

**“UPGRADED SUPPORT TOOL FOR INTEGRATION OF SMEs IN
EUROPEAN AND GLOBAL VALUE CHAINS”**

REPORT 4

**FOREIGN TRADE OF GERMAN MANUFACTURERS AND
SERVICE PROVIDERS THAT ARE RELATED TO
INFRASTRUCTURE SECTOR, METAL PRODUCTION AND
AUTOMOTIVE SECTOR AND AGRICULTURE (FOOD
PROCESSING) SECTOR**



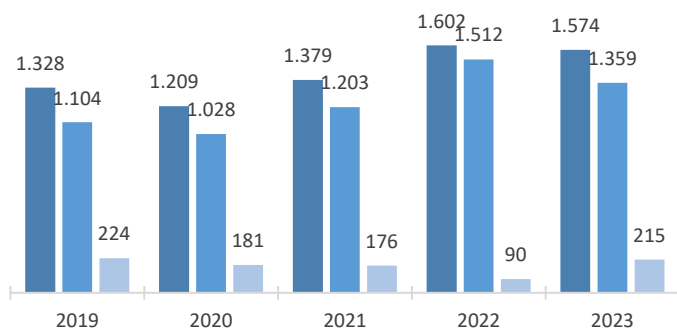
Foreign trade exchange of selected sectors of the German economy

According to the volume of foreign trade, Germany ranks third in the global market with a total of 3.0 thousand billion Euros, just behind the USA and China, and is one of the few countries that achieve a surplus in foreign trade. In 2023, in the total world exports, Germany participates with 7.3%, while this indicator on the import side reached 6.2%. The importance of the German economy for global trade is great, and European Commission economists expect that this indicator will further slowdown in 2024, and that it will only recover from the direct consequences of both recession and stagflation in 2025. The crisis period in which Germany is in recent years has influenced that this country significantly corrects both the import structure and the import itself, which in 2023 is lower by as much as 10% compared to the previous year, while a smaller drop was achieved in exports, which year-on-year decreased by about 1.8%. The average annual growth rate of exports in the five-year period (2019-2023) was 3.6%, which means that in this period exports grew by about 3.6% on average. On the other hand, this indicator for imports amounted to 4.5%, which shows that import performance is significantly faster than export performance.

If we look at the structure of Germany's exports, it can be seen that the largest export products are vehicles, nuclear reactors and electrical machines which are final products with a high level of added value that make up practically 50% of Germany's total exports in 2023. This country is also a major exporter of pharmaceutical products, an industry that is particularly important and developed in this country. On the import side, in addition to the products of the mechanical and electrical industry, we should also mention mineral fuels, plastic raw materials, iron, steel, etc. From this it can be clearly concluded that Germany procures raw materials and components from abroad, and that the production processes of the final products are carried out in the country.

The distribution of the most important trade partners is significantly fragmented, and the largest partners are the USA, China, and Great Britain, but also Euro zone countries such as the Netherlands, Poland and Italy. In exchange with the USA, Germany records a surplus of around 66 billion Euros in 2023, while in exchange with China the deficit amounts to 60 billion Euros.

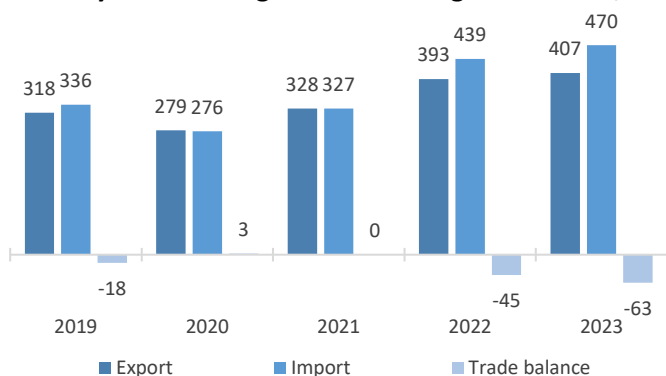
Germany's total foreign trade in goods, in billions of Euros



NOTE: Export, Import, Total
Source: Trademap.

