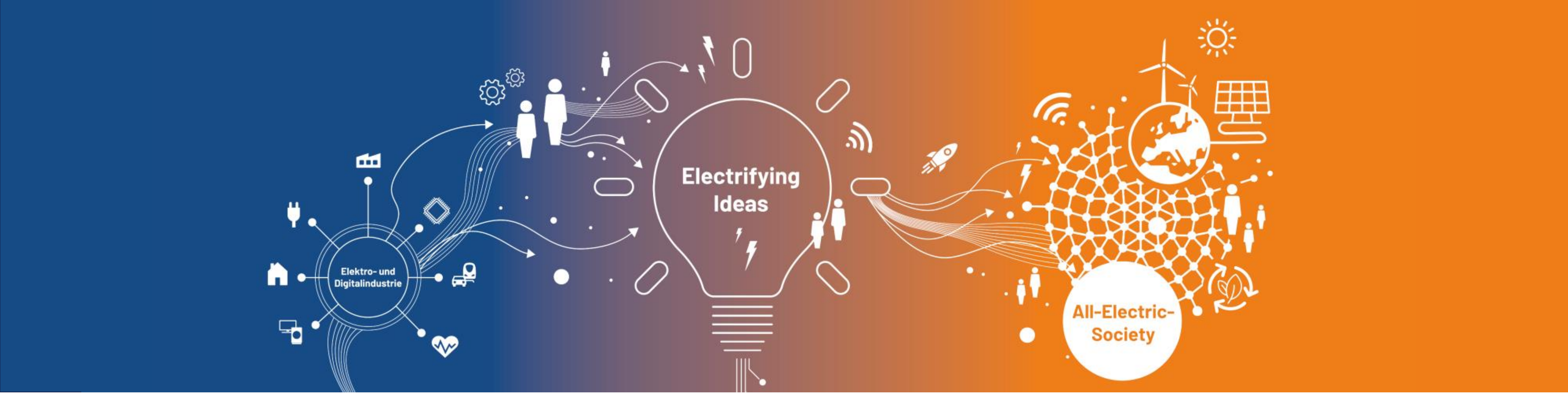


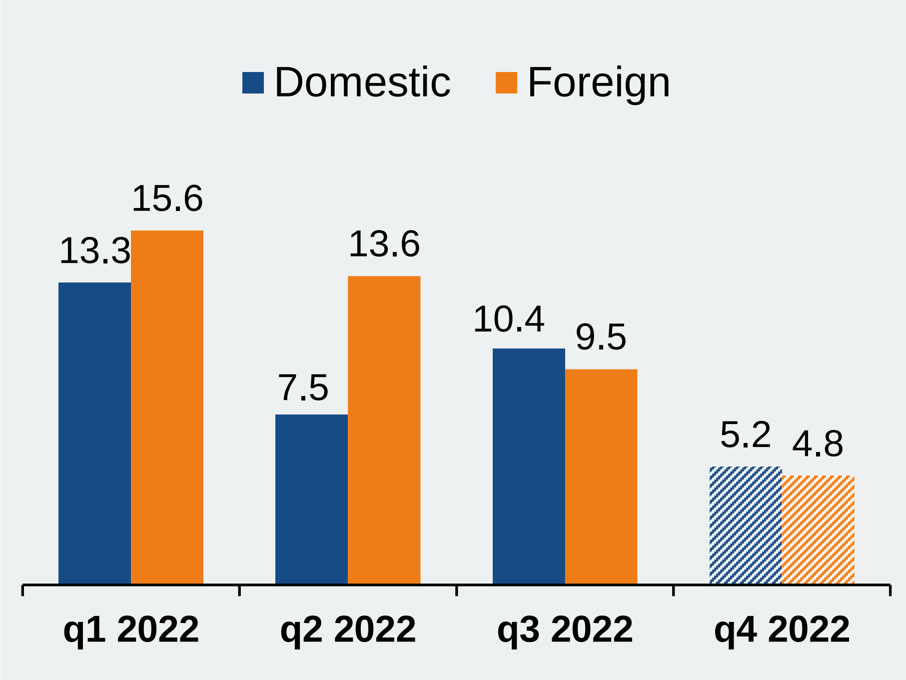
ZVEI Business Cycle Report

– Edition February 2023

zvei electrifying ideas

German electro and digital industry
– New orders

% change on year earlier



Source: Destatis and ZVEI's own calculations

New orders in the German electro and digital industry increased by 6.9% (year over year) in the last month of last year. Domestic bookings (+9.4%) thereby advanced twice as much as those from foreign clients, which were 4.8% up. While euro area customers raised their orders by one-fifth (+19.4%) in December, new bookings from third countries receded by 2.4%.

