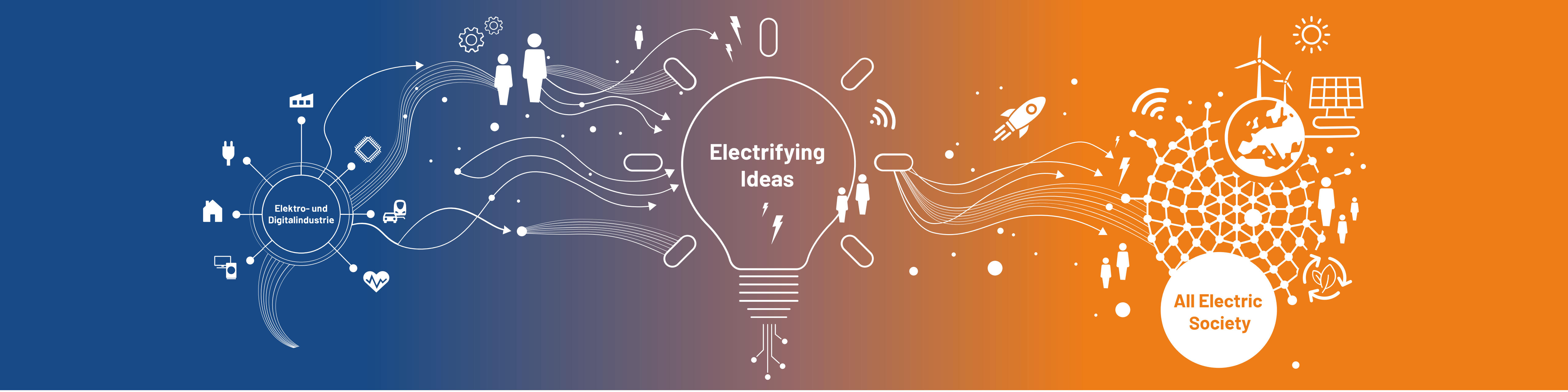

ZVEI Business Cycle Report

– Edition December 2023

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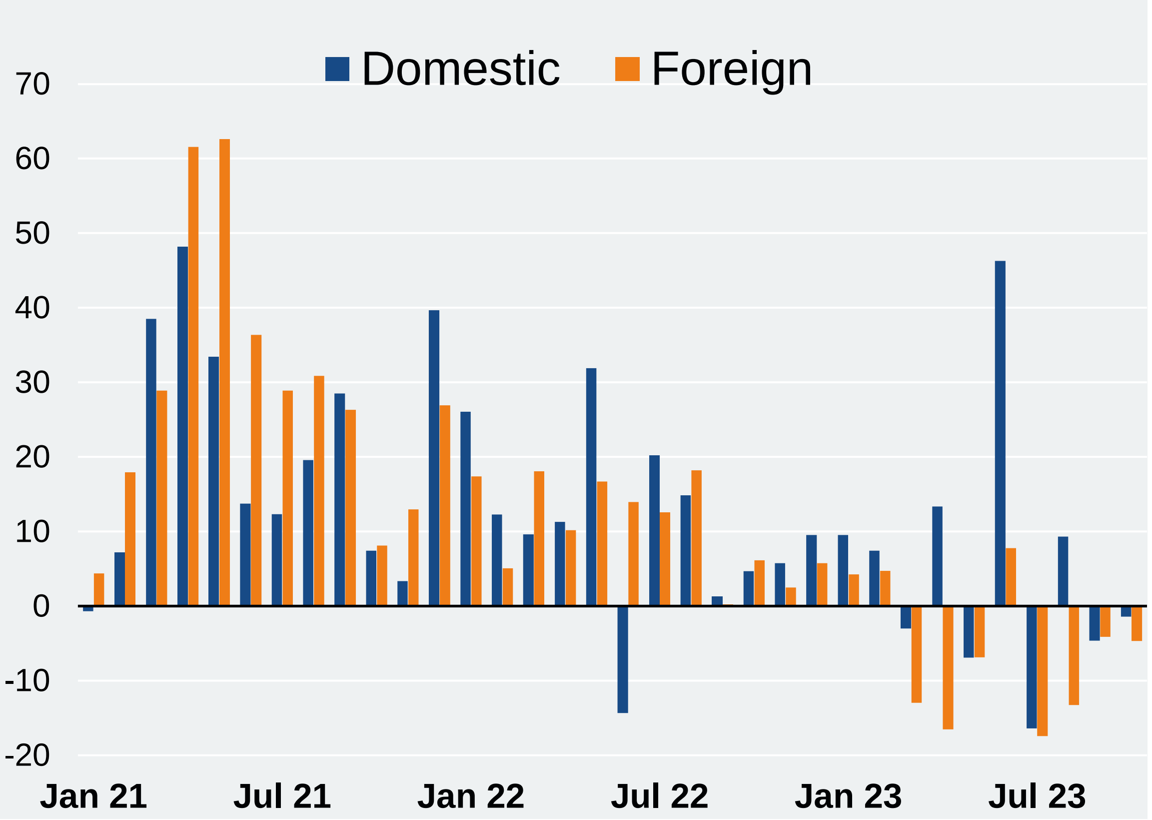
German electro and digital industry
– New orders

