

Trade dynamics between India and the German federal states – trends and developments

The total Indo-German trade volume stands at EUR 19.2 billion in 2017 and has almost doubled since 2006. Ever since, Germany has had a trade surplus with India (EUR 2.2 billion in 2017), which is an exception for the region. Taking a closer look at Germany's trade with India's neighbouring countries, Sri Lanka, Pakistan, Bhutan, Bangladesh and China, one will find a clear trade deficit in the past ten years.

However, the growth of the trade volume between India and Germany is not only export-driven. While exports to India increased by 9.2% in 2017, as compared to 2016, imports have gone up remarkably by 10.74% in the same period of time. To understand which sectors and regions in Germany drive that growth, we take a closer look at the trade dynamics between India and Germany's federal states.

This article analyses the trade relations between the sixteen federal states of Germany and India and ranks them according to their trade volume with India. The data which has been used for the analysis is available at the Genesis Online database of the German Federal Statistical Office. Services and financial transactions are not considered in these trade statistics. Let's start with the biggest German trading partner, North Rhine-Westphalia.



North Rhine-Westphalia

North Rhine-Westphalia (NRW) is Germany's most populous state and India's biggest trading partner within Germany. More than 23% of the total German trade with India in 2017, happened with NRW. This sums up to a trade volume worth EUR 4.5 billion in 2017, a plus of 9%, compared to the previous year.

Exports to and imports from India are quite balanced. In 2017 NRW exports showed a value of EUR 2.1 billion and mainly consisted of machinery (EUR 786 million) and chemicals (EUR 493 million; +25% compared to 2016). The constantly declining exports of metals (-59% compared to 2010) were compensated by the growth of many other sectors like rubber, plastic products, data processing, electrical and optical equipment, whose export volumes doubled in the same period of time. In total, the exports of NRW to India increased by 7%, as compared to the previous year.

Imports to NRW stand at EUR 2.4 billion in 2017 (+11% compared to 2016). Imports of garments, textiles and leather are continuously growing and top the list, while contributing EUR 833 million (35%) to India's supplies to NRW. Automotives and parts thereof, constitute the second largest category of NRW's imports (EUR 291 million). The significant growth of imports to NRW in 2017, was triggered by many product categories, like metals (+73%), pharmaceutical and similar goods (+26%), machinery (+16%) and electrical equipment (+12%), which showed a very positive development, compared to 2016.



Baden-Württemberg

Baden-Wuerttemberg's (BW) trade volume with India valued almost EUR 3 billion in 2017, which means more than 15% of the total Indo-German trade in 2017. BW has overtaken Bavaria in terms of trade volume with India and was India's second largest trading partner within Germany, in 2017. Although BW saw 14% more imports from India in 2017 (EUR 1.1 billion) compared to the previous year, in absolute numbers, Bavaria still takes the lead, with EUR 1.2 billion worth goods imported from India.

Export volume of BW grew by 8% (EUR 1.9 billion) and exceeded Bavaria's by

almost EUR 250 million, in 2017. The strong exports in BW led to a trade surplus of EUR 750 million, in 2017. Most of the value was generated by exports of machinery (EUR 721 million), data processing, electrical and optical equipment (EUR 264 million, +19 %) and automobiles and parts thereof (EUR 184 million, +21 %).

Imports from India increased by 14%, with a value of EUR 1.1 billion, in 2017. Which products drove this growth? Imports of machinery alone, grew by 38% (EUR 232 million), let alone garments, textiles and leather, which increased by 13% (EUR 289 million) and chemicals by 17% (EUR 107 million).



Bavaria

Bavaria contributed to almost 15% of the total Indo-German trade, in 2017. Its trade volume with India stood at almost EUR 2.9 billion, in 2017. Imports from and exports to India, grew quite equally in 2017, by around 6%.

Bavaria exported goods worth EUR 1.6 billion to India. Most of the value was generated by machinery (EUR 521 million), electrical equipment (EUR 239 million) and data processing, electrical and optical equipment (EUR 224 million), which accounted for 61% of the total export value. Within the top four exported products, chemicals (EUR 189 million) achieved an above average growth of 16%, in 2017.

Growth drivers for imports can be found in many sectors. While imports of electrical equipment increased by 7%, which is in line with the average growth of the Indo-Bavarian trade volume, categories like automobiles and parts thereof (+28%), other vehicles (+30%), pharmaceutical and similar goods (+26%), showed impressive growth numbers, in 2017. Garments, textiles and leather (EUR 408 million), as well as machinery (EUR 129 million) and chemicals (EUR 123 million), performed below average, or even declined.



