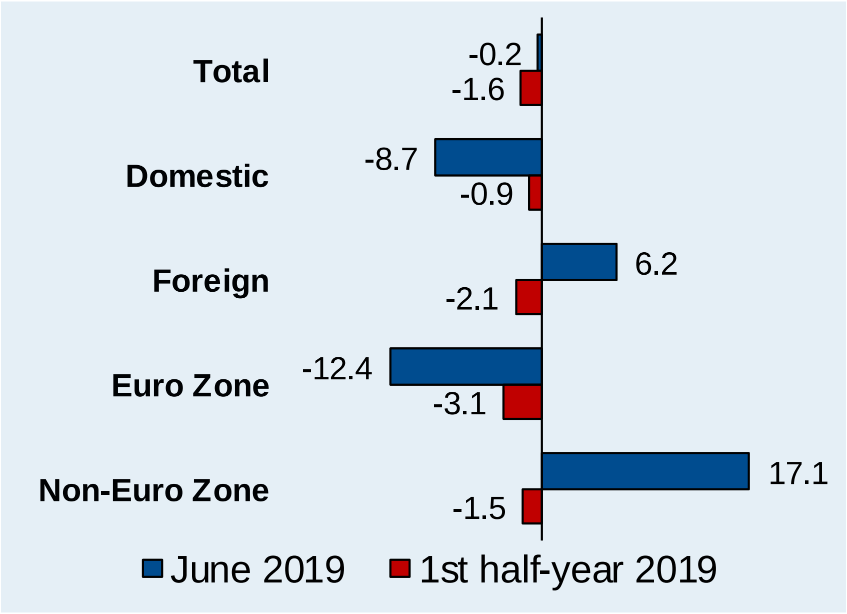
ZVEI Business Cycle Report

Edition August 2019

ZVEI - German Electrical and Electronic Manufacturers’ Association

New orders

% change on year earlier

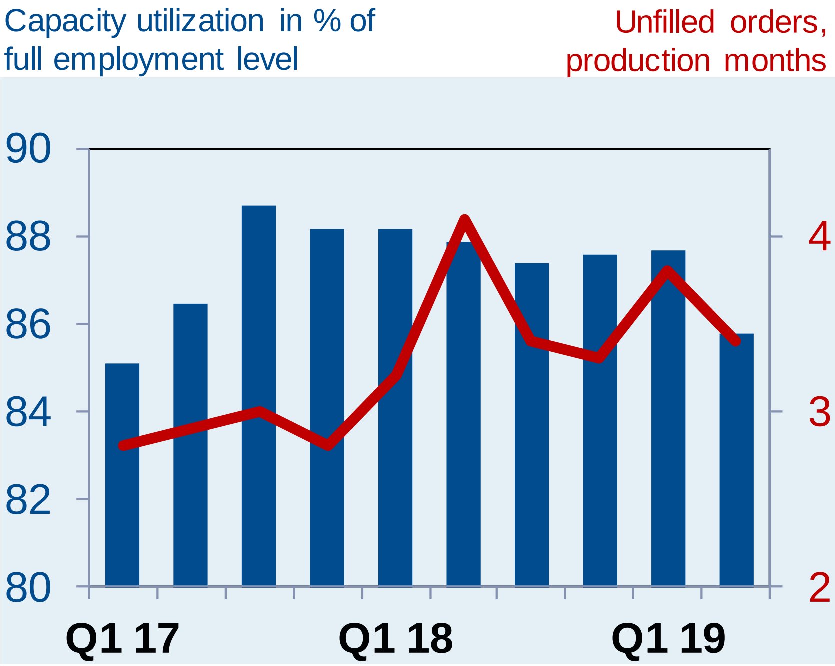


Source: Destatis and ZVEI's own calculations

Bookings for the German electric industry hardly changed at all in June 2019 (-0.2% year-on-year). However, only bulk orders from foreign customers outside the euro area averted a steeper decline. While domestic orders decreased by 8.7% in June, new orders from abroad increased by 6.2%. Clients from the euro zone cut their orders by 12.4%, but customers from third countries raised them by 17.1%.