Nominal values, % change on year earlier



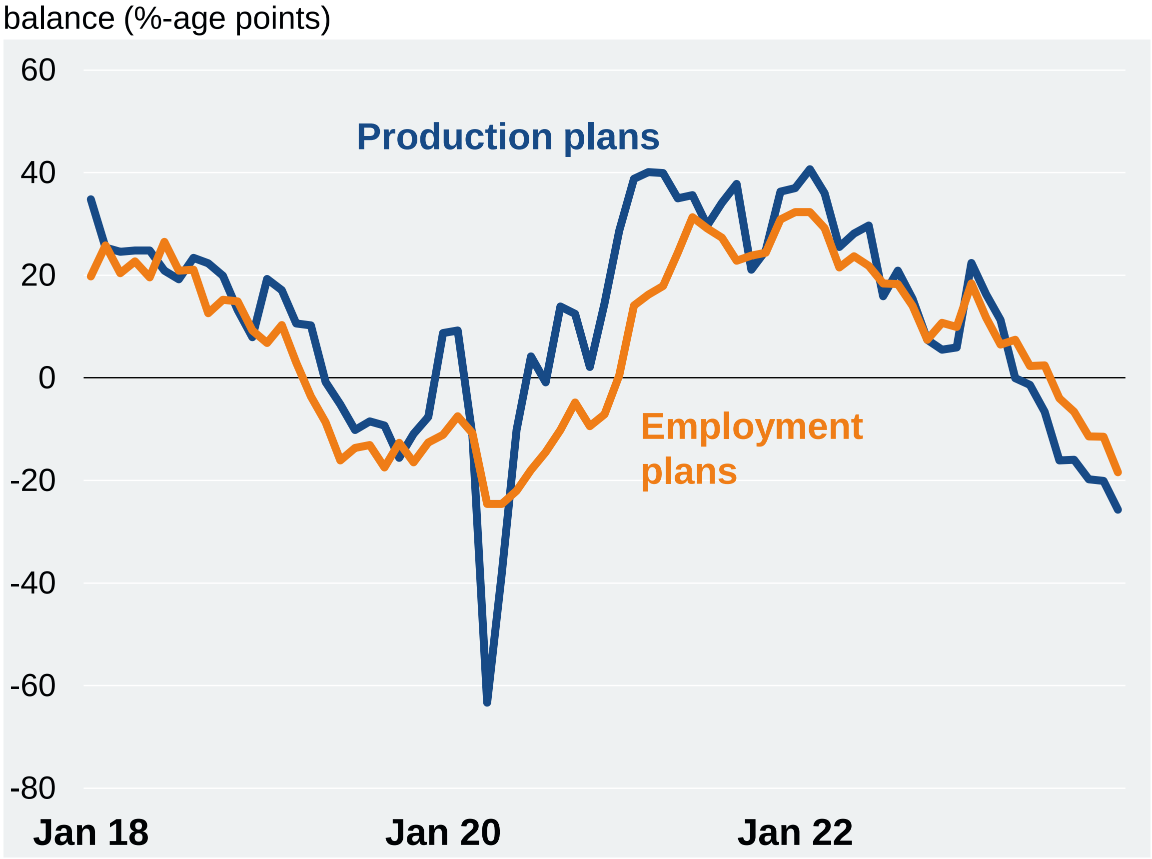
Source: Destatis and ZVEI's own calculations

