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Exports to China have become less important

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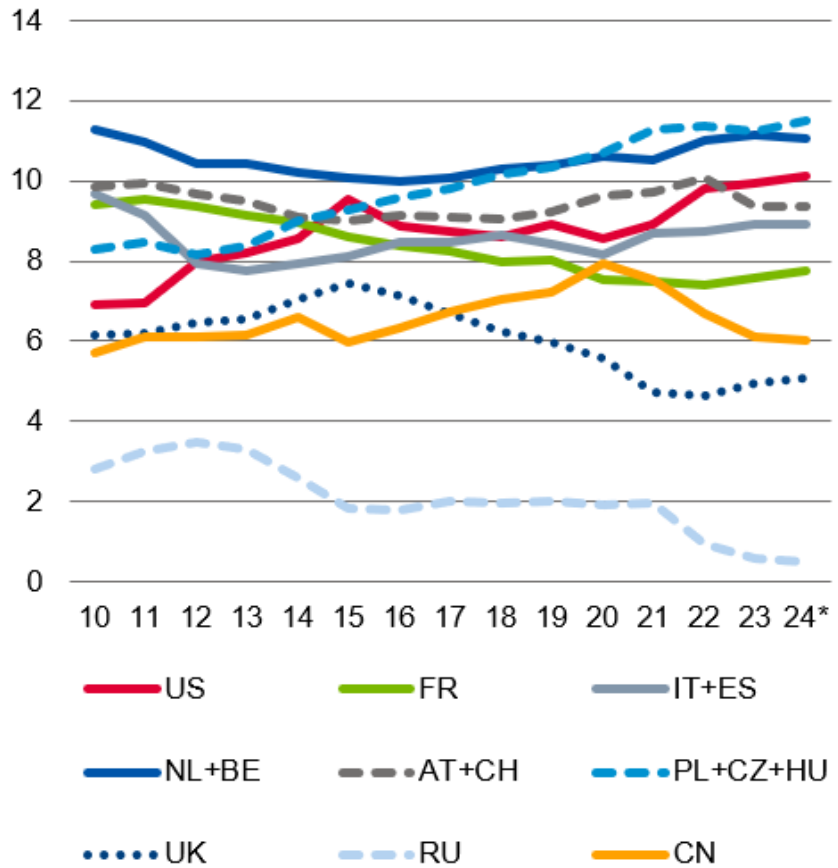
In the second half of the last decade, Germany's exports of goods to China grew faster than those to any other major trading partner. While German goods exports to China rose by 34% in nominal terms between 2015 and 2020, German exports to all other countries (excluding China) decreased by 1%. As a result, the market share of China in German exports climbed from 6% in 2015 to almost 8% in 2020, making the country the second-largest German export market destination at that time. Since then, however, German exports to China have become less important. In the first seven months of 2024, the overall share in total exports came down to 6% again.



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Share of countries and country groups in total German goods exports, %



Source: Federal Statistical Office

German exports to Eastern European countries and the US have fully compensated for the weaker development of exports to China. The increase of exports to Eastern Europe has mainly been driven by Poland, which alone has reached a share of 6% in total German exports in 2024 YTD – and which is now as important for the German export sector as China. The combined share of Poland, Czech Republic and Hungary stood at 11.5% in the first seven months of 2024. This is a sign of the ongoing integration of the industrial value chains between Germany and these countries. The US share in total German exports reached a new record high in the first seven months of 2024 (10.1%). It is obviously helpful that economic growth in the US is stronger than in the EMU..

While economic cooperation between Germany and its Eastern European trading partners is likely to deepen (nearshoring), the future importance of China as an export market depends heavily on the overarching trade relationship between the EU and China and the German corporate sector's strategy in dealing with China (e.g. the extent of de-risking, German FDI in China).

It is noteworthy, though not surprising, that German exports to Russia have declined markedly during the last few years, mainly driven by mutual sanctions. While Russia accounted for 3.5% of total German goods exports in



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2012, this share has come down to just 0.5% of late. In contrast, the negative impact of Brexit on German exports to the UK appears to have diminished. The UK's share in total German exports has recently recovered slightly to 5% (from a low of 4.6%), admittedly still well below the former peak of 7.5%.

Since then, however, German exports to China have become less important. In the first seven months of 2024, the overall share in total exports came down to 6% again. The reasons for the decline in importance are that China had rolled back measures to contain COVID-19 later than Germany's Western trading partners, which dampened overall Chinese economic growth. What is more, the savings ratio of Chinese private households has remained quite high and the propensity to invest has been muted in the Chinese corporate sector during the last few quarters. In addition, Germany's exports to China have suffered from intensified competition with Chinese companies and the fact that demand from Chinese customers is largely satisfied by local production facilities of German companies in some sectors. The automotive industry is a good example for both developments.

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