The exchange of services of the most developed economy of the Euro zone is at a significantly lower level than the exchange of goods, and in 2023 it amounted to a total of 876.9 billion Euros, which is 5.4% more than in the previous year. When it comes to the structure of exchange, in 2023, exports reached 407 billion Euros, imports 470 billion Euros, which means that the ratio of exports and imports is only around 87%. The average annual growth rate of exports in the five-year period (2019-2023) was 6.1%, which means that in this period exports grew by the mentioned amount on average. On the other hand, this indicator for imports amounted to 8.1%.

Germany's total foreign trade exchange of services, in billions of Euros

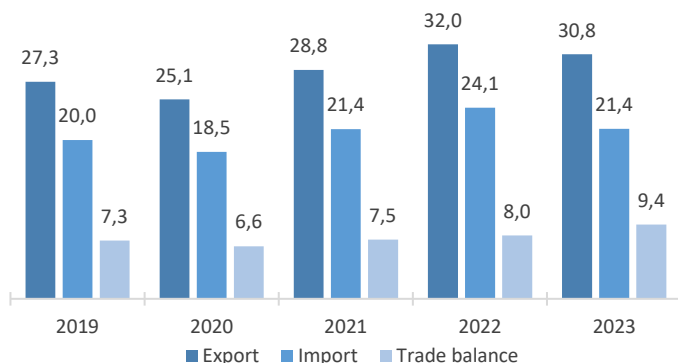


NOTE: Export, Import, Total
Source: Trademap.

Construction sector

The foreign trade exchange of goods of the construction sector in Germany during 2023 amounted to 52.2 billion Euros, which is 7% less than in the previous year. In the five-year period (2019-2023), exports increased by about 3% on average per year, while imports increased by about 1.7% in the same period. In 2023, in the exchange of construction services, an export of 30.8 billion Euros was realized, which is 1.9% of the country's total export, while the import reached 21.4 billion Euros, which is 1.6% of the total import. As a result, a surplus of 9.4 billion Euros was realized in the exchange of goods of the construction sector, which represents a record level of surplus in the last five years.

Foreign trade exchange of goods of the construction sector of Germany, in billions of Euros

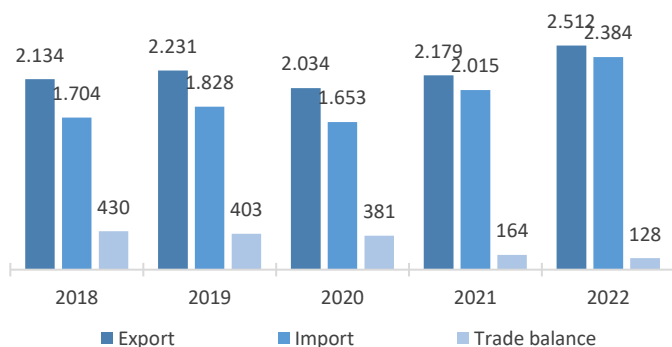


NOTE: Export, Import, Total

Source: Recalculation based on Trademap data.

On the other hand, the total foreign trade exchange of construction services during the last year for which complete data is available for 2022, amounted to 4.9 billion Euros, which accounts for only 0.6% of Germany's total exchange of services with the world, which represents a minimal contribution of this categories of services to the total exchange. Exports are only at around 2.5 billion Euros in 2022, while imports have reached around 2.4 billion Euros, with a realized surplus value of 128 million Euros.

Germany's foreign trade exchange of construction services, in millions of Euros



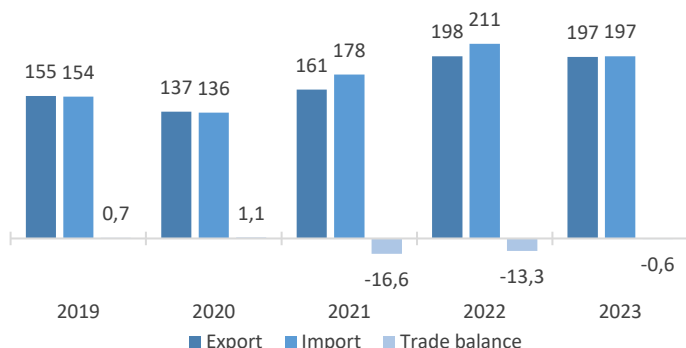
NOTE: Export, Import, Total

Source: Trademap.

