››› German exports are dominated by automobiles

No. 149, 26 October 2017

One Pager

Author: Dr Katrin Ullrich, phone +49 69 7431-9791, katrin.ullrich@kfw.de

Germany has a strong position in international trade. This is partly a result of the favourable environment, which sees the country in ninth place on the Enabling Trade Index of the World Economic Forum. Germany scores relatively poorly on domestic market access, however, because of the high complexity of the import tariffs. This complexity affects all members of the EU Single Market and results from the Common Customs Tariff on goods imports from third countries.

Automobiles – an export hit

If all 255 product groups had an equal share in Germany's exports, that share would be 0.4 %. In 2016, automobiles reached a far above-average share of nearly 12 % of exports in prices of 2010. The next product group is parts and accessories for motor vehicles, which takes a far lower share than the first group: 4.6 %. The automotive industry is thus heavily oriented to exports, with a good three fourths of the 5.7 million passenger vehicles produced in Germany in 2016 shipped abroad. The dominance of automobiles and vehicle parts is not new. Already in 1995, both product groups had the highest shares with nearly 10 and 2.6 %, respectively.

Automobiles also dominate imports

Germany's exports are relatively heavily focused on individual product groups, also in comparison with industrialised countries in general, while in imports the degree of concentration is comparable. Imports are currently dominated by automobiles as well, which also had a far above-average share of 5 % in 2016 (in prices of 2010). Unlike crude oil, whose share of imports has dropped significantly since 1995, they have been able to regain shares since 2010. Car parts, on the other hand, have been able to gain shares over the entire period.

For automobiles the export surplus amounted to nearly 3 % of GDP in 2016. Cars achieved a surplus as early as in 1995 (around 1 % of GDP) which grew continuously up to the global economic crisis, after which it tended to stagnate.

Exports are based primarily on domestic value creation

International value chains and the related specialisation have gained in importance in the course of globalisation. For the economic benefit from the international division of labour, it is now less significant what goods are being exported. More important are the activities and, hence, the value a country generates for export.

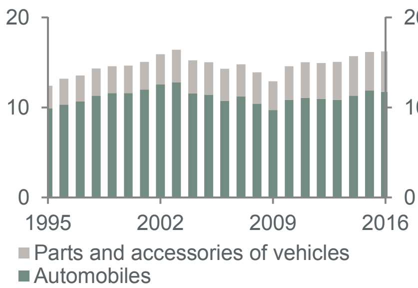
The proportion of domestic value creation in exports is trending downward for Germany as well as for the OECD and EU-28. In 2011 (most recent data available) it was 74 % (OECD: 76 %, EU-28: 72 %).

For the automotive industry the share of domestic value creation in exports is lower, at 68 %, because it lies at the end of the value chain and therefore sources extensive inputs from abroad. At the same time, the final products meet with final demand directly, so the domestic share of value creation that meets foreign final demand is above average, at 63 %. That makes the industry even more dependent on foreign demand and business cycles of other countries than the German economy with its high degree of openness overall.

Global value chains make national economies increasingly dependent on one another. Enterprises therefore need to establish value chains that are both flexible and robust in order to be able to manage unexpected disruptions in supply relationships. ■

Figure 1: Goods exports

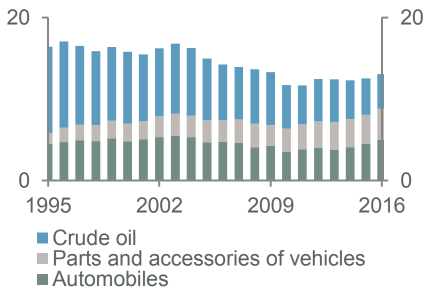
In per cent, constant prices of 2010



Sources: Federal Statistical Office, UNCTAD, own calculations.

Figure 2: Goods imports

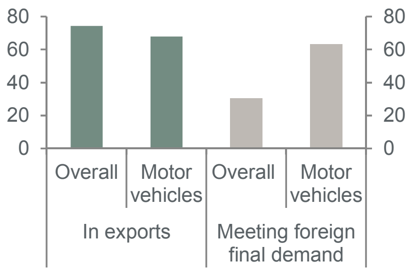
In per cent, constant prices of 2010



Sources: Federal Statistical Office, UNCTAD, own calculations.

Figure 3: Domestic value creation

Share of domestic value creation in per cent, for 2011



Source: OECD, own calculations.