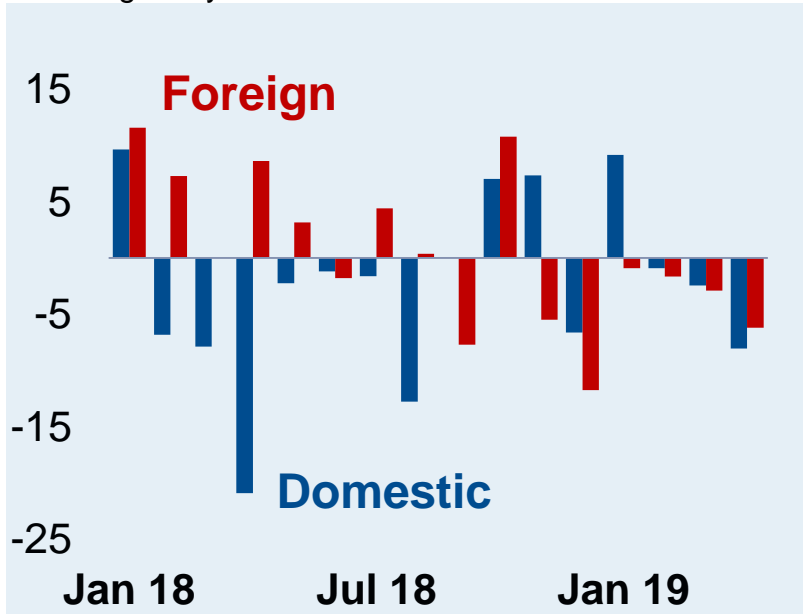


ZVEI Business Cycle Report

Edition June 2019

% change on year earlier



Source: Destatis and ZVEI's own calculations

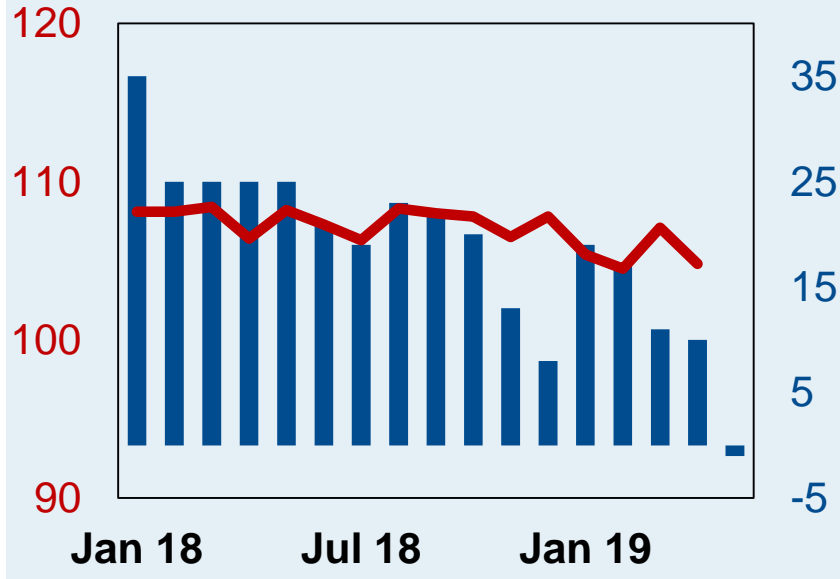
The German electric industry received 7.0% less new orders in April 2019 than a year earlier. Bookings from domestic and foreign clients fell by 8.0% and 6.2%, respectively. While new orders from the euro zone failed their pre-year level by 2.8% in April, incoming orders from third countries sagged more sharply, namely by 8.1%.

In the full period from January through April of this year bookings were down 1.8% from a year ago. Here domestic orders declined only slightly by 0.5%, whereas foreign customers cut their demand by 2.9%. New orders from the euro area decreased by 1.9% (again year over year) in the first four months of 2019. At the same time, bookings from third countries were 3.5% on the decline.