In **October 2023**, the German electro and digital industry has once again received less **new orders** (than in the same month the year before). Altogether – i.e., covering all sub-branches – they receded by 3.2%.

The decline in foreign orders (by 4.7%) was bigger than the decrease in new bookings from domestic customers (-1.4%). Especially, new orders from euro area clients fell markedly in October, namely by 9.8%. Bookings from third countries were 1.8% down.

In the **full period of the first ten months** of this year, the shortfall in new orders could, ultimately, still be kept within narrow limits. Between January and October bookings failed their respective 2022 value merely by 1.4%. Thereby, an increase in domestic orders by 4.6% and a decrease in foreign bookings by 6.1% have faced each other. Once again, new orders from euro zone customers (-9.4%) were down more sharply than those from business partners outside the common currency area (-4.3%).

German electro and digital industry
– Production and employment



Source: ifo Institute

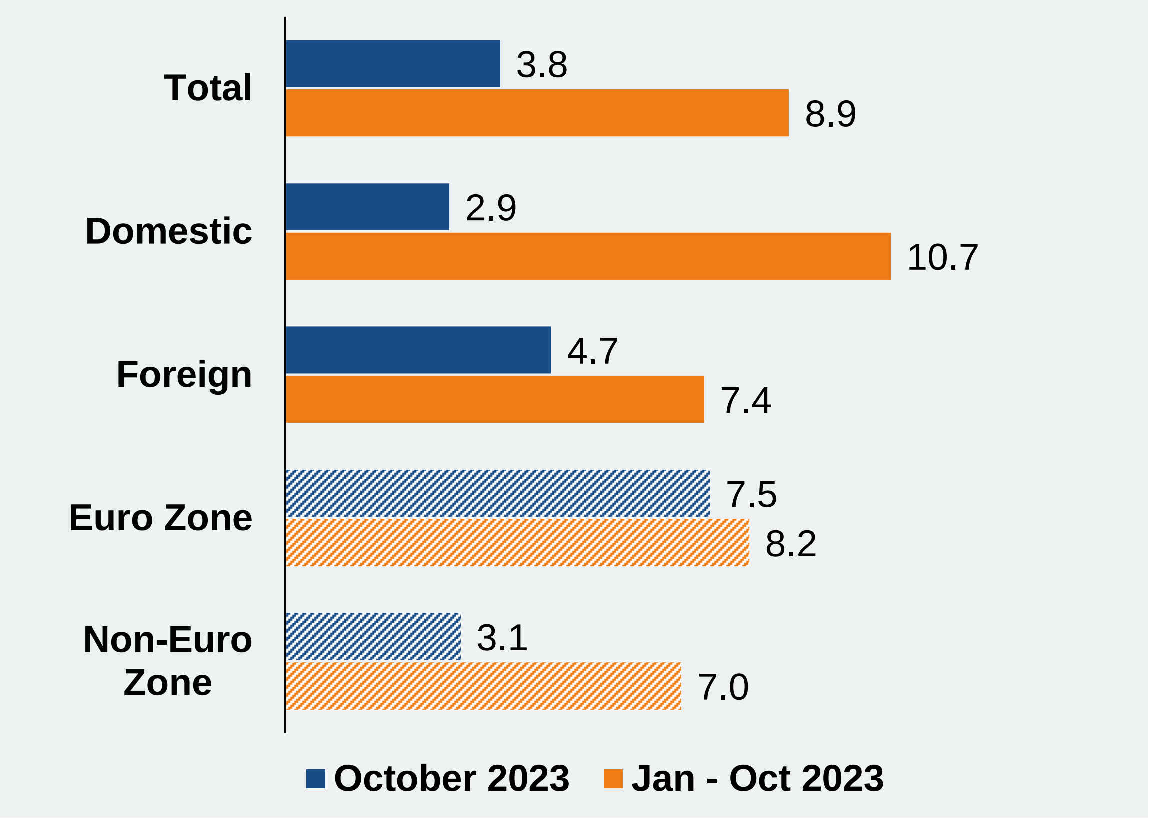
Production – adjusted for price – of electrical and electronic products in Germany was slightly up in October 2023. It surpassed its respective pre-year level by 1.2%. With it, for the entire period from January through October a rise in the sector's aggregated output by 2.2% (again year-on-year rate) can be recorded.

