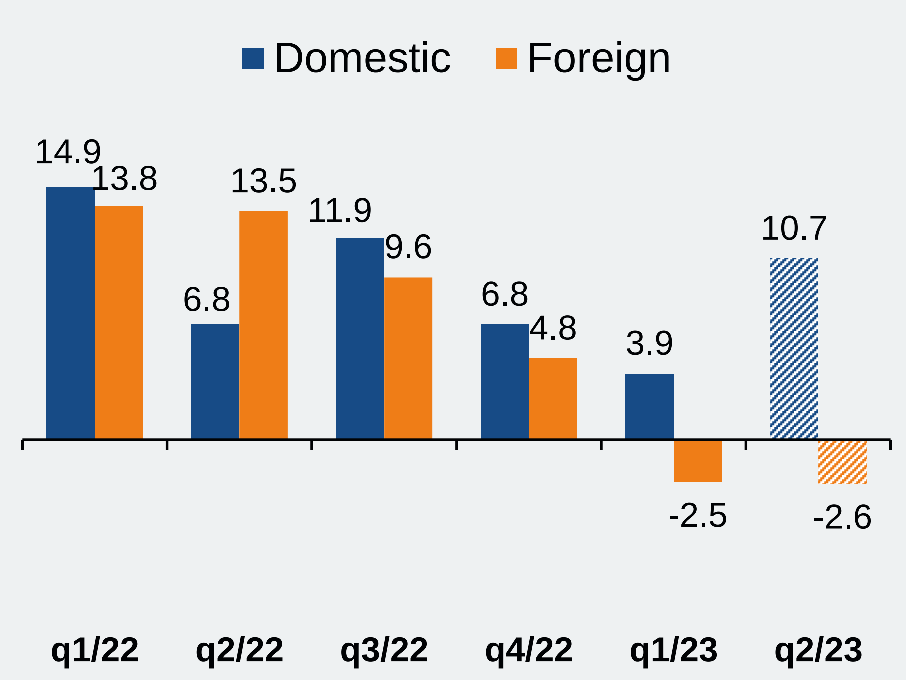


ZVEI Business Cycle Report

– Edition August 2023

German electro and digital industry
– New orders

% change on year earlier



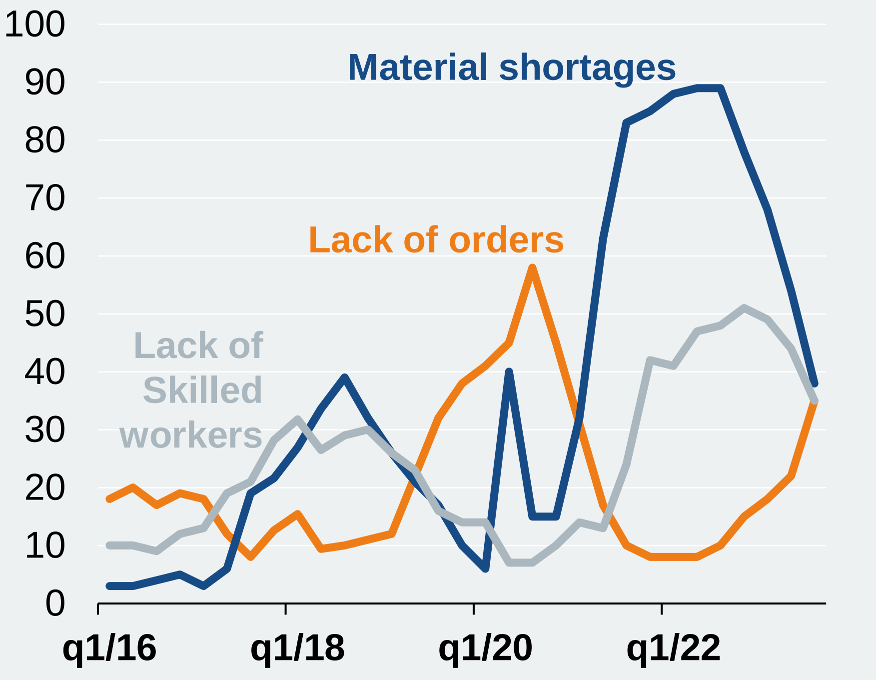
Source: Destatis and ZVEI’s own calculations

With an increase of 19.7%, **new orders** – in nominal terms – in the German electro and digital industry significantly exceeded their pre-year value in June 2023. After declines since March of this year, new orders surged for the first time again in June. This was primarily due to bulk orders from Germany but also from abroad. With domestic orders growing by 27.5% in June, foreign bookings rose by half as much, namely by 14.1% (euro zone: -15.0%, third countries: +33.7%).