In the full first half-year of 2019 new orders failed their pre-year level by 1.6%. Here bookings from domestic and foreign clients receded by 0.9% and 2.1%, respectively. New orders from the euro area declined by 3.1% (again year over year) between January and June. Bookings from third countries were 1.5% on the decline.

Production and capacity utilization



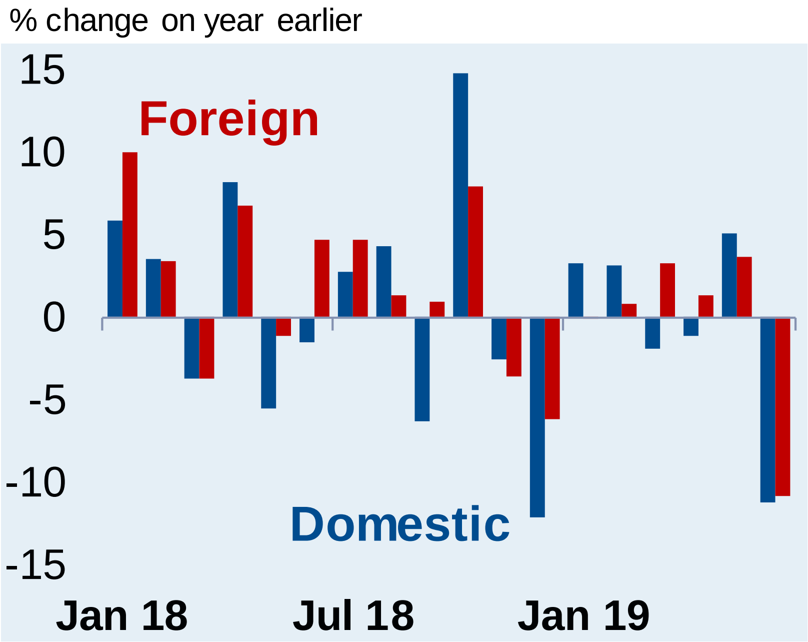
Source: ifo Institute

Production (adjusted for price) of the domestic electric industry's companies fell starkly in June – by 13.5% (year over year). At least, this year's June had full three working days less than last year's. From January through June 2019 the aggregate output failed its pre-year level by 3.9%.

The capacity utilization within the sector fell by 1.5%-age points to 84.2% of the normal full use level at the beginning of the third quarter of 2019. At the same time, the reach of unfilled orders declined from 3.4 to 3.1 production months.

The firms' production plans were revised lower in July. 15% of the companies intend to increase their output in the next three months to come, but 25% want to decrease it. The rest plan with an unchanged production level.

Turnover



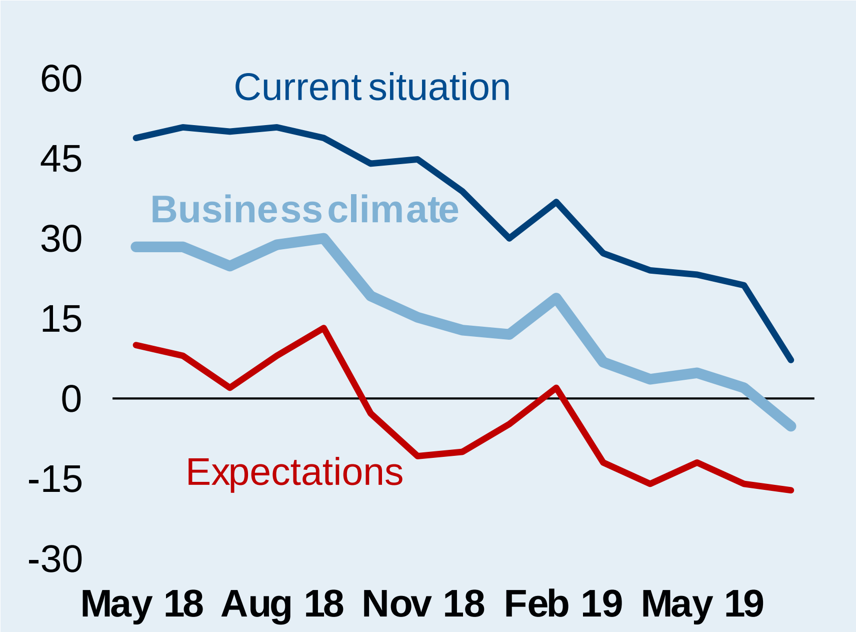
Source: Destatis and ZVEI's own calculations

