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## ПЛАТІЖНИЙ БАЛАНС НІМЕЧЧИНИ ТА РОЛЬ УКРАЇНИ В ЇЇ ЗОВНІШНЬОЕКОНОМІЧНІЙ ДІЯЛЬНОСТІ

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## GERMANY'S BALANCE OF PAYMENTS AND THE ROLE OF UKRAINE IN ITS FOREIGN ECONOMIC ACTIVITIES

**Анотація.** Сьогодні платіжний баланс всебічно досліджується фахівцями в галузі міжнародних економічних відносин як джерело найважливішої інформації, що розкриває особливості участі країни в міжнародному обміні товарами, послугами, капіталами. Важливу роль у розробці та реалізації валютної політики держави відіграє платіжний баланс, який безпосередньо впливає на стан економіки. Він дає можливість проаналізувати стан зовнішнього сектору країни, оцінити збалансованість руху реальних і фінансових ресурсів між країнами. Платіжний баланс може використовуватися суб'єктами господарювання як важливе джерело інформації, допомагаючи прогнозувати та оцінювати ефективність державної економічної політики (наприклад, інтервенції на валютних ринках), привабливість країн для іноземних інвестицій, прогнозувати динаміку валютного курсу на середньо- і довгострокову перспективу. Міжнародні розрахунки суб'єктів міжнародних економічних відносин є складовою частиною відображення платіжного балансу. Будь-яка зовнішньоекономічна операція вимагає злагодженого функціонування системи міжнародних розрахунків, а вибір її форми визначається низкою факторів, що враховують позиції економічних контрагентів, рівень довіри ділових партнерів, політичну ситуацію та економічну ситуацію. Актуальність дослідження німецької економіки пов'язана з євроінтеграційним курсом України, а також з ключовою роллю Німеччини в структурі зовнішньої торгівлі України.

**Ключові слова:** платіжний баланс, макроекономічна політика, світова економічна криза, державне регулювання, збалансованість, джерела стимулювання експорту.

**Abstract.** Today, the balance of payments is comprehensively studied by specialists in the field of international economic relations, as a source of the most important information that reveals the peculiarities of the country's participation in the international exchange of goods, services, and capital.

The balance of payments plays an important role in the development and implementation of the currency policy of the state, which directly affects the state of the economy. It provides an opportunity to analyze the state of the country's external sector, to assess the balance of the movement of real and financial resources between countries. The balance of payments can be used by business entities as an important source of information. It helps to predict and evaluate the effectiveness of state economic policy (for example, interventions on foreign exchange markets), the attractiveness of countries for foreign investments, to forecast exchange rate dynamics in the medium and long term.

International calculations of subjects of international economic relations are an integral part of displaying the balance of payments. Any foreign economic transaction requires the coordinated functioning of the system of international settlements, and the choice of its form is determined by a number of factors, taking into account the positions of economic counterparties, the degree of trust of business partners, the political situation and the economic situation.

The relevance of the study of the German economy is connected with the European integration course of Ukraine, as well as with the key role of Germany in the structure of Ukrainian foreign trade.

**Key words:** balance of payments, macroeconomic policy, global economic crisis, government regulation, balance, export promotion sourcing.

**Introduction.** The articles of the balance of payments are designed to reflect all foreign trade operations of the country with the outside world. These articles cover exports of goods and services, spending by tourists abroad, etc. The country's balance of payments is the balance between the country's income from the outside world and its payments to it.

The territory of the former GDR was integrated with the socialist countries for a long time, so foreign economic ties focused on the world market are just forming here. The share of the Federal Republic of Germany in world imports is 9 %, in exports — 11 %. About 3/4 of foreign trade transactions are in economically developed countries, especially the EU (half of all trade exchanges) and the USA [1].

In recent years, relations with the post-socialist countries of Central Europe have been expanding. Germany supplies machines and equipment to developing countries, and receives raw materials and semi-finished products from there.

