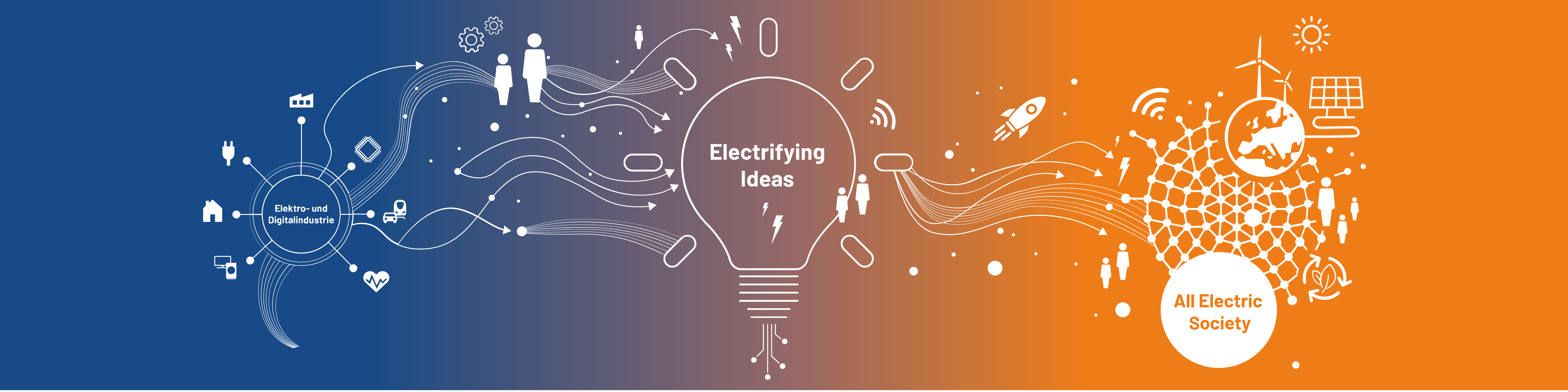

ZVEI Business Cycle Report

– Edition November 2023

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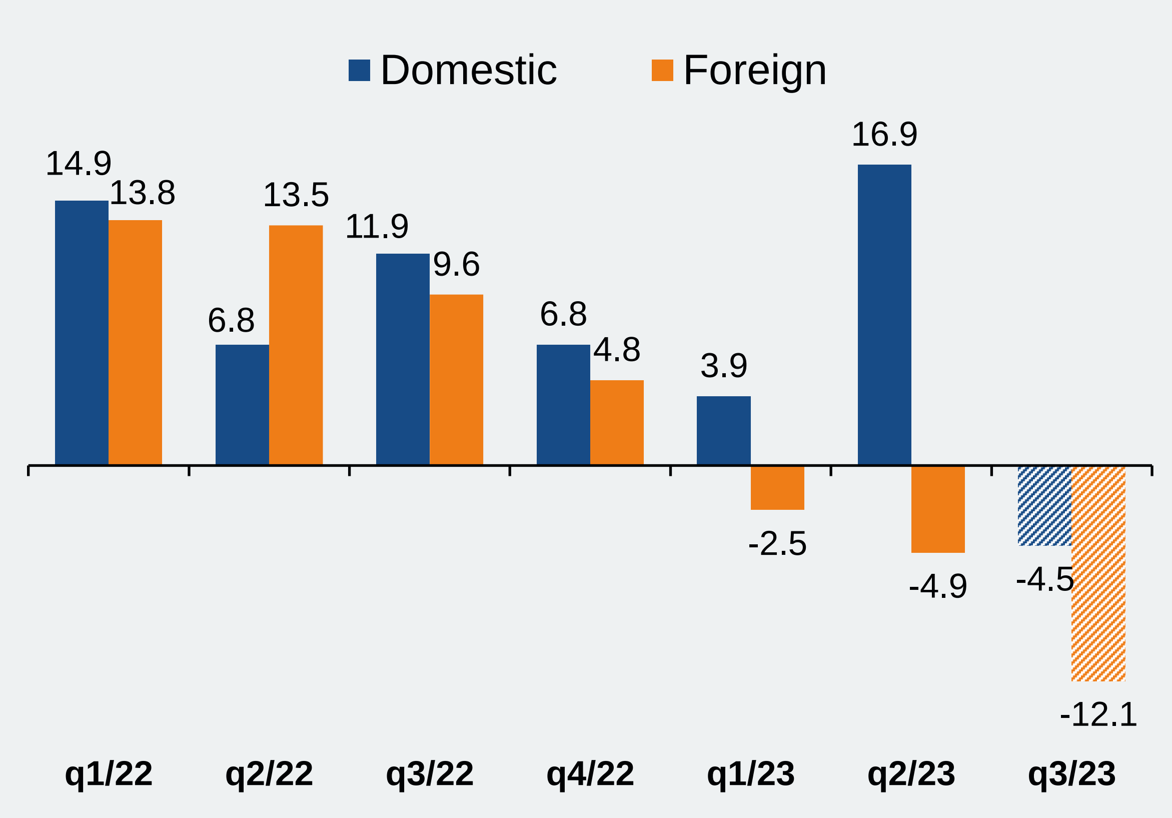
German electro and digital industry – New orders

