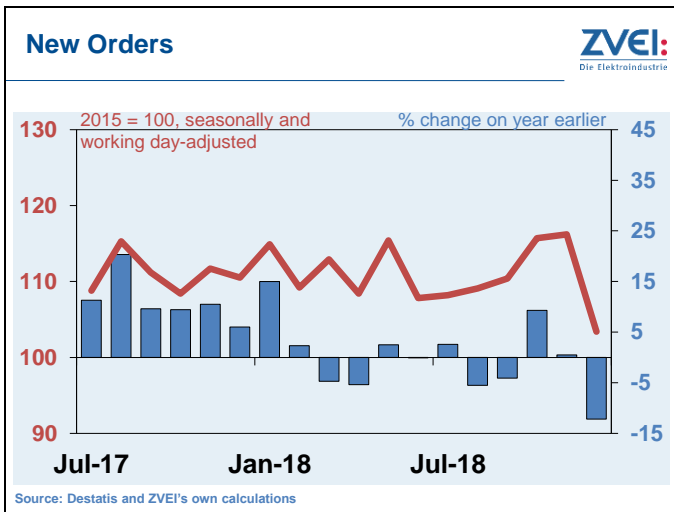


# ZVEI Business Cycle Report

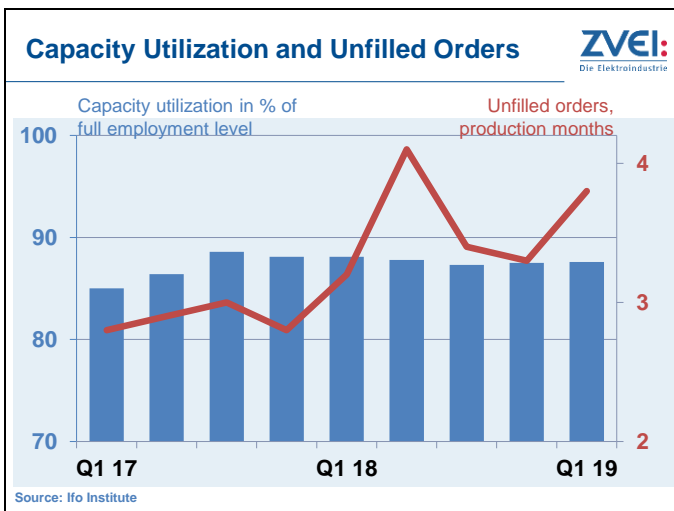
## New orders unchanged in 2018



New orders in the German electric industry failed their pre-year level by 12.2% in December 2018. In contrast to 2017, no bulk orders were received in this month. Domestic and foreign bookings fell by 6.8% and 15.8%, respectively. New orders from countries outside the euro zone were the most severely affected. They sagged by 23.4% (year-on-year). Against it, customers from the euro area raised their bookings by 1.0%.

Hence, in the full year 2018 the sector's new orders remained more or less unchanged (-0.3%). But once again, a year earlier the sector had registered substantially more bulk orders. While domestic orders decreased by 2.3% last year, foreign orders increased by 1.4%. New orders from the euro area (+1.5%) and from third countries (+1.4%) thereby picked up equally strongly.

## Decline in production at last. Capacity utilization still on a high level



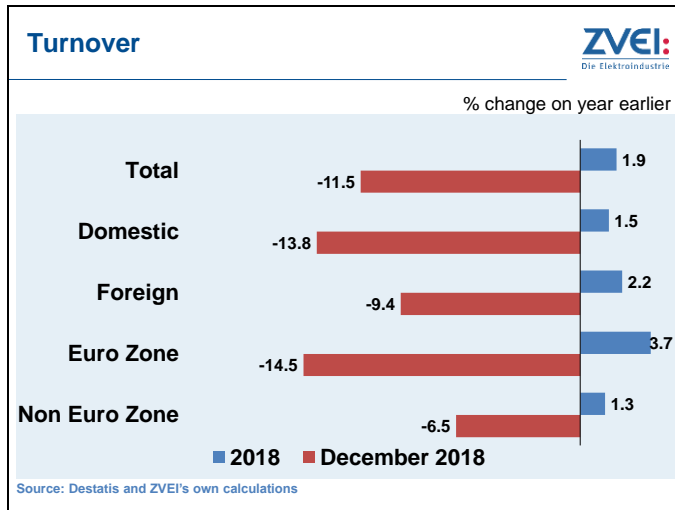
Production – adjusted for price – was 9.3% down over the past year in December. However, in the complete last year 2018 the sector's real output climbed by 1.9%.

More or less, the capacity utilization within the sector did not change at all at the beginning of the first quarter of 2019. It stands at the rather high level of 87.6% of the normal full use level. At the same time, the reach of unfilled orders rose markedly – namely from 3.3 to 3.8 (production) months.

The companies' production plans were, on balance, strongly revised higher in January 2019. But please remember that they had successively been reduced in the four preceding months. 29% of the firms intend to raise their output in the next three months to come, and 10% want to curb it. The rest of the companies plan to maintain their current production level.