Production and turnover

Production, 2015 = 100, price, seasonally and working day-adjusted

Production plans, balance



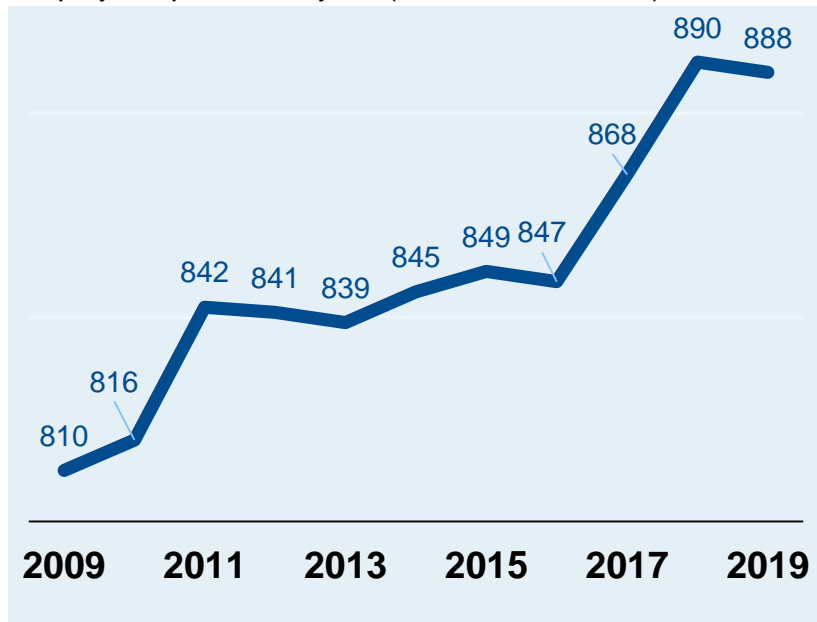
Source: Destatis, ifo Institute and ZVEI's own calculations

Production – adjusted for price – was 1.7% down on its pre-year level in April. From January through April the sector's aggregate output declined by 2.2% (year-on-year).

The firms' production plans were revised lower markedly in May. The balance of firms intending to raise or rather cut their output in the next three months to come fell from +10 to -1 %-age points.

The sector's turnover came to €15.1bn in April and, therewith, was only slightly higher than the year before (+0.1%). Domestic sales decreased by 0.9% to €7.1bn, whereas foreign sales increased by 1.0% to €8.0bn. From January through April 2019 the aggregate revenues picked up by 1.0% (yoy) to €62.6bn. Here domestic and foreign turnover reached €29.5bn (+0.8%) and €33.1bn (+1.3%), respectively.

Employees per end of year (2019 end of March), thousand



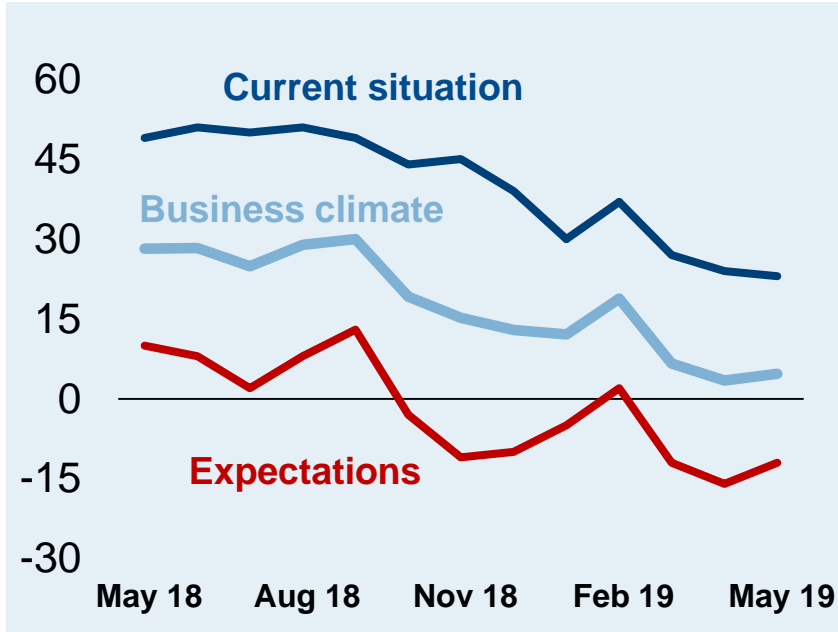
Source: Destatis and ZVEI's own calculations

