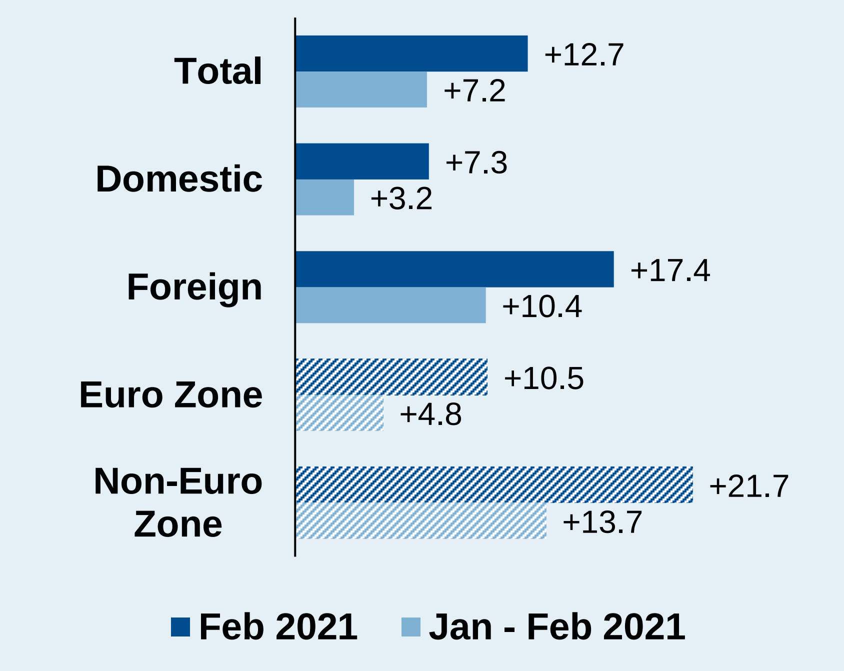
ZVEI Business Cycle Report

Edition April 2021

ZVEI - German Electrical and Electronic Manufacturers’ Association

German electric industry
– New orders

% change on year earlier



Source: Destatis and ZVEI's own calculations

New orders in the German electric industry grew in the double-digit range in February 2021. Overall they exceeded their pre-year level by 12.7%. Domestic bookings increased by 7.3%. The surge in new orders from abroad was much stronger. Here the growth rate came to 17.4% – ten %-age points more than with domestic orders. Bookings from customers outside the euro zone even soared by 21.7% in February. New orders from euro area business partners were up by 10.5%.

In the first two months of this year taken together the sector's new orders climbed by 7.2% (year over year). Again foreign bookings (+10.4%) picked up more dynamically than those from domestic clients (+3.2%). Customers from euro area countries raised their orders by 4.8% from January through February. At the same time, bookings from third countries were up by 13.7% compared to a year earlier.

German electric industry
– Production

Production plans, balance

Source: ifo Institute

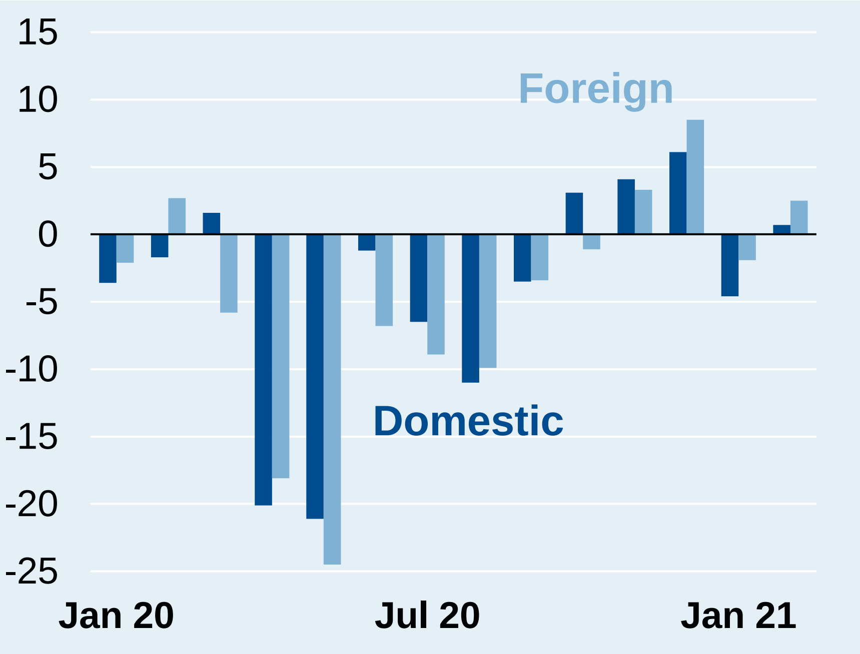
Real Production – i.e., output adjusted for price – of the electric sector was up by 2.9% compared to a year earlier in February 2021. Still, over the whole of the first two months of this year a decline by 1.6% (again year over year) was recorded.

The firms' production plans were once again raised slightly in March. The balance of companies wanting to expand or cut their output in the next three months to come rose from +39 to +40 %-age points compared to the preceding month.

According to a recent ZVEI survey conducted in March 2021 80% of the sector's firms have problems in the procurement of materials and inputs at present. Thereby half of those companies are severely affected. Especially electronic components, plastics, steel or copper are missing. Moreover, half of the firms face rising transportation costs. One fifth and one tenth of the companies complain about longer shipping times and shrinking transport capacities, respectively.

