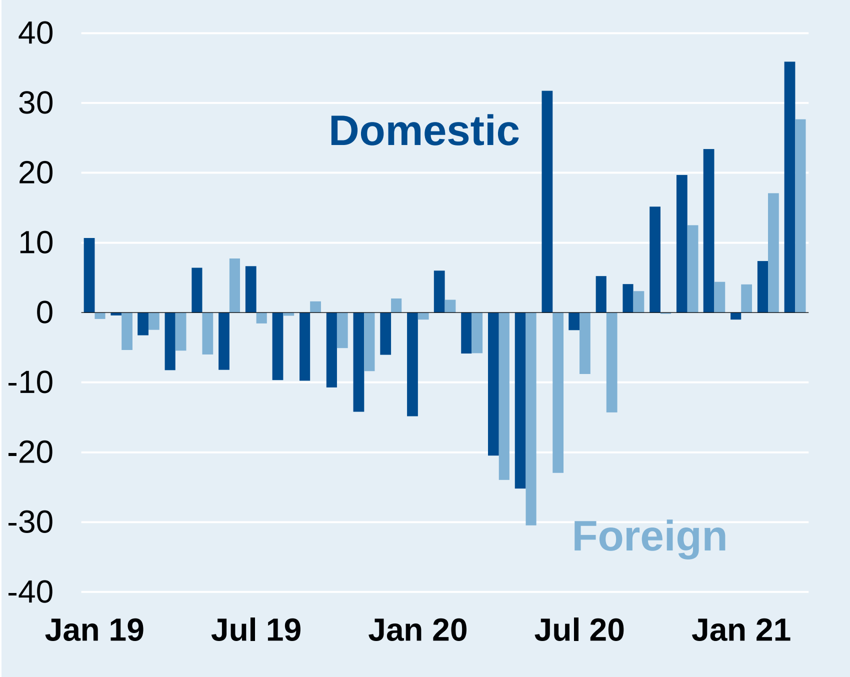
ZVEI Business Cycle Report

Edition May 2021

ZVEI - German Electrical and Electronic Manufacturers’ Association

German electric industry
– New orders

% change on year earlier



Source: Destatis and ZVEI’s own calculations

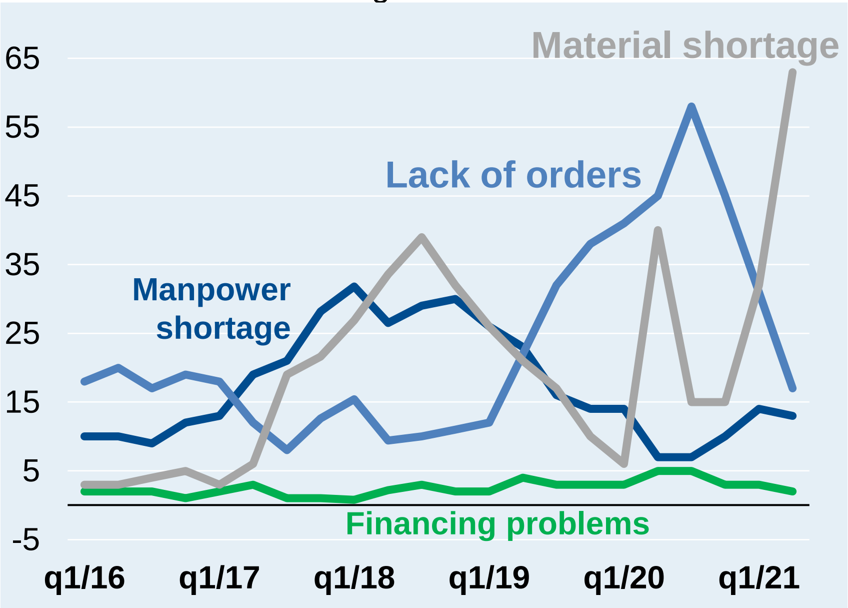
The German electric industry has collected 31.3% more new orders in March 2021 than a year earlier. However, this huge increase was not only due to the economic upswing, but – last, but not least – also driven by a statistical base effect, as bookings had fallen starkly in March of last year when the economy went into its first lockdown in order to protect against the pandemic. Domestic and foreign orders soared by 35.9% and 27.7%, respectively. Customers from the euro area raised their bookings by 25.6% in March, and new bookings from third countries were 28.6% up.