Hamburg

Although Hamburg is area-wise, one of smallest German states, it achieved the 4th largest trade volume with India, in 2017: Goods worth EUR 1.4 billion, have been traded. This is a sharp increase of 21%, compared to 2016. Of course, having one of Europe's largest container ports, the 'Hamburger Hafen', within the state, helps to show good trade results. Hamburg has a trade deficit with India: Its exports valued EUR 598 million in 2017, while the imports dominated, with a value of EUR 823 million.

Most of Hamburg's exports belong to the category 'other vehicles' (EUR 412 million). Within this category, aeroplanes worth EUR 400 million, were delivered in 2017. This is an increase of 112% compared to 2016. Most of the aeroplanes seem to be deliveries for the Indian airline Indigo, which placed an order for 250 Airbus Neo, in 2015. Exports of machinery also doubled, but on a much lower level (EUR 42 million). Chemicals worth EUR 63 million (+68% compared to 2016) were exported to India, while their imports were valued at EUR 124 million, in 2017. The imports of garments, textiles and leather have traditionally been high and accounted for EUR 337 million, in 2017. Another product category worth mentioning is agricultural products and game, which grew by 54% in 2017 and valued EUR 154 million.



Lower Saxony

Lower Saxony's total trade volume with India in 2017 showed an above average growth of 13% (EUR 1.3 billion), compared to 2016. This growth was driven by imports from India (EUR 826

million, +22%). The exports remained stable (EUR 450 million), compared to the previous year.

The two biggest export sectors are machinery (EUR 113 million) and chemicals (EUR 93 million, -14 %). Most of the imports in 2017 consisted of garments (EUR 139 million, +14%), leather (EUR 83 million) and rubber and plastic products (EUR 112 million, +14 %). Garments, textiles and leather, accounted for almost 40% of the total imports from India. The most impressive growth was demonstrated by food and feed products, which increased from EUR 16 million in 2016 to EUR 77 million (+473%), in 2017.



Hesse

The trade between Hesse, which is considered Germany's banking hub, and India, was worth EUR 1.2 billion in 2017, and was almost the same level as in the previous year.

The exports (EUR 567 million) slightly declined compared to the previous year, which led to a small but growing trade deficit with India. Exports mainly consisted of machinery (EUR 85 million, +15 %), automobiles and parts thereof (EUR 78 million, -27 %), as well as chemicals (EUR 166 million).

The marginal increase in trade volume was driven by increasing imports (EUR 649 million, +7%): Chemicals (EUR 156 million), pharmaceutical and similar goods (EUR 92 million), as well as garments, textiles and leather (EUR 108 million) acted as growth drivers. Machinery (EUR 45 million, +20 %), automobiles and parts thereof (EUR 43 million, +13 %), showed high growth rates in 2017, but remained low, in terms of absolute numbers.



Rhineland-Palatinate

While the total trade volume of Rhineland-Palatinate (RP) and India (EUR 906 million) moderately grew by 3% in 2017, it was mainly driven by exports (EUR 552 million, +6%); imports declined slightly (EUR 354 million). The trade surplus of Rhineland-Palatinate was almost EUR 200 million.

Chemicals (EUR 200 million), machinery (EUR 188 million) and pharmaceutical and similar goods (EUR 50 million) were exported to India. While exports of chemicals showed a decline in 2017, the value of exported machinery, pharmaceutical and similar goods, increased by around 25%. Imports from India to RP declined in 2017, and consisted of leather (EUR 73 million), chemicals (EUR 104 million) and pharmaceutical and similar goods (EUR 28 million). Only garments achieved a significant growth of 25%.

The largest chemical producer in the world, BASF, is headquartered in the city of Ludwigshafen, RP.



Schleswig-Holstein

Schleswig-Holstein's trade with India showed above average growth in 2017: With a trade volume of EUR 446 million, exchange of goods increased by 14%. Exports (EUR 238 million) and imports (EUR 208 million) were quite balanced, with double-digit growth rates.

This growth was not driven by traditional exports like machinery (EUR 73 million, -6%) and chemicals (EUR 20 million), but by data processing machines and electrical and optical equipment (EUR 16 million, +11%), and many product categories like electrical equipment and metal products, with a value of around EUR 10 million.