At present the German electric industry has 888,400 (domestic) employees. Last year alone 22,000 new jobs were created. From the end of 2009 to the end of 2018 the number of employees within the sector increased by 80,000 or rather 10%.

88,000 employees – i.e., one tenth of the total workforce – operate in the field of research and development. Hence, one fifth of the entire R&D staff of the private sector in Germany works for the electric industry. With regard to the total number of R&D employees in the manufacturing sector the proportion is even one quarter.

Due to the slowing of the economy, the overall employment plans of the sector's companies have turned contractive recently. The share of firms intending to reduce employment exceeds the share of companies which want to build up their workforce by about 4 %-age points now.

Balance of positive and negative answers, %



Source: ifo Institute

On balance, the business climate within the German electric industry has recovered somewhat in May of this year. The companies' assessment of the current situation declined further compared to the previous month, but their overall business expectations were on the rise. However, the latter remain in negative territory for the third consecutive months now.

36% of the sector's companies evaluate their economic situation as good at present, 51% as stable and 13% as bad. At the same time, 14% of the firms reckon with rising affairs in the next six months to come. 60% and 26% are awaiting steady or declining businesses, respectively.

Export expectations hardly changed at all in May. Here the balance of positive and negative answers is narrowly above the zero line.

German electric industry: Business cycle figures

year over year in %	2018	2019 April	2019 Jan until Apr
New orders	-0.9%	-7.0%	-1.8%
domestic	-3.4%	-8.0%	-0.5%
foreign	+1.2%	-6.2%	-2.9%
euro zone	+0.8%	-2.8%	-1.9%
non-euro zone	+1.4%	-8.1%	-3.5%
Production, real	+1.9%	-1.7%	-2.2%
Turnover, bn €	193.5 +1.0%	15.1 +0.1%	62.6 +1.0%
domestic, bn €	91.8 +0.2%	7.1 -0.9%	29.5 +0.8%
foreign, bn €	101.7 +1.7%	8.0 +1.0%	33.1 +1.3%
euro zone, bn €	37.2 +2.3%	3.0 +3.9%	12.3 +1.6%
non-euro zone, bn €	64.5 +1.4%	5.0 -0.8%	20.8 +1.0%

year over year in %	2018	2019 March	2019 Jan until Mar
Employees, thousand	890.3 ¹⁾ +2.6%	888.4 ¹⁾ +1.9%	887.4 ²⁾ +2.2%
Exports, bn €	211.9 +5.0%	18.4 +6.7%	54.1 +5.8%
Imports, bn €	191.1 +4.4%	15.9 +8.4%	49.0 +7.1%
	2018	2019 April	2019 Jan until Apr
Producer prices	+0.9%	+0.9%	+0.9%
Material prices	+1.5%	+1.1%	+1.0%
Export prices	0.0%	+0.4%	+0.3%
Import prices	-1.3%	-0.3%	-0.6%
	2018	2019 May	2019 April
Balance of positive and negative answers			
Business climate	27	5	3
- Economic situation	49	23	24
- Expected business for next 6 months	8	-12	-16
Export expectations for next 3 months	16	1	1
Production plans for next 3 months	22	-1	10
	2018	2019 April	2019 January
Capacity utilization	87.7%	85.7%	87.6%
Unfilled orders, in months	3.6	3,4	3.8

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

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