# ZVEI Business Cycle Report

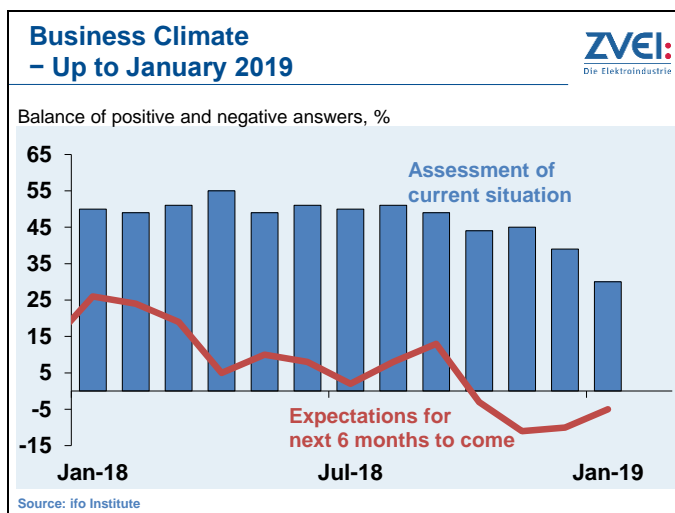
## Aggregate sales increase by two percent in 2018



The sector's sales declined by 11.5% (year over year) to €15.2bn in December 2018. Thereby, domestic turnover (-13.8% to €7.1bn) fell more strongly than foreign turnover (-9.4% to €8.1bn). Businesses with clients from the euro zone sagged markedly by 14.5% to €2.8bn; sales to third countries decreased too, but less strongly by 6.5% to €5.3bn.

In the full last year 2018 the German electric industry's aggregate turnover summed up to €195.0bn. It, therewith, exceeded its pre-year level by 1.9%. Domestic and foreign turnover rose by 1.5% (to €92.9bn) and 2.2% (to €102.1bn), respectively. Sales to euro area customers (+3.7% to €37.7bn) grew almost three times faster than those to business partners outside the common currency area (+1.3% to €64.4bn).

## Business climate stabilizes in January



The business climate within the German electric industry barely changed in January 2019. Even though the assessment of the current economic situation was markedly down compared to December, the overall business expectations recovered significantly. On balance, however, the latter are still located in negative territory.

Now 41% of the sector's firms evaluate their present situation as good, 48% as stable and 11% as bad. Regarding expectations for the next six months to come, 15% of the companies are awaiting rising activities. 66% and 19% reckon with steady or rather receding affairs, respectively.

After four declines in a row, export expectations have slightly brightened up again in January. Here, the balance of positive and negative answers picked up by almost 3 %-age points to plus 7 points now.

## ZVEI Business Cycle Report

### Electrical and Electronic Industry – Key Figures

#### Germany

	Unit	2017	2018 December	2018 Jan until Dec
<b>New orders</b>				
yoy	in %	11.0	-12.2	-0.3
domestic				
yoy	in %	11.1	-6.8	-2.3
foreign				
yoy	in %	10.9	-15.8	1.4
euro zone				
yoy	in %	10.7	1.0	1.5
non-euro zone				
yoy	in %	11.0	-23.4	1.4
<b>Production, real</b>				
yoy	in %	4.6	-9.3	1.9
<b>Turnover</b>				
yoy	bn € in %	191.5 7.3	15.2 -11.5	195.0 1.9
domestic				
yoy	bn € in %	91.5 5.4	7.1 -13.8	92.9 1.5
foreign				
yoy	bn € in %	100.0 9.1	8.1 -9.4	102.1 2.2
euro zone				
yoy	bn € in %	36.4 9.4	2.8 -14.5	37.7 3.7
non-euro zone				
yoy	bn € in %	63.6 8.9	5.3 -6.5	64.4 1.3
<b>Employees</b>	1,000		2018 November	2018 Jan until Nov
yoy	in %	867.6 <sup>1)</sup> 2.5	889.7 <sup>1)</sup> 2.5	879.4 <sup>2)</sup> 2.7
<b>Exports</b>	bn €	201.8	18.8	195.4
yoy	in %	10.8	1.5	5.4
<b>Imports</b>	bn €	183.1	17.5	175.8
yoy	in %	10.7	4.0	4.8
<b>Producer prices</b>			2018 December	2018 Jan until Dec
yoy	in %	1.1	0.9	0.9
<b>Export prices</b>				
yoy	in %	-0.1	0.0	0.0
<b>Import prices</b>				
yoy	in %	-1.5	-0.8	-1.3
<b>Material prices</b>				
yoy	in %	2.1	1.3	1.5
<b>Business climate</b>			2019 January	2018 December
- Economic situation	balance	34	12	13
- Expected business activity for next 6 months	balance	50	30	39
<b>Export expectations for next 3 months</b>	balance	20	-5	-10
<b>Production plans for next 3 months</b>	balance	20	7	5
	balance	22	19	8
<b>Capacity utilization</b>	% of full employment level	87.0	2019 January 87.6	2018 October 87.5
<b>Unfilled orders</b>	production months	2.9	3.8	3.3

Source: Destatis, ifo Institute and ZVEI's own calculations

Some data are preliminary

1) end of reporting period 2) average © ZVEI, 7 February 2019

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