The imports clearly showed an increase in chemicals (EUR 34 million, +17%), metal products (EUR 15 million, +19%) and machinery (EUR 15 million, +26%).



Saxony

Saxony ranks first in terms of the trade of the former East German states, with India. In 2017, its trade volume increased by 25% compared to 2016 and valued at EUR 303 million. Exports (EUR 206 million) increased by 41%, whereas imports were stagnant, at EUR 97 million.

Exports of machinery increased by 69% (EUR 74 million) and chemicals grew by 15% (EUR 35 million). Imports were dominated by textiles (EUR 18 million, +76%), machinery (EUR 15 million, +4%) and chemicals (EUR 12 million, -38%).



Saxony-Anhalt

Saxony-Anhalt's total trade volume with India increased by 15% and stood at EUR 256 million, in 2017.

This growth was driven by exports, which grew by 25%, to EUR 106 million. The two biggest segments were chemicals (EUR 55 million, +33%) and metals (EUR 15 million, +93%). Imports showed a good performance in 2017 as well: The growth of 10% mainly came from pharmaceutical and similar goods (EUR 40 million) and chemicals (EUR 15 million). The largest group of imported goods was garments, textiles and leather (EUR 55 million), which showed a slight decline.



Berlin

The trade volume between the city state and India has constantly increased in the last five years and reached EUR 247 million in 2017. In 2017, trade numbers showed a downturn in exports (-12%), but a very positive development of imports (+28%).

Imports of garments, textiles and leather, especially, have steadily grown in the past years. In 2017, these imports grew by 37% to EUR 41 million. Also, electrical equipment (23 million, +41%) and machinery (EUR 16 million, +51%), managed an impressive growth. Electrical equipment (EUR 39 million), machinery (EUR 32 million), data processing machines and electrical and optical equipment (EUR 23 million), were the main exports.



Bremen

Bremen's trade with India registered a 6% growth in 2017. With a total trade volume of EUR 243 million, Bremen covered 1.3% of the total Indo-German trade. Imports developed quite well (+15%), but exports fell by 13%. Most of the exports worth EUR 86 million, consisted of data processing machines and electrical and optical equipment (EUR 29 million), automobiles and parts thereof (EUR 29 million). Garments, textiles and leather had a share of EUR 71 million, out of the total imports to Bremen (EUR 156 million), in 2017.



Saarland

Saarland's trade with India summed up to EUR 181 million, in 2017. This was a slight plus of 3% and driven by increased exports. The exports (EUR 120 million) were dominated by machinery (EUR 66 million), which showed a plus of 24%. Metals, with a value of EUR 21 million, formed the second largest category of Saarland's exports. The imports (EUR 61 million) mainly consisted of garments, textiles and leather (EUR 17 million) and machinery (EUR 13 million).



Thuringia

India and Thuringia traded goods worth EUR 159 million, in 2017. With exports (EUR 110 million) being more than twice as high as the imports (EUR 49 million), Thuringia had a clear trade surplus with India. Exports comprised of data processing machines and electrical and optical equipment (EUR 24 million), machinery (EUR 21 million) and electrical equipment (EUR 18 million). Machinery (EUR 12 million), as well as garments and textiles (EUR 11 million), formed most of India's imports to Thuringia.



Brandenburg

Brandenburg's trade volume with India developed positively (+7%) and settled at EUR 133 million, in 2017. Imports increased by 17%, to EUR 85 million. Exports did not develop as well and dropped below EUR 50 million. Brandenburg is the only German state, whose largest group of exports consisted of products of wood, cork, as well as straw and plaiting materials, except furniture (EUR 14 million, +76%). Most of the imports were chemicals (EUR 29 million) and garments, textiles and leather (EUR 23 million).



Mecklenburg-Western Pomerania

Last but not least, Mecklenburg-Western Pomerania's (MWP) trade volume with India valued at EUR 65 million (+13%), in 2017. Both, exports and imports increased, but still amounted to a share of just 0.34% of the total Indo-German trade. Like Brandenburg, MWP also exported products of wood, cork, as well as straw and plaiting materials, except furniture to India (EUR 15 million). The highest export category was machinery, with a value

of (EUR 19 million). Imports were dominated by food and feed (EUR 3 million), leather (EUR 2.7 million) and chemicals (EUR 2 million).