In the full first quarter of this year new orders rose by 15.6% (again year-on-year rate). Here domestic bookings grew by 14.7% and bookings from abroad by 16.4%. New orders from euro zone clients were 11.7% on the rise between January and March 2021. At the same time, bookings from third countries picked up by 19.0%.

German electric industry

− Production, capacity utilization, reach of orders, obstacles

Obstacles to manufacturing … % of firms



Source: ifo Institute

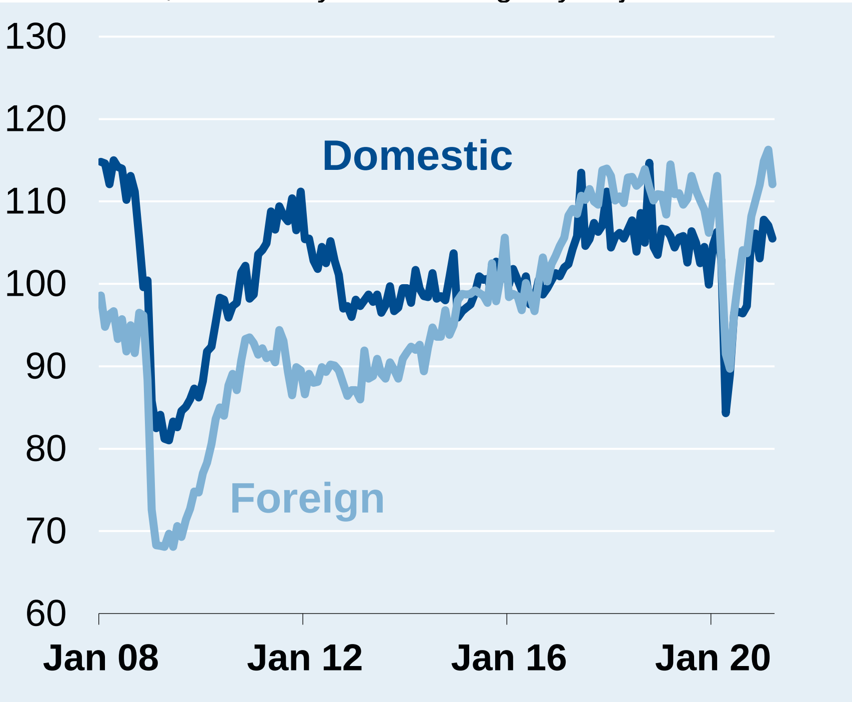
Production – adjusted for price – of electrical and electronic products was up by 11.6% (year over year) in March. Hence, in the first quarter of 2021 the sector's aggregated output exceeded its respective pre-year level by 3.1%.

The capacity utilization ratio within the electric industry soared to 86.7% of the normal full use level at the beginning of the second quarter of 2021. It is 10 %-age points higher than a year ago now. At the same time, the reach of orders expanded to 3.8 (production) months.

Meanwhile, the firms' production plans in April remained as expansive as in March. But the obstacles to manufacturing are increasingly shifting to the supply side. Merely 17% of the companies complained about insufficient demand at last. In contrast, 63% of the firms report about (severe) shortages of material.

German electric industry
– Turnover

2015 = 100, seasonally and working day-adjusted



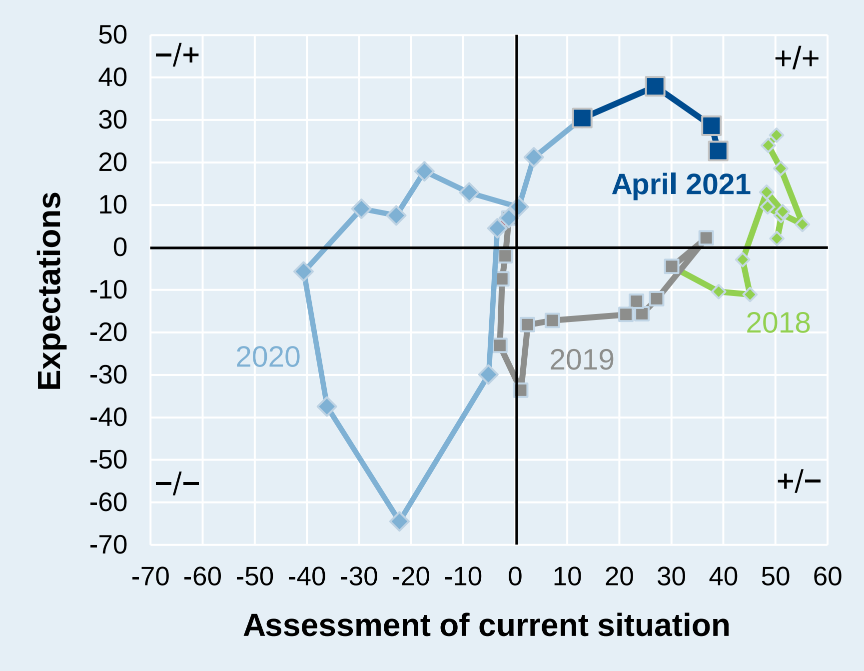
Source: Destatis and ZVEI's own calculations