In the whole of last year, the sector collected 10.0% more new orders than in 2021. The value of domestic bookings picked up by 9.0%. Clients from abroad expanded their orders by 10.8% in 2022. Bookings from euro zone customers grew by 16.1%. In contrast, new orders from foreign countries outside the common currency zone rose merely half as fast, namely by 8.1%.

German electro and digital industry

– Production, capacity utilization, reach of orders, obstacles

… % of firms reporting obstacles to manufacturing due to …

Source: ifo Institute

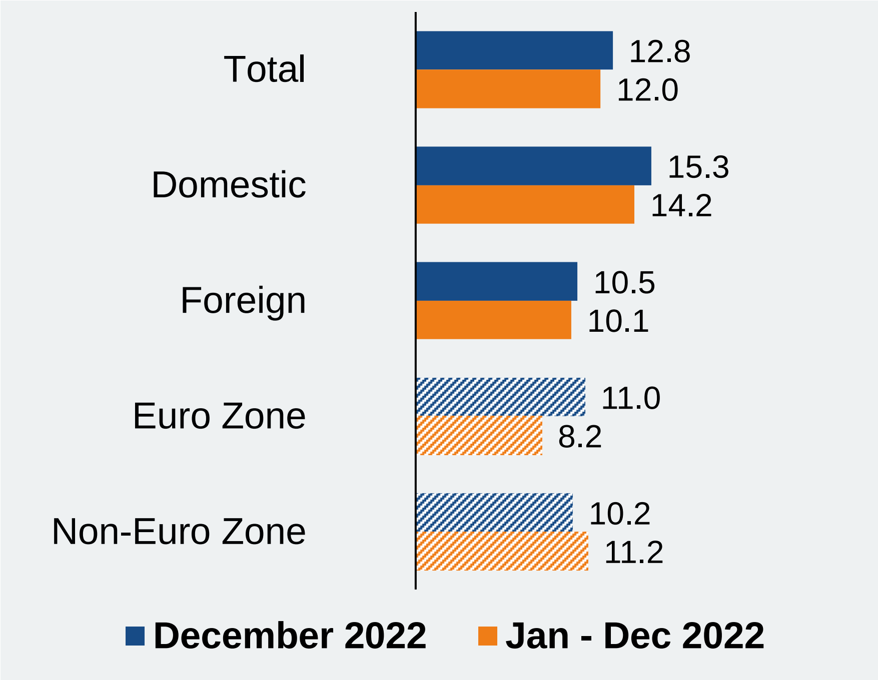
Production (adjusted for price) of electrical and electronic products was up 2.0% compared to a year earlier in December 2022. Hence, in the full last year the sector's real output grew by 3.4% – subject to subsequent corrections by Destatis.

The sector-wide capacity utilization stood at 87.9% at the beginning of the first quarter of 2023. With it, it was only slightly lower than three months before (88.2%). Meanwhile, the reach of unfilled orders increased once again – from 5.2 to 5.6 (production) months.

Supply constraints (i.e., material shortages, logistical problems and the like) remain the biggest production obstacle. At least, the share of affected companies fell by full ten %-age points to 68% lastly. Half (49%) of the firms still complain about a shortage of skilled workers. 18% of the electro companies report about a lack of demand. Three months ago that was only true for 15%.