Nominal values, % change on year earlier



Source: Destatis and ZVEI's own calculations

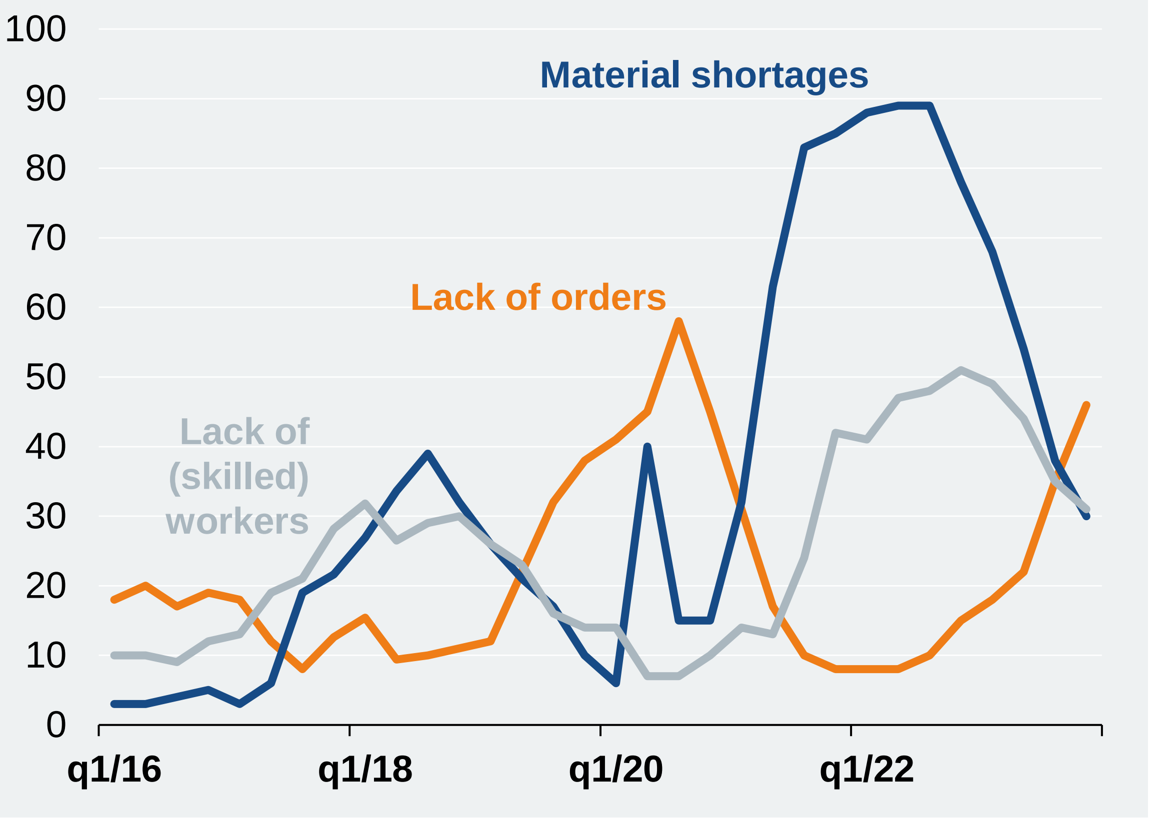
Overall, the German electro and digital industry has received 5.3% less **new orders** in **September 2023** than a year earlier. Taking into account the belated downward revision of the data for August by Destatis, the recent decline was the third in a row now.

