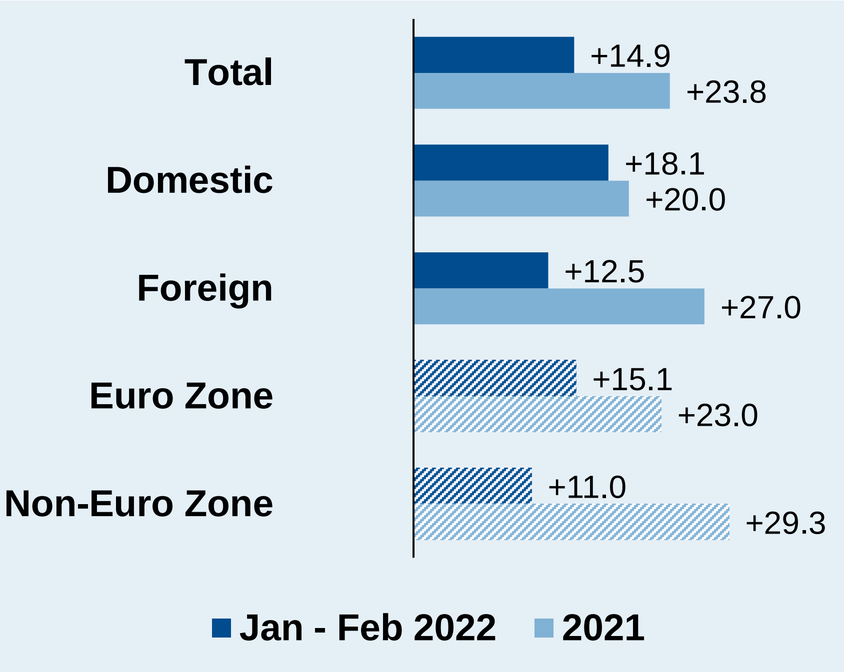
ZVEI Business Cycle Report

Edition April 2022

ZVEI e.V. − Electro and Digital Industry Association

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 exceeded their pre-year level by 8.6% in February 2022. Domestic bookings advanced by 12.0%. The increase in new orders from abroad was smaller. Here the growth rate was only half as high (+6.0%). Bookings from euro zone customers picked up by 11.5% in February. At the same time, new orders from business partners outside the common currency area were merely 2.9% up.

In the full first two months of this year the sector's incoming orders soared by 14.9% (again year-on-year rate). Domestic and foreign bookings climbed by 18.1% and 12.5%, respectively. As customers from the euro area raised their new orders by 15.1% between January and February, bookings from third countries were 11.0% up from a year ago.

Possible first effects from the war in Ukraine will appear in the data as of March.

German electro and digital industry
− Production and employment

balance (%-age points)

Source: ifo Institute

Real Production – i.e., output adjusted for price – of the German electro and digital industry was 2.5% up compared to a year earlier in February 2022. With it, in the first two months of this year combined the sector's output grew by 4.0% (again year over year).

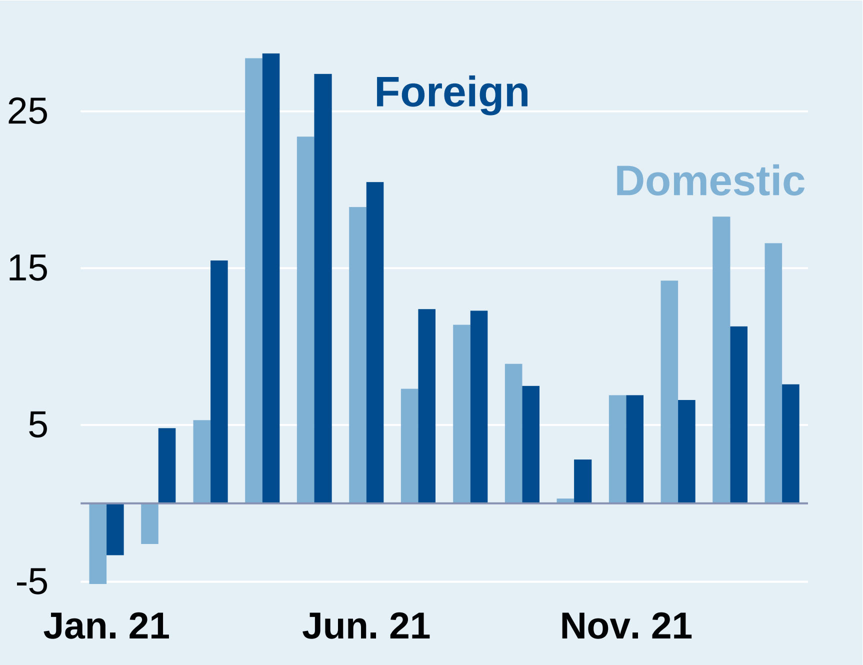
In March the electro and digital industry's firms revised both their production and employment plans downwards – albeit only moderately in each case. The balance of companies planning to raise or rather lower their output in the next three months to come sagged from +41 (in February) to +36 %-age points now.

The number of companies searching for new staff still outnumbers the count of firms planning layoffs by 29 %-age points (February: 32). Of the current 874,000 employees, merely 12,200 are still on short time.

Nine out of ten firms continue to report supply bottlenecks, which could worsen as a result of the war in Ukraine.