In the full **first half-year of 2023** new orders advanced by 1.7% (year over year). Here, domestic clients still raised their bookings by 7.2%, but new orders from foreign customers receded by 2.6%. In this context, new orders from the euro zone declined (-8.3%), whereas orders from third countries increased slightly (+0.7%).

German electro and digital industry
– Production, capacity utilization, reach of orders, obstacles

… % of firms reporting obstacles to manufacturing due to …



Source: ifo Institute

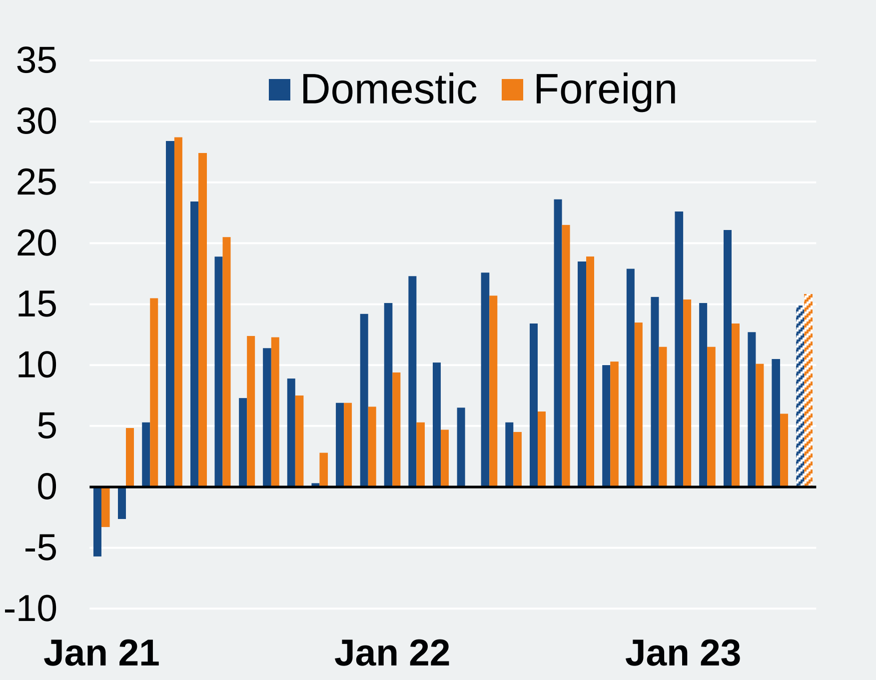
Production (adjusted for price) of electrical and electronic goods rose by 5.6% (year-on-year) in June 2023, which was also due to a workday effect. This year's June had one working day more than last year's. In the first six months of this year the sector's real output was 4.3% up on a year earlier. However, the figures reported for the previous months in 2023 were revised downwards.

With 84.6% at the beginning of the third quarter of 2023, **capacity utilization** within the sector was down by more than a percentage point compared to the situation three months before. The **reach of unfilled orders** likewise fell, namely from 5.2 to 4.7 (production) months.

Indeed, supply chain constraints have further eased. The share of firms still having to cope with **material shortages** fell from 54% to 38%. In contrast, 35% of the sector's companies meanwhile complain about **insufficient demand** – up from 22% just one quarter of a year ago.