Domestic bookings failed their pre-year value by 4.5% in September. Foreign clients reduced their orders by 5.9%. With it, new orders from euro zone customers fell by 4.8%. At the same time, bookings from business partners from third countries were 6.6% down.

In the full **first three quarters** of this year new orders came in slightly lower than in the same period last year, namely by 1.3%. Here, an increase in domestic bookings by 5.3% and a decrease in foreign orders by 6.5% have faced each other. Moreover, the decline in new orders from euro area clients (-9.8%) was twice as high as the shortfall in bookings from third countries (-4.6%).

German electro and digital industry
– Production, capacity utilization, reach of orders, obstacles

… % of firms reporting obstacles to manufacturing due to …



Source: ifo Institute

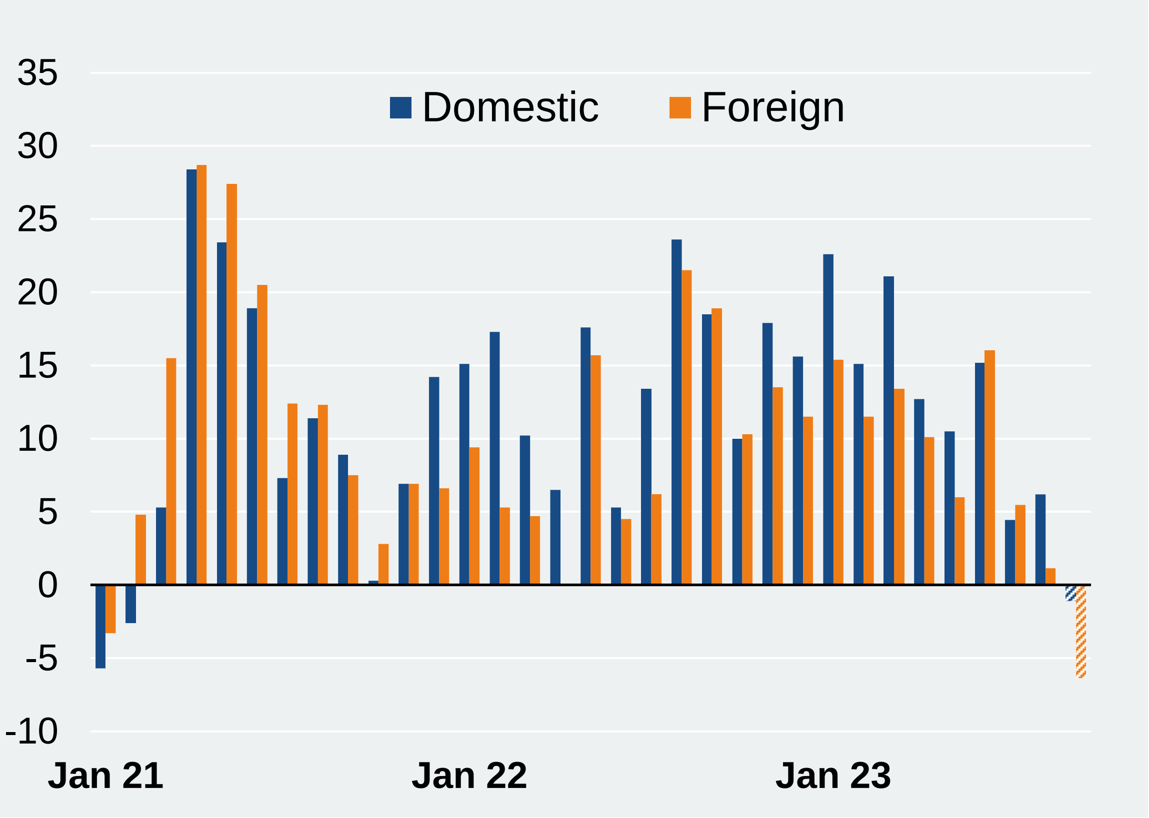
Production (adjusted for price) **of electro goods** has missed its pre-year level by 6.8% in September 2023. Thus, for the total period from January through September there remains growth in the sector's real output by 2.3% (again year over year).