German electro and digital industry – Turnover

% change on year earlier



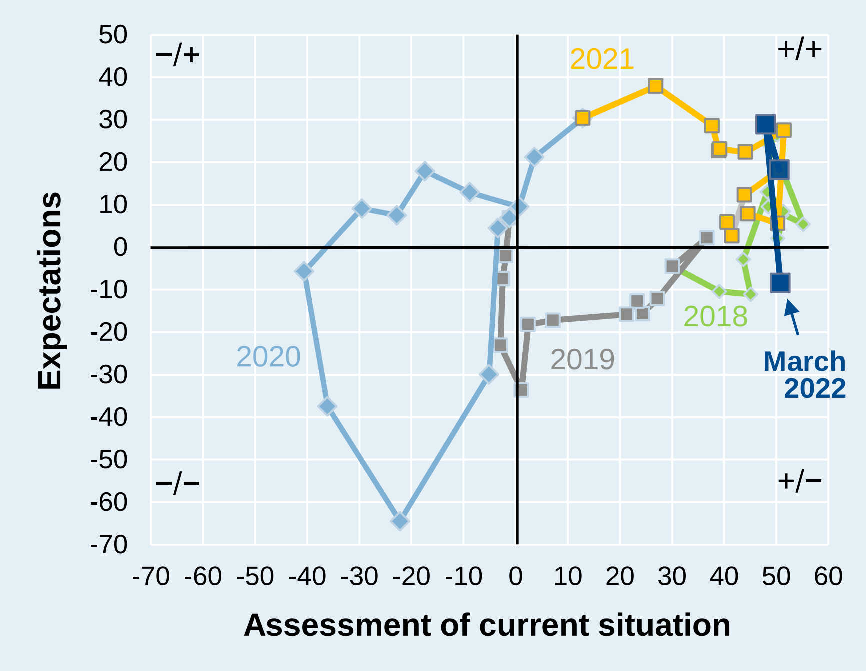
Source: Destatis and ZVEI's own calculations

Sales of the domestic electro and digital industry's companies amounted to €17.1bn in February 2022, leaving them 11.7% higher than a year earlier. Domestic turnover increased by 16.6% to €8.0bn, while sales to customers from abroad rose by 7.6% to €9.1bn. Both businesses with euro zone clients and partners from third countries were 7.6% up from a year ago in February. The former came to €3.5bn and the latter to €5.6bn.

In the first two months of this year the sector's revenues advanced by 12.3% (year over year) to €33.0bn. Here a rise in domestic turnover by 16.7% to €15.7bn and a smaller increase in foreign sales by 8.7% to €17.3bn have faced each other. Turnover with customers from the euro area picked up by 8.3% to €6.5bn between January and February. Eventually, the revenues from businesses with third countries (of €10.8bn) were 8.9% up.

German electro and digital industry
– Business climate

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



Source: ifo Institute

Russia's belligerent invasion of Ukraine has pushed the business climate in the German electro and digital industry sharply down in March 2022. In fact, the current situation was assessed slightly better than in the previous month. But overall business expectations plummeted and hit negative territory for the first time since June 2020.

59% of the sector's companies evaluated their present economic situation as good in March. 33% and 8% found it stable or rather bad, respectively. Looking forward to the next six months to come, by now only 15% of the sector's companies expect their future businesses to expand. 61% reckon with steady affairs and 24% await declines ahead.

Export expectations came down markedly in March, too. However, all in all they managed to stay above the zero line. The balance of firms expecting their exports to go up or rather down in the next three months to come fell from +17 %-age points in February to +10 now.

German electro and digital industry: Business cycle figures

year over year, %	2021	2022 February	2022 Jan - Feb
New orders	+23.8%	+8.6%	+14.9%
domestic	+20.0%	+12.0%	+18.1%
foreign	+27.0%	+6.0%	+12.5%
euro zone	+23.0%	+11.5%	+15.1%
non-euro zone	+29.3%	+2.9%	+11.0%
Production, real	+9.0%	+2.5%	+4.0%
Turnover, bn €	200.4 +10.2%	17.1 +11.7%	33.0 +12.3%
domestic, bn €	94.0 +9.1%	8.0 +16.6%	15.7 +16.7%
foreign, bn €	106.4 +11.2%	9.1 +7.6%	17.3 +8.7%
euro zone, bn €	38.5 +10.5%	3.5 +7.6%	6.5 +8.3%
non-euro zone, bn €	67.9 +11.6%	5.6 +7.6%	10.8 +8.9%

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

year over year, %	2021	2022 January	2022 Jan - Jan
Employees, thousand	874.1 1) +0.3%	874.0 1) +1.4%	874.0 2) +1.4%
Exports, bn €	224.6 +10.2%	16.9 +3.6%	16.9 +3.6%
Imports, bn €	221.7 +14.9%	18.5 +12.3%	18.5 +12.3%

	2021	2022 February	2022 Jan - Feb
Producer prices	+1.5%	+5.7%	+5.5%
Material prices	+5.1%	+11.9%	+11.6%
Export prices	+0.9%	+6.1%	+5.7%
Import prices	+0.6%	+9.1%	+8.7%

Balance of positive and negative answers	2021	2022 March	2022 February
Business climate	+29	+19	+38
- Economic situation	+39	+51	+48
- Expected business for next 6 months	+19	-8	+29
Export expectations for next 3 months	+27	+10	+27
Production plans for next 3 months	+34	+36	+41

	2021	2022 January	2021 October
Capacity utilization	86.6%	88.5%	88.4%
Reach of unfilled orders, in months	4.1	4.8	5.4

ZVEI: Die Elektroindustrie

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