Aggregated sales of the domestic electric companies came to €18.3bn in March 2021. With it, they exceeded their pre-year level by 9.8%. Domestic turnover rose by 6.9% to €8.5bn, while sales to customers abroad picked up almost twice as starkly, namely by 12.4% to €9.8bn. Businesses with partners from the euro zone and from third countries increased by 14.7% (to €3.5bn) and 11.3% (to €6.3bn), respectively.

Accumulated from January through March of this year the sector's turnover amounted to €47.9bn, leaving it 3.1% higher than the year before. Here domestic sales rose only slightly by 1.2% to €22.2bn, whereas foreign sales managed to expand more strongly by 4.7% to €25.7bn. Turnover from businesses with the euro area were up by 3.7% to €9.4bn in the first quarter. Eventually, sales to third countries picked up by 5.3% to €16.3bn.

German electric industry
– Business climate

ifo business cycle clock, balances



Source: ifo Institute

After having climbed for eleven months in a row the business climate in the German electric industry receded somewhat in April of this year. The companies' evaluation of their current situation once again picked up compared to the preceding month, but the firms' overall business expectations were down against March.

49% of the sector's companies have assessed their present economic situation as good in April. 41% and 10% classified it as stable or rather bad, respectively. With a view to the next six months to come, 32% of the electric firms are expecting that their businesses will expand (further). 58% are awaiting steady affairs and 10% are reckoning with declines ahead.

In contrast, the more delimited export expectations within the industry continued to pick up in April. The balance of positive and negative prospects regarding the next three months to come rose from a reading of +26 to +34 %-age points.

German electric industry: Business cycle figures

year over year, %	2020	2021 March	2021 Jan - Mar
New orders	-3.1%	+31.3%	+15.6%
domestic	+2.5%	+35.9%	+14.7%
foreign	-7.3%	+27.7%	+16.4%
euro zone	-8.4%	+25.6%	+11.7%
non-euro zone	-6.6%	+28.6%	+19.0%
Production, real	-6.1%	+11.6%	+3.1%
Turnover, bn €	181.9 -5.0%	18.3 +9.8%	47.9 +3.1%
domestic, bn €	86.2 -4.3%	8.5 +6.9%	22.2 +1.2%
foreign, bn €	95.7 -5.6%	9.8 +12.4%	25.7 +4.7%
euro zone, bn €	34.8 -6.5%	3.5 +14.7%	9.4 +3.7%
non-euro zone, bn €	60.9 -5.0%	6.3 +11.3%	16.3 +5.3%

year over year, %	2019	2021 February	2021 Jan - Feb
Employees, thousand	871.6 1) -1.6%	865.3 1) -2.3%	866.4 2) -2.2%
Exports, bn €	202.7 -5.7%	17.2 +2.6%	34.1 -1.2%
Imports, bn €	189.9 -2.1%	15.9 +12.7%	33.1 +6.3%
	2020	**2021 March**	**2021 Jan - Mar**
Producer prices Material prices Export prices Import prices	+0.2% -0.2% -0.7% -2.7%	+0.1% +1.8% -0.7% -2.7%	+0.1% +1.2% -0.8% -3.0%
Balance of positive and negative answers	**2020**	**2021 April**	**2021 March**
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	+31 +39 +23 +34 +40	+33 +38 +29 +26 +40
	2020	**2021 April**	**2021 January**
Capacity utilization Reach of unfilled orders, in months	78.4% 3.3	86.7% 3.8	82.0% 3.3

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

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