Metal production

The total foreign trade exchange of the metal sector of Germany in 2023 amounted to about 394 billion Euros with almost identical values of exports and imports, while the value of the deficit is minimal, that is, 0.6 billion Euros. In 2023, the total exchange decreased by about 3.5%, exports are at approximately the same level, while imports decreased by about 6.4%. If we look at the time interval from 2019 to 2023, during this period, exports grew on average annually by around 6.2%, and imports by around 6.4%. As can be seen from the attached graph, in the last three years there has been a deficit in the exchange of these products, the highest of which was in 2021 (16.6 million Euros).

Foreign trade exchange of goods of the metal sector of Germany, in billions of Euros



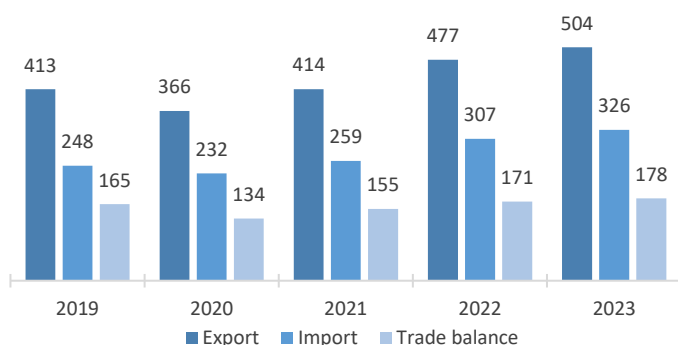
Source: Recalculation based on Trademap data.

Automotive industry

Germany's automotive sector has seen a significant recovery since the end of the pandemic, with exports showing particular resilience for automakers. From Asia to America, German cars embody the cherished qualities of innovation, reliability, safety and aesthetic design. The automotive sector is heavily influenced by a select few countries where OEMs' main operations are located, contributing significantly to global vehicle production. These nations include China, the US, Japan, India, South Korea and Germany, which have significant influence in the industry.

The total foreign trade exchange of the auto industry of Germany in 2023 reached 830 billion Euros, which is 28% of the total exchange at the national level. Compared to the previous year, there was a drop in exchange of 5.8%. Exports of the German automotive sector in the previous year amounted to 504 billion Euros (32% of total exports), while imports reached 326 billion Euros (24% of total imports), and consequently the realized surplus is the largest in the last five years and amounts to 178 billion Euros.

Foreign trade exchange of the auto industry of Germany, in billions of Euros



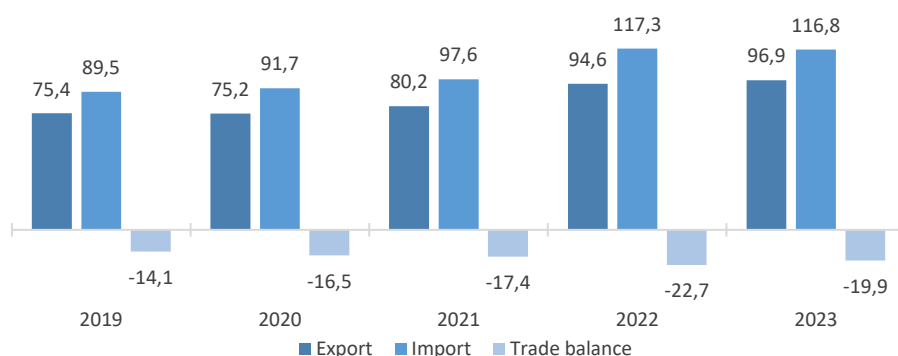
Source: Calculation based on Trademap data.

Agriculture

The European Union continues to promote international cooperation and greater trade flows through trade agreements with developed and developing countries. Trade agreements bring added value through sustainable growth, both in the EU and in partner countries. In addition, during recent crises, the well-functioning EU single market has proven capable of effectively absorbing and resolving trade disruptions/distortions.

The total foreign trade exchange of the agricultural and food sector of Germany amounted to 214 billion Euros in 2023, which is an almost unchanged level compared to the previous year, with realized export and import values of 97 and 117 billion Euros, respectively. Consequently, the recorded deficit amounted to around 20 billion Euros. Since 2019, the trend of a growing deficit has been clearly observed, and it should be borne in mind that Germany as an economy is, by its structure, more focused on activities and branches of industry with a higher degree of added value, such as the automotive industry, for example. If the contribution of the construction, automotive, metal and agricultural sectors is compared, the clear conclusion is that the contribution of the agricultural and construction sectors is the smallest.

