

Trade with Germany generates as much as 10 per cent of Poland's GDP

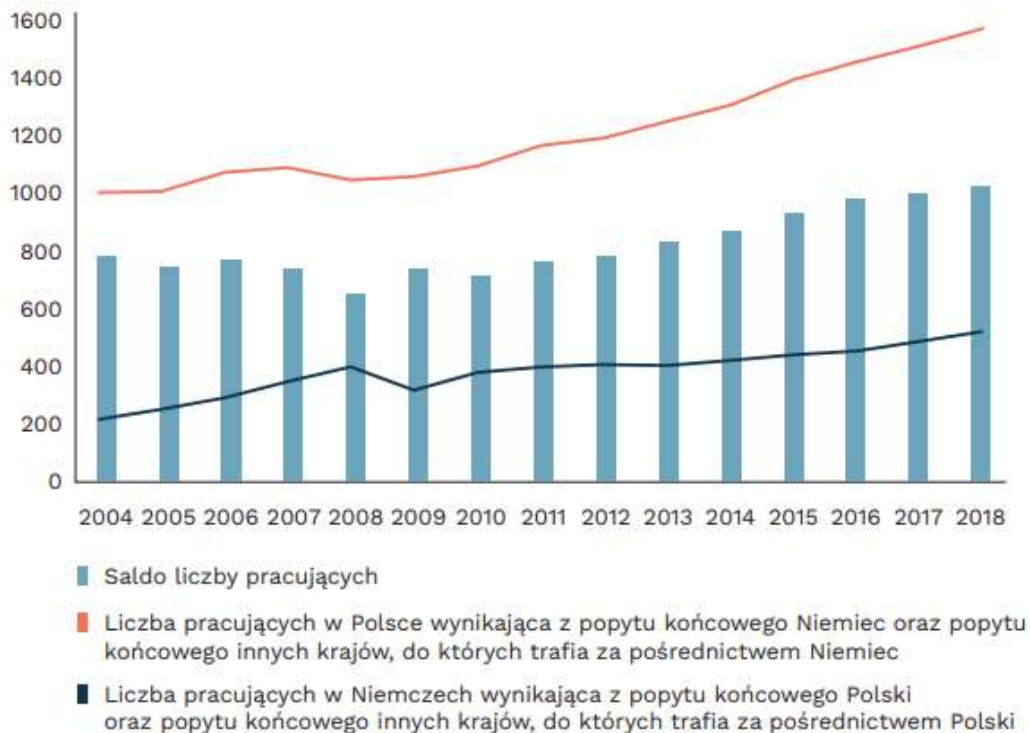
Germany has been one of Poland's key trading partners for years. In 2018, nearly 10 per cent of Polish GDP relied on trade with Poland's western neighbour, including more than 7 per cent generated by the demand from final customers over the Oder and another 2.6 per cent resulting from German exports of Polish value added. In its report entitled '*Współpraca handlowo-inwestycyjna Polski z Niemcami*' (Poland's trade and investment cooperation with Germany), the Polish Economic Institute analyses the trade balance of the two countries with regard to GDP generation and job creation, trade structure and mutual cooperation in the form of direct investment.

Economic cooperation between Germany and Poland

Poland benefits from trade with Germany, in terms of both value added acquired and the number of persons employed. It means that the demand from German final customers (households, businesses, general government) generated in Poland more value added and more jobs than final demand in Poland generated in Germany. Additional benefits for Poland arise from the Polish value-added content of German exports of goods, as demonstrated by the following data.

On the one hand, the demand from final customers in Germany provided jobs for 1,150,000 workers in Poland in 2018. Compared to 2004, it was a rise by 362,000 persons employed, or by 46 per cent. Additionally, 393,000 jobs in Poland existed because of the Polish value-added content of German exports of goods. On the other hand, final demand in Poland created 373,000 jobs in Germany. Against 2004, the number increased by 168,000 – it more than doubled. Another 136,000 persons had jobs due to the German value-added content of Polish exports.

Wykres 3. Liczba pracujących dzięki polsko-niemieckiej wymianie handlowej (w tys.)



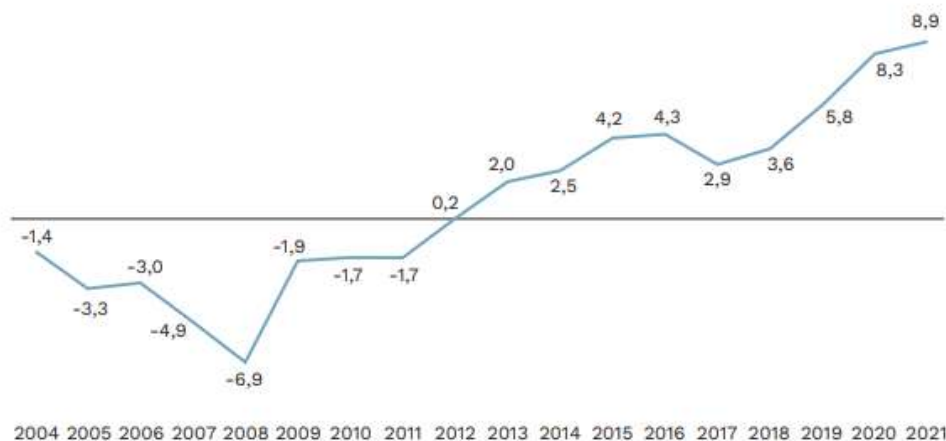
Źródło: opracowanie własne PIE na podstawie danych z bazy OECD TiVA (2021).

Germany more important to Poland than Poland to Germany

'There is distinct asymmetry in the roles played by the two countries in their mutual trade, which results from differences in size between the economies. Trade with Germany generates several times more value added and jobs in Poland than the value added and jobs in Germany created by trade with Poland. Therefore, Germany is much more important to Poland than Poland is to Germany', says Łukasz Ambroziak, a senior advisor in the world economy team of the PIE.

Poland is Germany's fifth and fourth largest trading partner in exports and in imports respectively. Poland became the fourth largest supplier to its western neighbour in the period of the COVID-19 pandemic, outperforming France. Poland has recorded a trade surplus with Germany since 2012 (at EUR 9 billion in 2021).

**Wykres 4. Saldo handlu towarami Polski i Niemiec w latach 2004-2021
(w mld EUR)**



Źródło: opracowanie własne PIE na podstawie danych GUS oraz Destatis o imporcie wg kraju pochodzenia.

The economic slowdown over the Oder will affect the Polish economy

'A question mark hangs over the prospects of Poland–Germany trade in the coming months. Although October and November saw improved sentiment and better-than-expected results of the German economy, all think tanks predict a recession in the following year. According to most forecasts, however, GDP should fall by no more than 1 per cent', emphasises Łukasz Ambroziak.

Any slowdown or recession in Germany will undoubtedly hit Polish exports over the Oder. Parts and components used in German production plants, largely export-oriented factories, account for nearly half of those exports. But at least half of Polish exports to Germany satisfy Germany's internal demand. It implies that reduced household consumption and business investment will automatically translate into deteriorated results of Polish exports to Germany.

The Polish Economic Institute is a public economic think-tank dating back to 1928. Its research primarily spans macroeconomics, energy and climate, foreign trade, economic foresight, the digital economy and behavioural economics. The Institute provides reports, analyses and recommendations for key areas of the economy and social life in Poland, taking into account the international situation.

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