The firms' **production plans** were taken down in November, too. Here, the balance of firms wanting to expand or rather curb their output in the next three months to come meanwhile has arrived at a reading of -26 %-age points.

The **number of employees** within the domestic electro and digital industry stood at 912,500 at the end of the third quarter of this year. Hence, it was 2.1% higher than the year before. The level is at its highest since November 1995 now. However, with a balance of -18 %-age points, the companies hiring plans are clearly negative at present.

German electro and digital industry – Turnover

% change on year earlier



Source: Destatis and ZVEI's own calculations; allocation of foreign turnover shaded

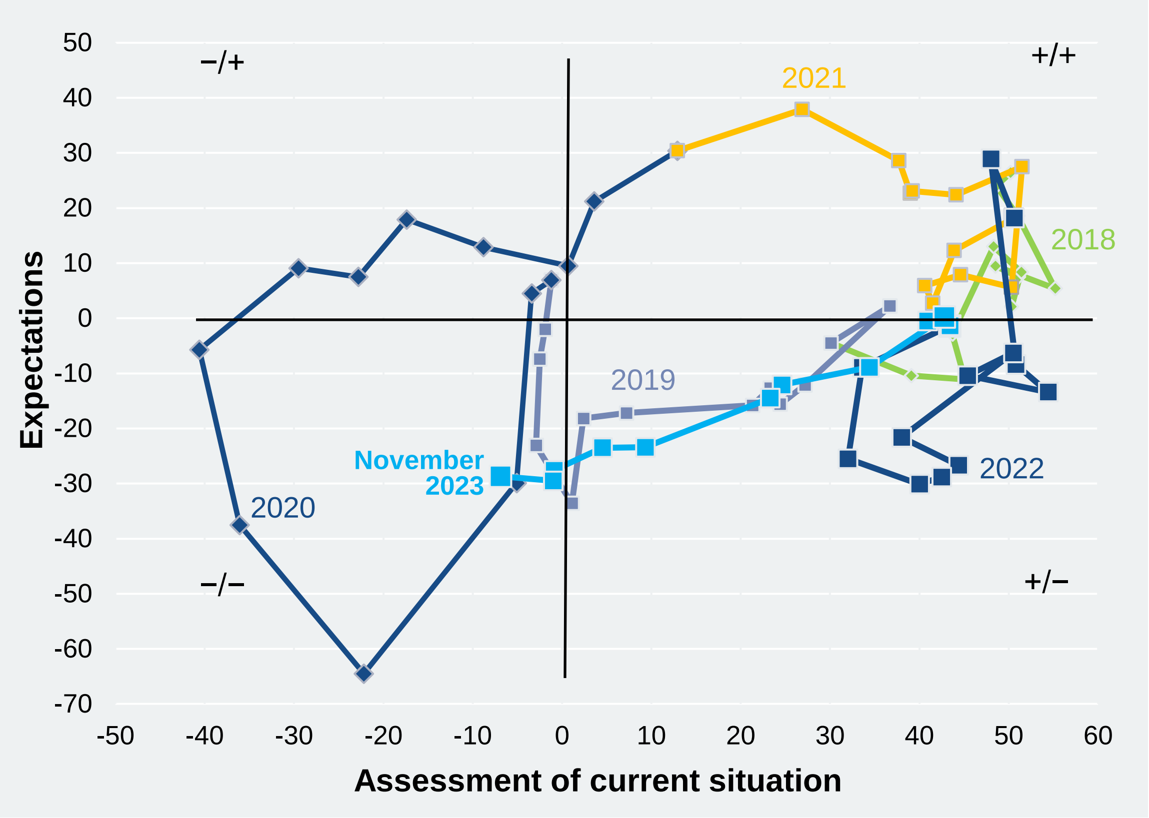
Following this year's first decline in **nominal sales** of the domestic electro and digital industry's companies in September, turnover managed to return to growth in **October 2023**. With €19.1bn sales exceeded their pre-year level by 3.8%. Please also note that they rose more starkly than producer prices in the same month (+3.6%).