With 81.8% at the beginning of the fourth quarter of 2023, **capacity utilization** within the sector was down by almost three %-age points compared to the situation three months before. With it, the ratio fell below its historical average (of 83.3%) for the first time since the beginning of 2021. In contrast, the **reach of unfilled orders** increased slightly, namely from 4.7 to 4.8 (production) months.

Regarding current obstacles to production activity in the electro and digital industry challenges are further shifting from the supply to the demand side. A lack of **new orders** constitutes the biggest impediment presently. 46% of the companies report thereof. By contrast, shortages of both **materials** and **(skilled) workers** continue to recede. The former still concern 30% of the firms, the latter 31%.

German electro and digital industry – Turnover

% change on year earlier



Source: Destatis and ZVEI’s own calculations

With €20.5bn, nominal **sales** of the domestic electro and digital industry came in 4.0% lower in **September 2023** compared to the year before. It was the first decline in turnover in the current year.

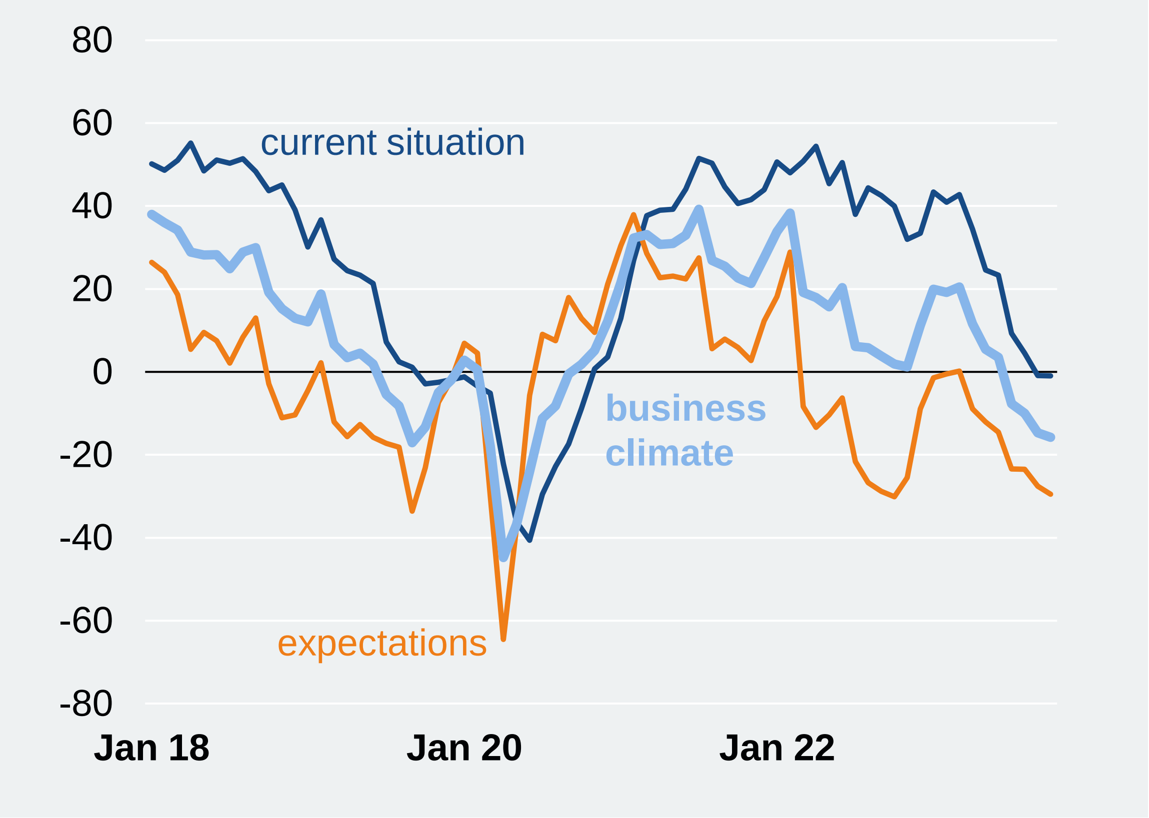
Domestic sales sagged only slightly in September – by 1.1% to €9.9bn. Turnover with foreign customers fell more starkly (-6.4% to €10.6bn). Here, sales to euro area clients (of €3.8bn) decreased by 3.3% and revenues from businesses with partners from third countries (of €6.8bn) were 7.9% down.

