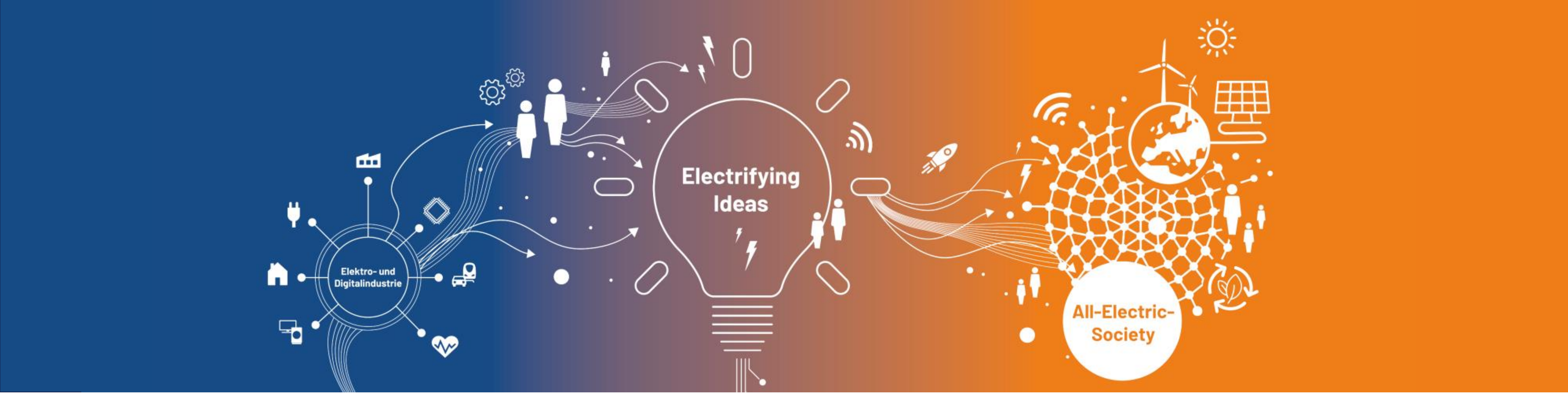

ZVEI Business Cycle Report

– Edition September 2023

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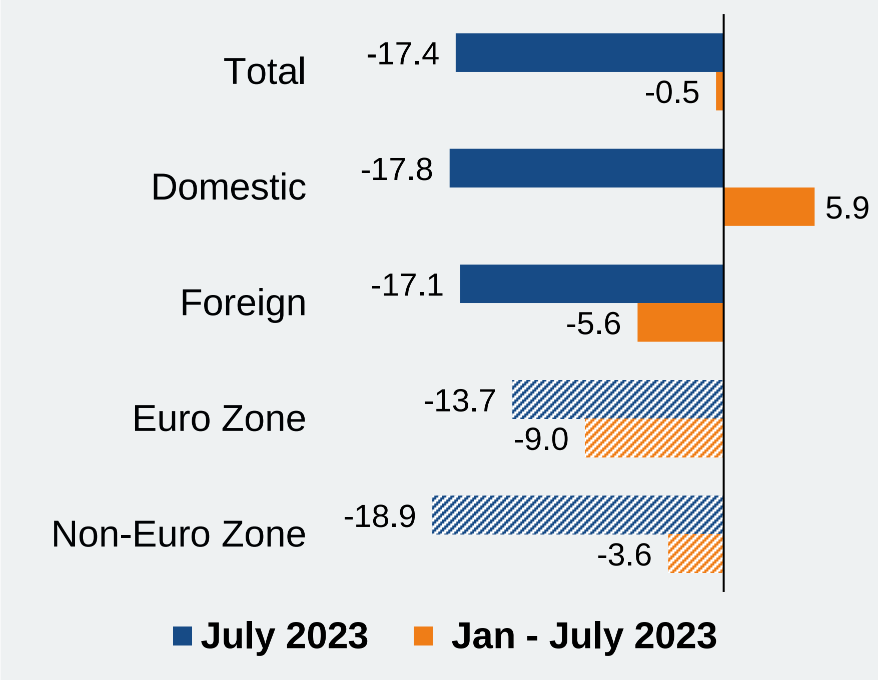
German electro and digital industry
– New orders