German electro and digital industry
– Turnover

% change on year earlier



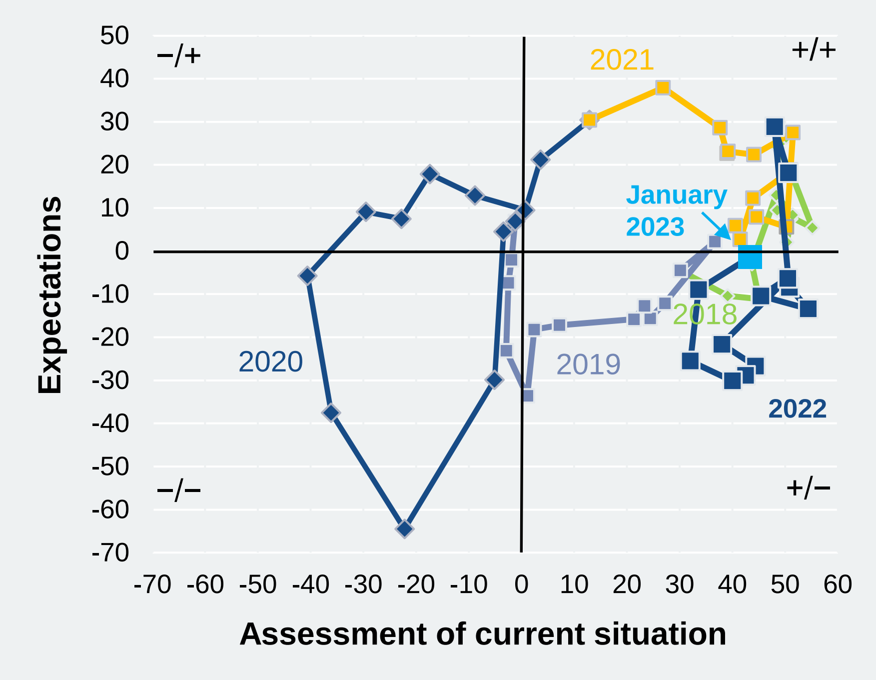
Source: Destatis and ZVEI's own calculations

Nominal sales of the domestic electro and digital industry came to €20.8bn in December 2022, leaving them 12.8% higher than a year earlier. Domestic and foreign turnover advanced by 15.3% to €10.2bn and by 10.5% to €10.6bn, respectively. Thereby, the development of businesses with clients inside (+11.0% to €3.5bn) and outside the euro area (+10.2% to €7.1bn) was quite similar.

In the full past year 2022 the sector's aggregated turnover amounted to €224.6bn (*preliminary figure*) and, therewith, was 12.0% up on the year before. Products and services worth €107.3bn (+14.2%) were sold to domestic customers and €117.3bn (+10.1%) to foreign ones. Businesses with the euro zone advanced by 8.2% to €41.7bn last year. Eventually, sales to third countries were up 11.2%, arriving at €75.6bn.

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 has picked up markedly at the start of this year. Both the assessment of the current situation and overall business expectations were significantly better in January than in last year's December.

More than half (52%) of the sector's companies evaluated their present economic situation as good at last. 39% found it stable and merely 9% bad.

Regarding the next six months to come, 17% of the firms are awaiting expanding affairs. 65% reckon with steady businesses, while 18% prepare for declines.

Export expectations once again came in higher in January, too. Here, the balance of firms planning with more or rather less deliveries abroad within the next three months rose from +7 to +13 %-age points.

German electro and digital industry
– Business cycle figures

year over year, %	2021	2022 December	2022 Jan - Dec
New orders	+23.5%	+6.9%	+10.0%
domestic	+19.6%	+9.4%	+9.0%
foreign	+26.8%	+4.8%	+10.8%
euro zone	+23.0%	+19.4%	+16.1%
non-euro zone	+28.9%	-2.4%	+8.1%
Production, real	+9.5%	+2.0%	+3.4%
Turnover, bn €	200.4 +10.2%	20.8 +12.8%	224.6 +12.0%
domestic, bn €	94.0 +9.1%	10.2 +15.3%	107.3 +14.2%
foreign, bn €	106.4 +11.2%	10.6 +10.5%	117.3 +10.1%
euro zone, bn €	38.5 +10.5%	3.5 +11.0%	41.7 +8.2%
non-euro zone, bn €	67.9 +11.6%	7.1 +10.2%	75.6 +11.2%

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

year over year, %	2021	2022 November	2022 Jan - Nov
Employees, thousand	874.1 1) +0.3%	898.7 1) +2.5%	885.0 2) +2.1%
Exports, bn €	226.3 +11.0%	22.4 +11.7%	225.0 +8.8%
Imports, bn €	221.3 +14.7%	24.8 +19.5%	239.9 +19.8%
	2021	**2022 December**	**2022 Jan - Dec**
Producer prices Material prices Export prices Import prices	+1.5% +5.1% +0.9% +0.6%	+8.9% +10.9% +7.1% +5.6%	+7.5% +13.0% +7.3% +8.9%
Balance of positive and negative answers	**2022**	**2023 January**	**2022 December**
Business climate - Economic situation - Expected business for next 6 months Export expectations for next 3 months Production plans for next 3 months	+15 +44 -11 +10 +22	+20 +43 -1 +13 +22	+11 +33 -9 +7 +6
	2022	**2023 January**	**2022 October**
Capacity utilization Reach of unfilled orders, in months	88.2% 5.3	87.9% 5.6	88.2% 5.2

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