Foreign trade exchange of agricultural products of Germany, in billions of Euros

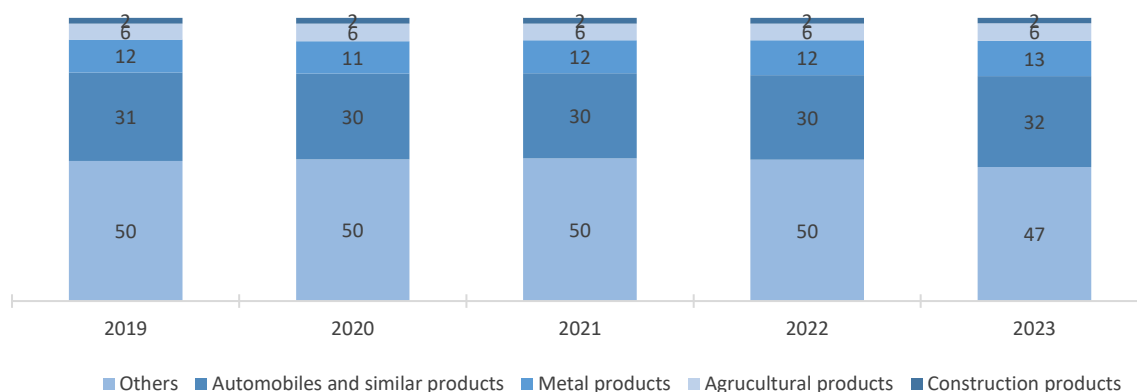


NOTE: Export, Import, Total

Source: Recalculation based on Trademap data.

In the structure of the total export of the German economy, the observed sectors make up 53% of the country's total export in 2023, with a pronounced dominant contribution of the automotive sector (32% of total export). The share of the automotive sector in total exports increased by 2 percentage points during the last five years, while other sectors remained at a stable level in all years.

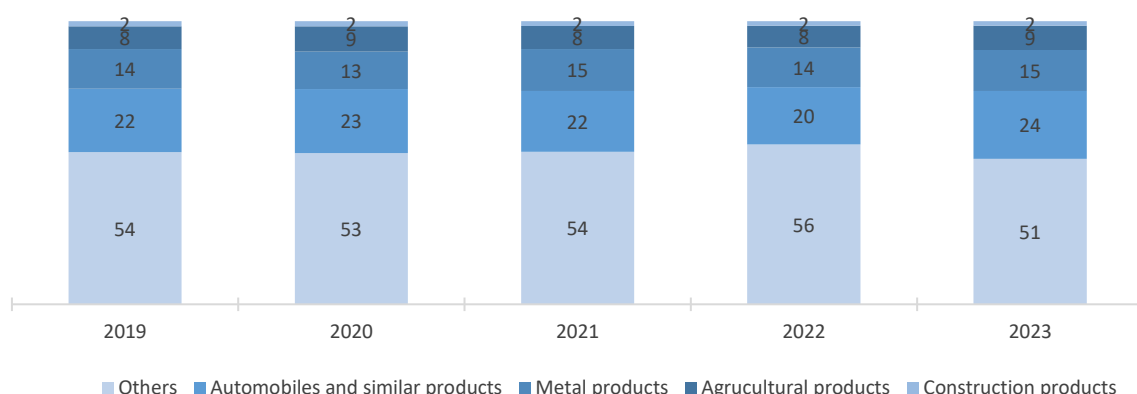
Structure of German exports by selected products, in % of total exports



NOTE: Cars and similar products, metal products, agricultural products, construction products, other
Source: Recalculation based on Trademap data.

If we look at the import structure of the German economy from 2019, it can be concluded that the import of the automotive sector is at the highest level in 2023 and that it amounted to 24% of the country's total import. The share of imports of the metal sector is at a stable level and in all observed years constitutes about 15% of total imports, while the contribution of the agricultural sector is single-digit and amounts to about 8-9% in each observed year. Thanks to the progress of imports of the automotive sector in the last year, the share of all other sectors of the German economy has fallen to around 51%.

Structure of German imports by selected products, in % of total imports



NOTE: Cars and similar products, metal products, agricultural products, construction products, other
Source: Recalculation based on Trademap data.

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