% change on year earlier



Source: Destatis and ZVEI's own calculations; allocation of foreign orders shaded

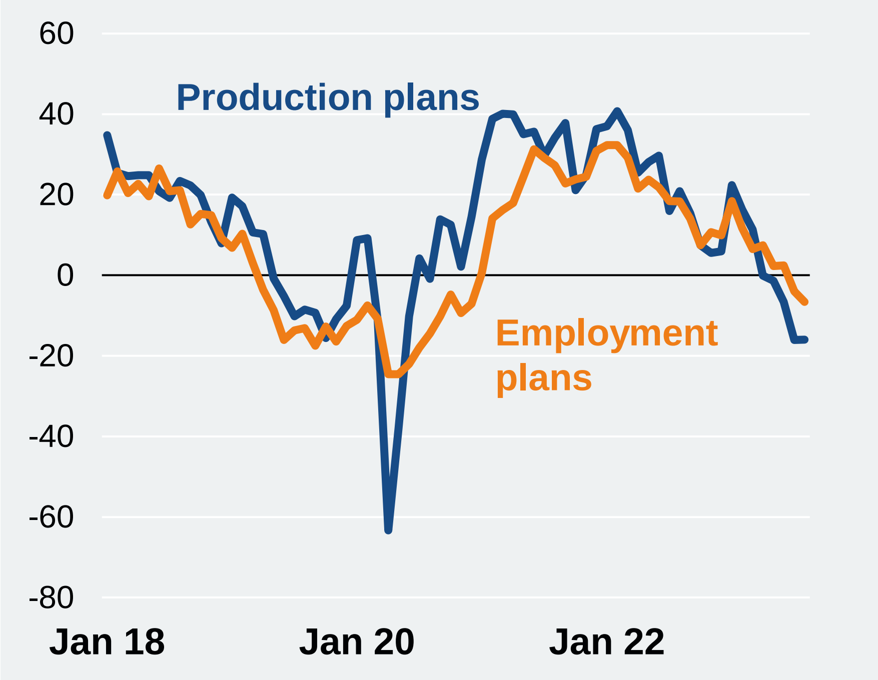
The second half-year of 2023 started with a **two-digit drop in new orders** for the German electro and digital industry. Nominal bookings failed their pre-year level by 17.4% in July.

Roughly speaking, domestic orders (-17.8%) and foreign bookings (-17.1%) sagged by the same order. Euro area customers reduced their new orders by 13.7% in July. Bookings from third countries were down 18.9% compared to a year earlier.

Meanwhile, for the **full period from January through July** of this year new orders' record has been slightly negative, too. Overall, they missed their pre-year value by 0.5%. While domestic bookings still managed to climb by 5.9%, new orders from business partners abroad decreased by 5.6% (euro zone: -9.0%, third countries: -3.6%).

German electro and digital industry
– Production and employment

balance (%-age points)