Domestic and foreign turnover advanced by 2.9% (to €9.1bn) and 4.7% (to €10.0bn) in October, respectively. For businesses with euro area customers (+7.5% to €3.7bn) growth came in more than twice as high as for sales to partners from third countries (+3.1% to €6.3bn).

In the first ten months of this year taken together, the sector's aggregated revenues amounted to €198.5bn, leaving them 8.9% higher than in the same period of 2022. Here, turnover with domestic clients increased by 10.7% to €95.7bn. In the same period, sales to foreigners were 7.4% up and came to €102.8bn (euro zone: +8.2% to €36.9bn, third countries: +7.0% to €65.9bn).

German electro and digital industry
– Business climate

ifo business cycle clock, balances (%-age points)



Source: ifo Institute

The business climate in the German electro and digital industry was down for the eighth consecutive month in November of this year. In particular, the companies once again evaluated their **present economic situation** worse than in October. At least, their **overall business expectations** didn't go down further.

While still 24% of the sector's firms interpreted their current situation as good in November, 45% found it stable, but 31% downright bad.

Looking ahead to the next six months to come, 11% of the electro companies do indeed expect their businesses to go up. However, 49% merely await rather stable affairs and 40% even reckon with declining activities.

Export expectations haven't changed at all in November compared to a month earlier. Here, the balance of firms awaiting growing or rather falling deliveries abroad in the coming next three months remained at 14 %-age points.

German electro and digital industry
– Business cycle figures

year over year, %	2022	2023 October	2023 Jan - Oct
New orders	+10.2%	-3.2%	-1.4%
domestic	+10.0%	-1.4%	+4.6%
foreign	+10.4%	-4.7%	-6.1%
euro zone	+15.3%	-9.8%	-9.4%
non-euro zone	+7.8%	-1.8%	-4.3%
Production, real	+3.7%	+1.2%	+2.2%
Turnover, bn €	224.5 +12.0%	19.1 +3.8%	198.5 +8.9%
domestic, bn €	107.3 +14.2%	9.1 +2.9%	95.7 +10.7%
foreign, bn €	117.2 +10.1%	10.0 +4.7%	102.8 +7.4%
euro zone, bn €	41.6 +8.1%	3.7 +7.5%	36.9 +8.2%
non-euro zone, bn €	75.6 +11.2%	6.3 +3.1%	65.9 +7.0%

year over year, %	2022	2023 September	2023 Jan - Sep
Employees, thousand	898.0 1) +2.7%	912.5 1) +2.1%	906.2 2) +2.9%
Exports, bn €	245.8 +8.6%	20.8 -2.8%	189.8 +5.3%
Imports, bn €	262.1 +18.4%	21.7 -5.1%	201.4 +6.6%

	2022	2023 October	2023 Jan - Oct
Producer prices	+7.5%	+3.6%	+6.3%
Material prices	+13.0%	-0.5%	+3.5%
Export prices	+7.3%	+2.3%	+4.4%
Import prices	+8.9%	-1.3%	+1.2%

Balance of positive and negative answers	2022	2023 November	2023 October
Business climate	+15	-18	-16
- Economic situation	+44	-7	-1
- Expected business for next 6 months	-11	-29	-30
Export expectations for next 3 months	+10	-14	-14
Production plans for next 3 months	+22	-26	-20

	2022	2023 October	2023 July
Capacity utilization	88.2%	81.8%	84.6%
Reach of unfilled orders, in months	5.3	4.8	4.7

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

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