German electro and digital industry
– Turnover

% change on year earlier



Source: Destatis and ZVEI's own calculations

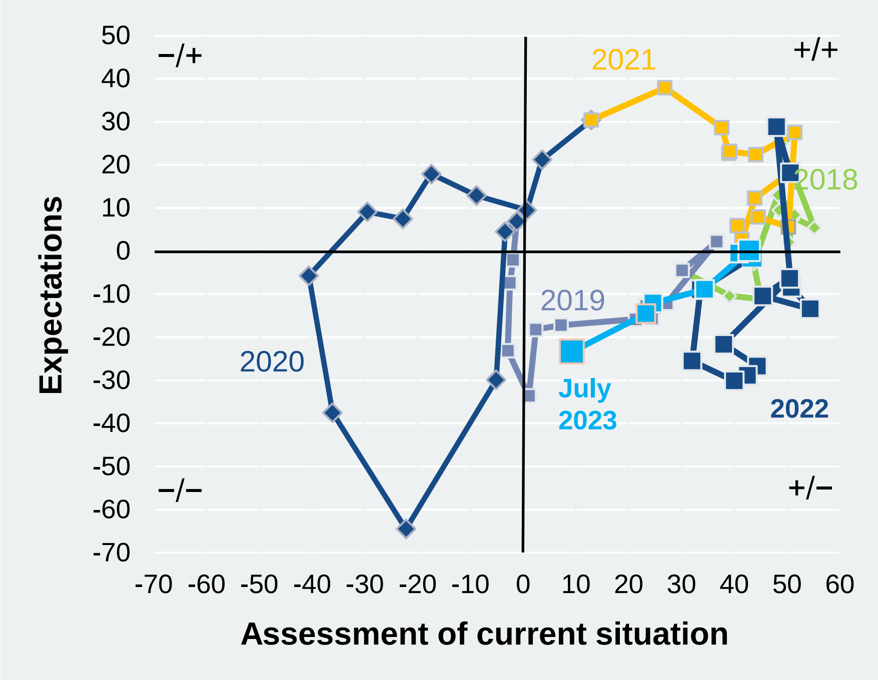
Nominal sales of the domestic electro and digital industry came to €21.5bn in June 2023, leaving them 15.4% higher than the year before. With it, domestic turnover (+14.9% to €10.2bn) increased less strongly than foreign turnover (+15.8% to €11.3bn). Businesses with the euro zone advanced by 12.4% to €4.0bn in June. Sales to third countries rose by 17.8% to €7.3bn.

In the first half-year of 2023 the sector's aggregated turnover amounted to €120.4bn and, therewith, surpassed its pre-year level by 13.8%. In the same period, **producer prices** were 7.5% up compared to a year earlier.

Domestic sales grew by 16.1% to €58.1bn from January through June, while revenues from businesses with third countries picked up by 12.0% to €62.3bn (euro zone: +10.6% to €22.4bn, third countries: +12.8% to €39.9bn).

German electro and digital industry
– Business climate

ifo business cycle clock, balances (%-age points)



Source: ifo Institute

In July 2023 the **business climate** in the German electro and digital industry fell for the fourth consecutive month and turned negative for the first time since autumn 2020. Both the firms' assessment of their **current situation** and their overall business **expectations** were revised lower markedly. On balance, the former kept a positive sign, whereas the latter further slipped into red ink.

31% of the sector's companies evaluated their present situation as good in July. 47% and 22% found it stable or rather bad, respectively.

Looking six months ahead, merely 7% of the electro firms still expect rising activities. While 62% are awaiting steady affairs, 31% reckon with declines.

Besides the drop in the business climate, **employment, production and export plans** were down in July, too, and – on balance – all had a negative sign.

German electro and digital industry
– Business cycle figures

year over year, %	2022	2023 June	2023 Jan - June
New orders	+10.2%	+19.7%	+1.7%
domestic	+10.0%	+27.5%	+7.2%
foreign	+10.4%	+14.1%	-2.6%
euro zone	+15.3%	-15.0%	-8.3%
non-euro zone	+7.8%	+33.7%	+0.7%
Production, real	+3.7%	+5.6%	+4.3%
Turnover, bn €	224.5 +12.0%	21.5 +15.4%	120.4 +13.8%
domestic, bn €	107.3 +14.2%	10.2 +14.9%	58.1 +16.1%
foreign, bn €	117.2 +10.1%	11.3 +15.8%	62.3 +12.0%
euro zone, bn €	41.6 +8.1%	4.0 +12.4%	22.4 +10.6%
non-euro zone, bn €	75.6 +11.2%	7.3 +17.8%	39.9 +12.8%

year over year, %	2022	2023 May	2023 Jan - May
Employees, thousand	898.0 1) +2.7%	905.6 1) +3.1%	904.6 2) +3.3%
Exports, bn €	245.8 +8.6%	20.3 +6.1%	105.2 +9.7%
Imports, bn €	262.1 +18.4%	21.6 +10.5%	112.7 +12.8%
	2022	**2023 June**	**2023 Jan - June**
Producer prices Material prices Export prices Import prices	+7.5% +13.0% +7.3% +8.9%	+6.3% +2.9% +4.5% +1.1%	+7.5% +5.8% +5.5% +2.6%
Balance of positive and negative answers	**2022**	**2023 July**	**2023 June**
Business climate - Economic situation - Expected business for next 6 months Export expectations for next 3 months Production plans for next 3 months	+15 +44 -11 +10 +22	-8 +9 -24 -5 -16	+4 +23 -15 ±0 -7
	2022	**2023 July**	**2023 April**
Capacity utilization Reach of unfilled orders, in months	88.2% 5.3	84.6% 4.7	85.7% 5.2

Sources: ifo Institute, Destatis and ZVEI's own calculations; 1) end of period; 2) average

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