Source: ifo Institute

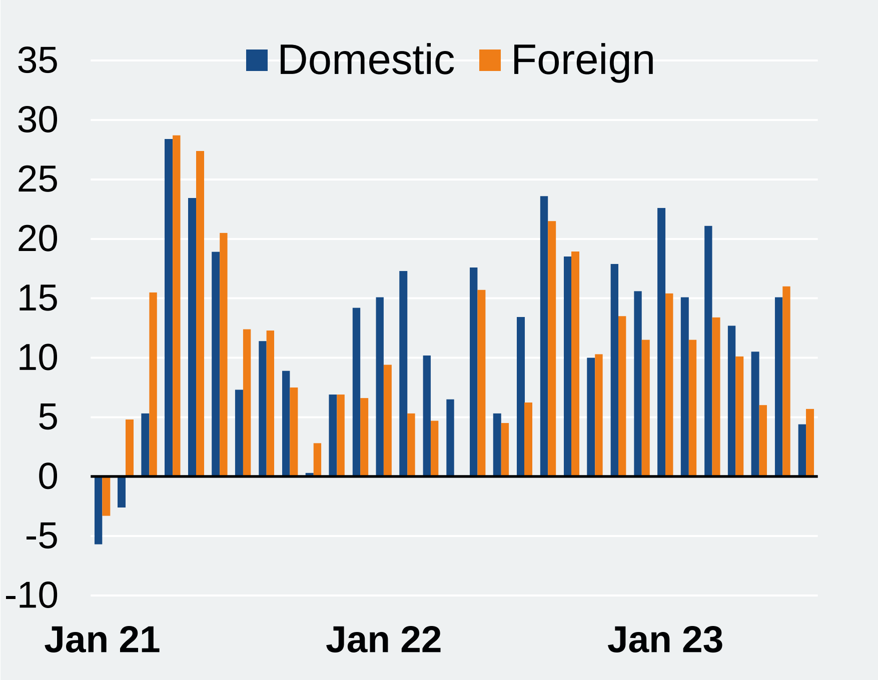
Production activity within our sector still benefits from a high buffer of unfilled orders. However, that buffer is – little by little – on the decline. In July the companies' aggregated **output – adjusted for price –** was almost the same as in the year before (-0.3% yoy). In the first seven months of 2023 real production surpassed its respective pre-year level by 3.7%.

The domestic electro companies' **production plans** haven't changed in August. The balance of firms intending to raise or rather curb their output in the next three months to come remained at -16 %-age points. In contrast, **recruitment plans** were revised down. Here, the reading sagged by three points (from -4 to -7).

At the end of the first half-year 2023 the **number of employees** within the German electro and digital industry stood at 903,700 and, therefore, 2.6% higher than a year earlier.

German electro and digital industry
– Turnover

% change on year earlier



Source: Destatis and ZVEI's own calculations

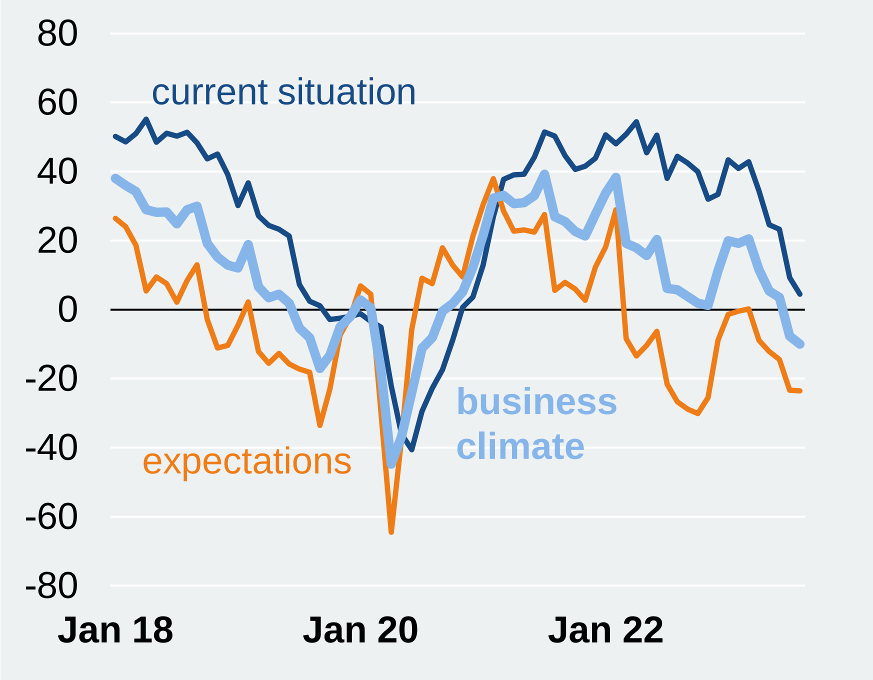
Sales of the domestic electro and digital industry grew by 5.1% (again year-on-year rate) to €18.8bn in **July 2023**. However, the latest increase was smaller than each one in the months of the first half-year.

