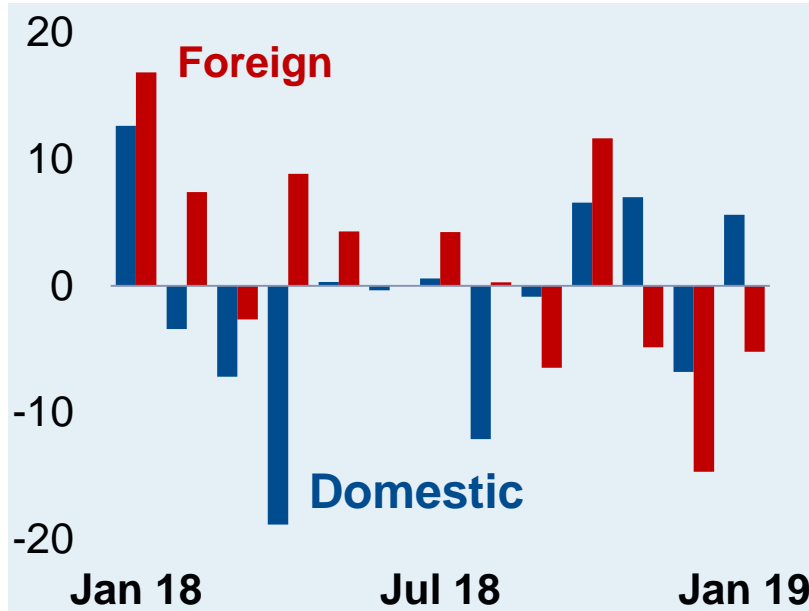


# ZVEI Business Cycle Report

Edition March 2019

% change on year earlier

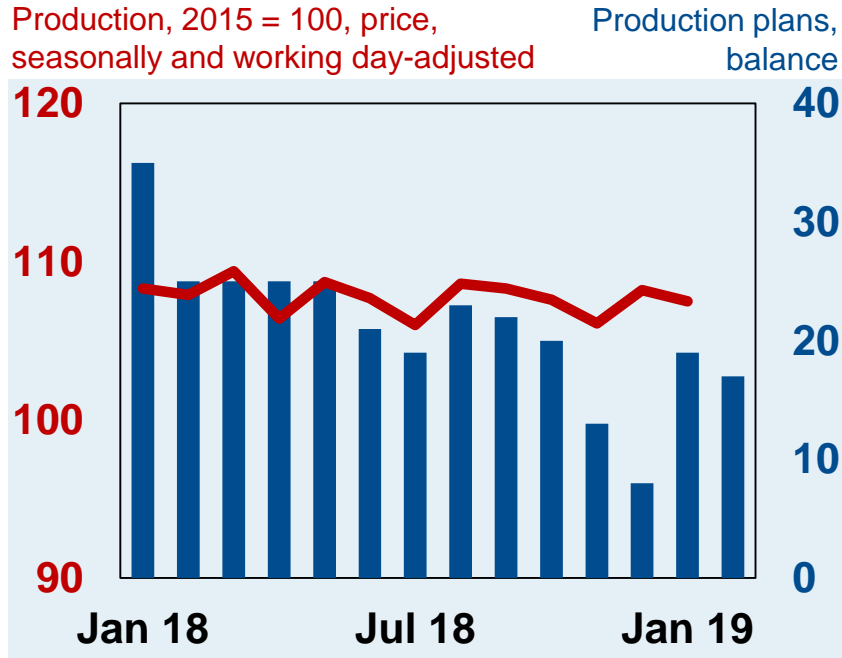


Source: Destatis and ZVEI's own calculations

In January 2019 the German electric industry merely received almost as many new orders as a year earlier (-0.4%). While domestic bookings picked up by 5.6% (year over year), new orders from abroad declined by 5.2%. Here customers from the euro area and from third countries booked 5.8% and 4.8% less, respectively.