With €15.3bn sales of the electric industry's companies were 11.1% down from a year ago in June 2019. Domestic and foreign turnover thereby sagged equally strongly – by 11.3% to €7.1bn or rather 10.9% to €8.2bn. Businesses with euro zone clients declined by 5.7% to €3.1bn, and sales to customers from third countries (of €5.1bn) were 13.9% lower than the year before.

From January through June of this year the sector's aggregate turnover came to €94.1bn. Therewith, it more or less kept its pre-year level (-0.7%). Here domestic turnover (-0.7% to €44.1bn) and foreign turnover (-0.5% to €50.0bn) developed rather similarly, too. Revenues from businesses with euro zone clients picked up by 1.6% to €18.7bn in the first half-year, whereas sales to partners from third countries receded by 1.8% (yoy) to €31.3bn.

Business climate

Balance of positive and negative answers, %-age points



Source: ifo Institute

In July of this year the business climate within the German electric industry fell below the zero line for the first time since October 2014. The firms' assessment of their current situation deteriorated markedly compared to June. But the overall business expectations declined somewhat, too.

27% percent of the sector's companies evaluate their present economic situation as good, 54% as stable and 19% as bad. Regarding the prospects for the next six months to come, 11% of the firms reckon with rising, 60% with steady and 29% with declining activities.

Export expectations likewise fell into negative territory in July – for the first time since October 2012. Here the balance of positive and negative answers declined by almost 6 %-age points to -1 point now.

German electric industry: Business cycle figures

ZVEI: Die Elektroindustrie

year over year in %	2018	2019 June	2019 Jan until June
New orders	-0.9%	-0.2%	-1.6%
domestic	-3.4%	-8.7%	-0.9%
foreign	+1.2%	+6.2%	-2.1%
euro zone	+0.8%	-12.4%	-3.1%
non-euro zone	+1.4%	+17.1%	-1.5%
Production, real	+1.9%	-13.5%	-3.9%
Turnover, bn €	193.5 +1.0%	15.3 -11.1%	94.1 -0.7%
domestic, bn €	91.8 +0.2%	7.1 -11.3%	44.1 -0.7%
foreign, bn €	101.7 +1.7%	8.2 -10.9%	50.0 -0.5%
euro zone, bn €	37.2 +2.3%	3.1 -5.7%	18.7 +1.6%
non-euro zone, bn €	64.5 +1.4%	5.1 -13.9%	31.3 -1.8%

year over year in %	2018	2019 May	2019 Jan until May
Employees, thousand	890.3 [1)] +2.6%	887.0 [1)] +1.4%	887.4 [2)] +1.9%
Exports, bn €	211.9 +5.0%	17.1 +5.1%	89.2 +5.3%
Imports, bn €	191.1 +4.4%	15.0 +6.4%	80.2 +6.7%

	2018	2019 June	2019 Jan until June
Producer prices	+0.9%	+0.4%	+0.8%
Material prices	+1.5%	+0.1%	+0.8%
Export prices	0.0%	-0.5%	+0.1%
Import prices	-1.3%	-2.2%	-1.0%

Balance of positive and negative answers	2018	2019 July	2019 June
Business climate	27	-5	2
- Economic situation	49	+7	21
- Expected business for next 6 months	8	-17	-16
Export expectations for next 3 months	16	-1	5
Production plans for next 3 months	22	-10	-5

	2018	2019 July	2019 April
Capacity utilization	87.7%	84.2%	85.7%
Unfilled orders, in months	3.6	3.1	3.4

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

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