In the overall **first three quarters** of this year the sector’s aggregated turnover came to €179.4bn, leaving it 9.4% higher than a year earlier. The relevant producer prices picked up by 6.6% (also year-on-year) in the same period.

Domestic and foreign sales amounted to €86.6bn (+11.5%) and €92.8bn (+7.7%) between January and September, respectively. While businesses with the euro zone climbed by 8.2% to €33.2bn, turnover with customers from third countries advanced by 7.4%, reaching €59.6bn.

German electro and digital industry
– Business climate

balance (%-age points)



Source: ifo Institute

The business climate in the German electro and digital industry fell for the seventh straight month in October of this year, albeit only slightly. While the firms' assessment of their **present economic situation** didn't change compared with the preceding month, their **overall business expectations** were down somewhat.

26% of the sector's companies still evaluated their current situation as good in October. At the same time, 47% and 27% found it stable or rather bad, respectively.

Regarding the next six months ahead, only 11% of the firms still reckon with rising activities. 48% are expecting steady affairs, whereas 41% await declining businesses instead.

Export expectations have managed to stabilize in October. After eight declines in a row, the negative streak has been stopped for the moment. The balance of firms looking forward to expanding or rather contracting deliveries abroad in the next three months to come stands at -14 %-age points now (compared to -16 in September).

German electro and digital industry
– Business cycle figures

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year over year, %	2022	2023 September	2023 Jan - Sep
New orders	+10.2%	-5.3%	-1.3%
domestic	+10.0%	-4.5%	+5.3%
foreign	+10.4%	-5.9%	-6.5%
euro zone	+15.3%	-4.8%	-9.8%
non-euro zone	+7.8%	-6.6%	-4.6%
Production, real	+3.7%	-6.8%	+2.3%
Turnover, bn €	224.5 +12.0%	20.5 -4.0%	179.4 +9.4%
domestic, bn €	107.3 +14.2%	9.9 -1.1%	86.6 +11.5%
foreign, bn €	117.2 +10.1%	10.6 -6.4%	92.8 +7.7%
euro zone, bn €	41.6 +8.1%	3.8 -3.3%	33.2 +8.2%
non-euro zone, bn €	75.6 +11.2%	6.8 -7.9%	59.6 +7.4%

year over year, %	2022	2023 August	2023 Jan - Aug
Employees, thousand	898.0 1) +2.7%	908.7 1) +2.5%	905.4 2) +3.0%
Exports, bn €	245.8 +8.6%	20.1 -1.4%	168.2 +6.4%
Imports, bn €	262.1 +18.4%	20.4 -3.7%	178.8 +8.2%
	2022	**2023 September**	**2023 Jan - Sep**
Producer prices Material prices Export prices Import prices	+7.5% +13.0% +7.3% +8.9%	+4.4% -0.3% +2.7% -1.1%	+6.6% +4.0% +4.7% +1.4%
Balance of positive and negative answers	**2022**	**2023 October**	**2023 September**
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	-16 -1 -30 -14 -20	-15 -1 -27 -16 -20
	2022	**2023 October**	**2023 July**
Capacity utilization Reach of unfilled orders, in months	88.2% 5.3	81.8% 4.8	84.6% 4.7

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

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