German electric industry
– Turnover

% change on year earlier



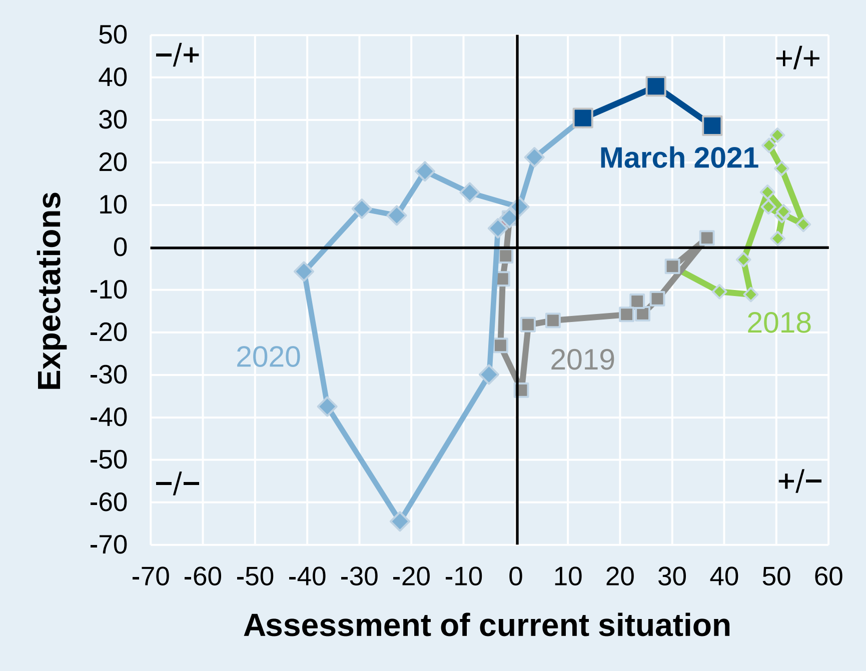
Source: Destatis and ZVEI’s own calculations

Sales of the domestic electric companies amounted to €15.3bn in February 2021, leaving them 1.7% higher than a year earlier. Domestic sales hardly changed for the better (+0.7% to €7.1bn). In contrast, sales to customers abroad managed to rise by 2.5% to €8.2bn. While businesses with euro zone clients stagnated in February at €3.0bn, the turnover from trades with clients from third countries picked up by 3.9% to €5.2bn.

In the aggregated first two months of 2021 the sector’s revenues came to €29.6bn and, therewith, slightly failed their pre-year level (-0.7%). Here a decrease in domestic turnover (by 1.9% to €13.7bn) and a small increase in foreign turnover (by 0.3% to €15.9bn) have faced each other. Sales to the euro area sagged by 2.0% (again year-on-year rate) to €5.9bn between January and February. Against it, the revenues from businesses with third countries of €10.0bn were 1.7% up.

German electric industry
– Business climate

ifo business cycle clock, balances



Source: ifo Institute

Although the business climate in the German electric industry advanced for the eleventh successive month in March 2021, the increase compared to February was rather small. On the one hand, the firms’ assessment of their current situation picked up markedly in March, but, at the same time, their general business expectations were significantly down.

47% of the electric companies evaluated their present economic situation as good in March. 44% and 9% labeled it as stable or rather bad, respectively. Regarding the next six months ahead, 38% of the firms are awaiting (further) growing businesses. 53% reckon with steady affairs and 9% expect their activities to decline.

The sectors’ export expectations likewise were only slightly on the rise in March. Here the balance of positive and negative prospects concerning the next three months to come climbed to a reading of +26 – up by 1 %-age point compared to February.

German electric industry: Business cycle figures

year over year, %	2020	2021 February	2021 Jan - Feb
New orders	-3.1%	+12.7%	+7.2%
domestic	+2.5%	+7.3%	+3.2%
foreign	-7.3%	+17.4%	+10.4%
euro zone	-8.4%	+10.5%	+4.8%
non-euro zone	-6.6%	+21.7%	+13.7%
Production, real	-6.0%	+2.9%	-1.6%
Turnover, bn €	181.9 -5.0%	15.3 +1.7%	29.6 -0.7%
domestic, bn €	86.2 -4.3%	7.1 +0.7%	13.7 -1.9%
foreign, bn €	95.7 -5.6%	8.2 +2.5%	15.9 +0.3%
euro zone, bn €	34.8 -6.5%	3.0 +/-0.0%	5.9 -2.0%
non-euro zone, bn €	60.9 -5.0%	5.2 +3.9%	10.0 +1.7%

year over year, %	2019	2021 January	2021 Jan - Jan
Employees, thousand	871.6 1) -1.6%	867.5 1) -2.1%	867.5 2) -2.1%
Exports, bn €	202.7 -5.7%	16.6 -5.0%	16.6 -5.0%
Imports, bn €	189.9 -2.1%	16.8 +0.9%	16.8 +0.9%
	2020	**2021 February**	**2021 Jan - Feb**
Producer prices Material prices Export prices Import prices	+0.2% -0.2% -0.7% -2.7%	+0.2% +1.2% -0.9% -3.3%	+0.1% +0.9% -0.8% -3.1%
Balance of positive and negative answers	**2020**	**2021 March**	**2021 February**
Business climate - Economic situation - Expected business for next 6 months Export expectations for next 3 months Production plans for next 3 months	-10 -15 -4 -6 -5	+33 +38 +29 +26 +40	+32 +27 +38 +25 +39
	2020	**2021 January**	**2020 October**
Capacity utilization Reach of unfilled orders, in months	78.4% 3.3	82.0% 3.3	80.8% 3.4

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

ZVEI - German Electrical and Electronic Manufacturers’ Association
Lyoner Straße 9
60528 Frankfurt am Main

Economic Policy, Business Cycles and Markets
Editorial staff: Dr Andreas Gontermann, Peter Giehl
Phone: 069 6302-301
Fax: 069 6302-326
Mail: andreas.gontermann@zvei.org

President: Dr Gunther Kegel
Chief Executive Officer: Dr Wolfgang Weber