Domestic turnover picked up by 4.4% to €9.0bn in July. Sales to foreigners advanced by 5.7% to €9.8bn. Here, revenues with business partners from the euro area rose by 8.2% to €3.5bn, while sales to third countries were 4.4% up on the year before, reaching a value of €6.3bn.

In the first seven months of this year the sector's aggregated revenues came to €139.4bn, leaving them 12.6% higher than in the same period last year. Businesses with domestic clients increased by 14.5% to €67.2bn. At the same time, sales to foreign customers were 11.1% on the rise, reaching €72.2bn (euro zone: +10.3% to €26.0bn, third countries: +11.6% to €46.2bn).

German electro and digital industry
– Business climate

balance (%-age points)



Source: ifo Institute

The business climate in the German electro and digital industry has receded in August, too. Although only moderate, the recent decline has been the fifth in a row. Especially the firms' evaluation of their **current economic situation** once again changed for the worse. At least, their **overall business expectations** hardly changed at all compared to July.

30% of the sector's companies assessed their present situation as good in August. 45% and 25% described it as stable or rather bad, respectively.

Looking forward to the next six months to come, merely 13% of the firms still await rising affairs. 51% are expecting steady activities, whereas 36% reckon with declining businesses.

Export expectations have also further decreased slightly in August. Here, the balance of firms waiting for expanding or contracting deliveries abroad in the next three months fell from -5 to -6 %-age points.

German electro and digital industry
– Business cycle figures

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year over year, %	2022	2023 July	2023 Jan - July
New orders	+10.2%	-17.4%	-0.5%
domestic	+10.0%	-17.8%	+5.9%
foreign	+10.4%	-17.1%	-5.6%
euro zone	+15.3%	-13.7%	-9.0%
non-euro zone	+7.8%	-18.9%	-3.6%
Production, real	+3.7%	-0.3%	+3.7%
Turnover, bn €	224.5 +12.0%	18.8 +5.1%	139.4 +12.6%
domestic, bn €	107.3 +14.2%	9.0 +4.4%	67.2 +14.5%
foreign, bn €	117.2 +10.1%	9.8 +5.7%	72.2 +11.1%
euro zone, bn €	41.6 +8.1%	3.5 +8.2%	26.0 +10.3%
non-euro zone, bn €	75.6 +11.2%	6.3 +4.4%	46.2 +11.6%

year over year, %	2022	2023 June	2023 Jan - June
Employees, thousand	898.0 1) +2.7%	903.7 1) +2.6%	904.4 2) +3.2%
Exports, bn €	245.8 +8.6%	21.3 +5.7%	127.3 +9.0%
Imports, bn €	262.1 +18.4%	22.4 +7.1%	136.2 +11.8%
	2022	**2023 July**	**2023 Jan - July**
Producer prices Material prices Export prices Import prices	+7.5% +13.0% +7.3% +8.9%	+5.4% +1.6% +3.7% -0.3%	+7.2% +5.2% +5.2% +2.2%
Balance of positive and negative answers	**2022**	**2023 August**	**2023 July**
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	-10 +5 -23 -6 -16	-8 +9 -24 -5 -16
	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

Contact

Dr Andreas Gontermann

Chief Economist, Head of
Economic Policies and Statistics

Phone: +49 69 6302-273
Mail: andreas.gontermann@zvei.org

Peter Giehl

Manager
Economic Policies and Statistics

Phone: +49 69 6302-406
Mail: peter.giehl@zvei.org

ZVEI e. V.
Electro and Digital Industry Association
Lyoner Straße 9, 60528 Frankfurt am Main