In general, the total trade volume between India and Germany, increased by almost 10% in 2017. As the three leading trading partners of India within Germany, North Rhine-Westphalia, Baden-Württemberg and Bavaria, were the main drivers for this positive development. All sixteen federal German states managed to improve their trade volumes with India.

Germany exported goods worth EUR 10.7 billion to India, in 2017. Germany's most important exports were machinery (EUR 3.2 billion), chemicals (EUR 1.6 billion) and electrical equipment (EUR 1.2 billion), which performed well in most of the states. North Rhine-Westphalia, Baden-Wuerttemberg and Bavaria alone, delivered machinery worth EUR 2 billion to India. A significant increase of exports of machinery was seen in Saxony (+69%). Exports of chemicals were distributed more evenly between the German states, but the largest chemical exports came from North Rhine-Westphalia (EUR 493 million), Rhineland-Palatinate (EUR 200 million) and Bavaria (EUR 189).

Imports from India to Germany remained dominated by textiles, garments and leather, which accounted for 31% of the total exports from India to Germany (EUR 8.6 billion). Also the imports of chemicals became more important – they increased by over 5% to almost EUR 1 billion in 2017.

The trade statistics prove that Indo-German trade prospered in the year 2017. One can only hope that this positive development will not be hampered by trade barriers, and Indo-German trade will further flourish in 2018.

Table 15

Trade between India and the German federal states (in EUR 1000)

| Federal state | Export value | % Export growth compared to 2016 | Import value | % Import growth compared to 2016 | Total trade volume | % Of total trade volume | % Growth compared to 2016 | Ranking as per Trade Volume |
|-------------------------------|-------------------|----------------------------------|------------------|----------------------------------|--------------------|-------------------------|---------------------------|-----------------------------|
| Baden-Wuerttemberg | 1,850,634 | 7.59 | 1,101,115 | 14.35 | 2,951,749 | 15.33 | 10.02 | 2 |
| Bavaria | 1,616,200 | 6.82 | 1,243,423 | 5.27 | 2,859,623 | 14.85 | 6.14 | 3 |
| Berlin | 123,356 | -12.24 | 123,345 | 27.67 | 246,701 | 1.28 | 4.01 | 11 |
| Brandenburg | 48,333 | -6.47 | 85,063 | 16.93 | 133,396 | 0.69 | 7.21 | 15 |
| Bremen | 86,297 | -6.14 | 156,226 | 14.10 | 242,523 | 1.26 | 5.97 | 12 |
| Hamburg | 597,419 | 56.81 | 822,997 | 4.52 | 1,420,416 | 7.38 | 21.57 | 4 |
| Hesse | 566,966 | -1.4 | 648,684 | 6.75 | 1,215,650 | 6.31 | 2.79 | 6 |
| Mecklenburg-Western Pomerania | 49,500 | 14.36 | 15,245 | 9.16 | 64,745 | 0.34 | 13.09 | 16 |
| Lower Saxony | 450,536 | -0.82 | 826,051 | 22.43 | 1,276,587 | 6.63 | 13.08 | 5 |
| North Rhine-Westphalia | 2,130,758 | 7.11 | 2,384,587 | 11.06 | 4,515,345 | 23.46 | 9.16 | 1 |
| Rhineland-Palatinate | 551,962 | 6.01 | 353,711 | -1.8 | 905,673 | 4.70 | 2.82 | 7 |
| Saarland | 120,105 | 7.74 | 60,674 | -4.52 | 180,779 | 0.94 | 3.29 | 13 |
| Sachsen | 206,161 | 41.46 | 96,889 | 0.34 | 303,050 | 1.57 | 25.07 | 9 |
| Saxony-Anhalt | 105,886 | 25.14 | 150,414 | 10.07 | 256,300 | 1.33 | 15.84 | 10 |
| Schleswig-Holstein | 237,924 | 15.59 | 208,110 | 12.71 | 446,034 | 2.32 | 14.23 | 8 |
| Thuringia | 110,353 | -0.91 | 49,131 | 8.27 | 159,484 | 0.83 | 1.75 | 14 |
| Abroad | 1,832,120 | 11.44 | 240,899 | 12.30 | 2,073,019 | 10.77 | 11.54 | |
| India Total 2017 | 10,684,510 | | 8,566,564 | | 19,251,074 | 100 | | |

Source: Federal Statistical Office, Wiesbaden