Across the electric industry's individual sub-sectors the order development showed a rather heterogeneous picture in January. In addition, some bulk orders (especially from domestic clients) have caused a further bias.

All in all, demand continued to be subdued at the start of 2019. Remember that ultimately new orders had only stagnated last year.



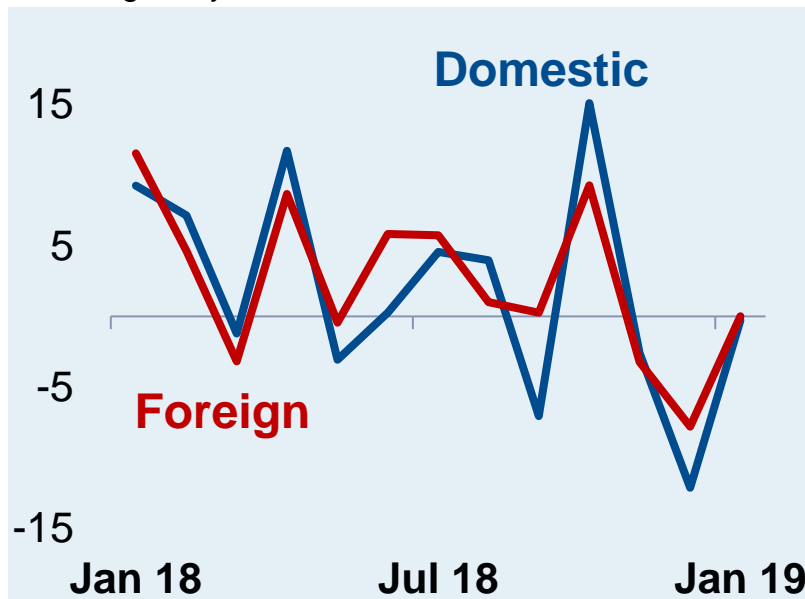
Source: Destatis, ifo Institute and ZVEI's own calculations

The German electric industry's firms' real production – adjusted for price – failed its pre-year level by 1.4% in January 2019. Thus, the sector's output experienced a very subdued start into the new year, too.

However, the growth in production figure for last year was revised higher post hoc. It picked up by 2.1% instead of the previously published 1.9%.

After the strong ascent in the previous month the companies' production plans were amended a little lower once again in February of this year. 24% of the firms intend to raise their output within the next three months to come. 7% plan to curb it. The majoritarian rest of the companies want to maintain their current production level.

% change on year earlier



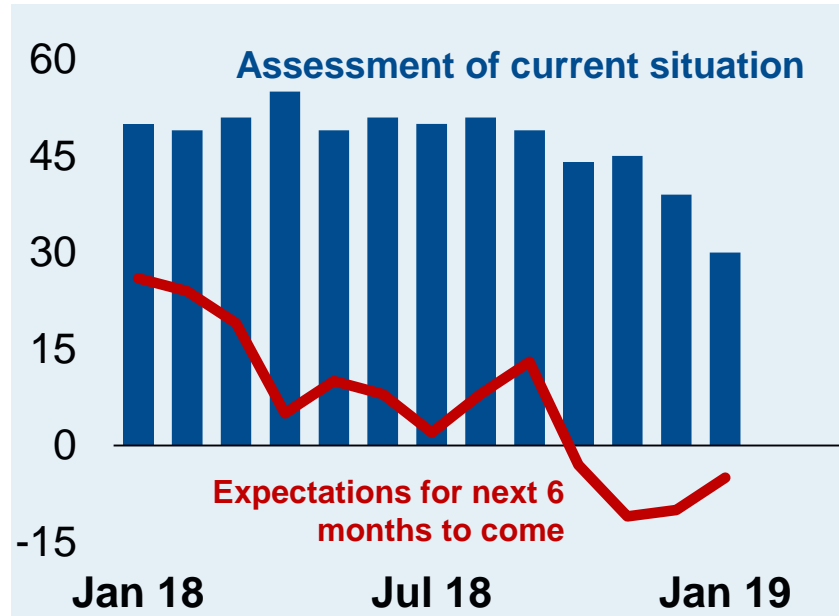
Source: Destatis and ZVEI's own calculations

As the sector's nominal sales came to €15.5bn in January 2019, they more or less stagnated at their pre-year level (-0.2%). Domestic turnover amounted to €7.3bn (-0.3%). Foreign turnover was about one billion euro higher. It reached €8.2bn (+/-0%). Here an increase in businesses with euro area customers (by 4.4% to €3.2bn) and a decrease in trade with third countries (by 2.5% to €4.1bn) have faced each other.

In the last year 2018 the German electric industry's aggregate turnover had risen by 2.0% to the record level of €195.4bn. Domestic and foreign sales thereby came to €93.1bn (+1.7%) and €102.3bn (+2.3%), respectively. The latter split into businesses of €37.7bn (+3.6%) with clients from the euro zone and sales of €64.5bn (+1.5%) to third countries.

# Business climate (until February 2019)

Balance of positive and negative answers, %



Source: ifo Institute

After four declines in a row the business climate in the German electric industry has rebounded in February of this year. Both the assessment of the current situation and the overall business expectations recovered markedly. The latter even returned into positive territory.

47% of the sector's companies now evaluate their present economic situation as good, 42% as stable and 11% as bad. Regarding activities within the next six months to come, 19% of the firms expect their businesses to pick up. At the same time, 65% and 16% of the companies are reckoning with rather steady or declining affairs, respectively.

Export expectations have leapt in February, too. Here the balance out of positive and negative answers changed for the better at least by four to 12 %-age points now.

# Electric industry: Key figures

(year over year in %)	2018	2019 January	2019 Jan until Jan
<b>New orders</b>	-0.2%	-0.4%	-0.4%
domestic	-2.3%	+5.6%	+5.6%
foreign	+1.5%	-5.2%	-5.2%
euro zone	+1.6%	-5.8%	-5.8%
non-euro zone	+1.5%	-4.8%	-4.8%
<b>Production, real</b>	+2.1%	-1.4%	-1.4%
<b>Turnover, bn €</b>	195.4 +2.0%	15.5 -0.2%	15.5 -0.2%
domestic, bn €	93.1 +1.7%	7.3 -0.3%	7.3 -0.3%
foreign, bn €	102.3 +2.3%	8.2 +/-0.0%	8.2 +/-0.0%
euro zone, bn €	37.7 +3.6%	3.1 +4.4%	3.1 +4.4%
non-euro zone, bn €	64.5 +1.5%	5.1 -2.5%	5.1 -2.5%

(year over year in %)	2017	2018 December	2018 Jan until Dec
<b>Employees, thousand</b>	867.6 <sup>1)</sup> +2.5%	890.2 <sup>1)</sup> +2.6%	880.3 <sup>2)</sup> +2.7%
<b>Exports, bn €</b>	201.8 +10.8%	15.8 -0.3%	211.9 +5.0%
<b>Imports, bn €</b>	183.1 +10.7%	14.6 -0.7%	191.1 +4.4%
	2018	2019 January	2019 Jan until Jan
Producer prices	+0.9%	+0.8%	+0.8%
Material prices	+1.5%	+1.0%	+1.0%
Export prices	+/-0.0%	+0.1%	+0.1%
Import prices	-1.3%	-1.0%	-1.0%
<i>(Balance of positive and negative answers)</i>	2018	2019 February	2019 January
<b>Business climate</b>	27	19	12
- Economic situation	49	37	30
- Expected business for next 6 months	8	2	-5
Export expectations for next 3 months	16	12	7
Production plans for next 3 months	22	17	19
	2018	2019 January	2018 October
<b>Capacity utilization</b>	87.7%	87.6%	87.5%
Unfilled orders, in months	3.6	3.8	3.3

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

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