A significant place in Germany's foreign relations is occupied by activity on the capital market, and investments in economically developed Western European countries and the USA are predominant among investments. US capital is traditionally invested in Germany itself (up to 30 % of all foreign investments). About 20-25 % of the country's industrial products are produced at enterprises with the participation of foreign capital. [1]

**Main results.** The balance of payments records all economic transactions between residents and non-residents over a period of time and thus shows the economy's complex foreign trade relations with the rest of the world.

Analyzing the current balance of payments of Germany in 2021, the current balance to GDP is 7.4 %, and the current balance is 4998 EUR million as of July 2022 [2].

Balance of Payments Surplus to GDP in Germany increased to 7.4 % in 2021. The maximum surplus was 8.6 % and deficit was –1.8 % (Figure 1).

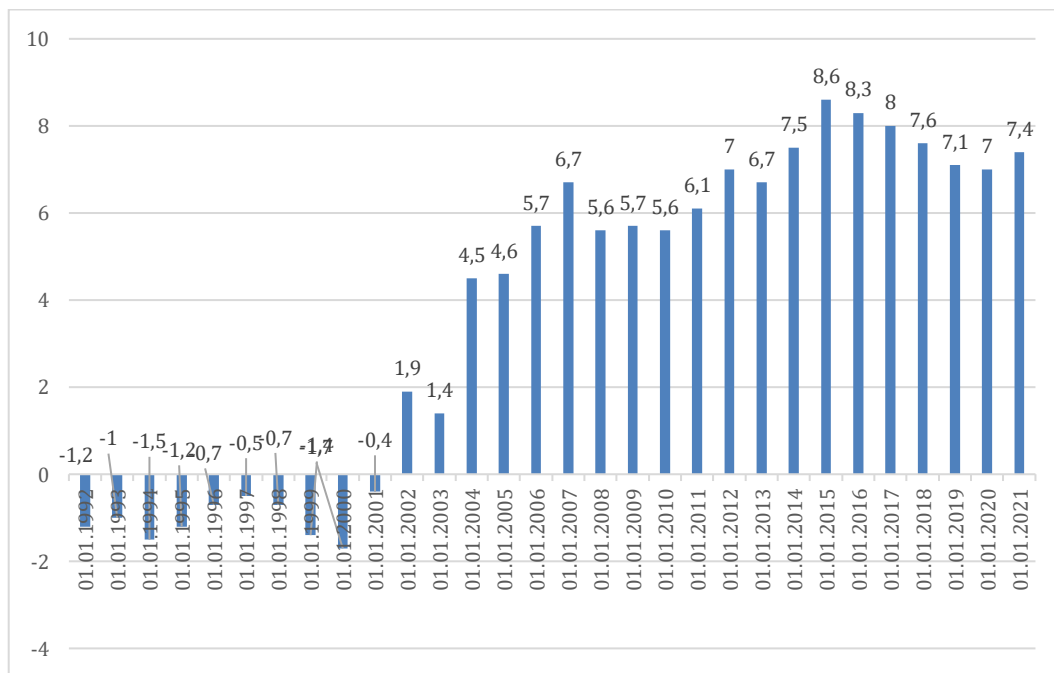


Figure 1. Fluid balance dynamics in GDP in Germany for 1992–2021, %

Compiled by the authors from the source: [2].

In 2022, for the first time since 1991, Germany recorded a deficit of the foreign trade balance in the amount of 1 billion euros according to the results of May. A month earlier, the foreign trade surplus was 3.1 billion euros, a year earlier it was 13.4 billion euros.

The aggregate volume of German exports adjusted for calendar and seasonal factors decreased in May by 0.5 % month-on-month to 125.8 billion euros, while imports increased by 2.7 % to 126.7 billion euros. [3]

In annual terms, the total volume of exports of Germany increased by 11.7 %, imports soared by 27.8 %.

At the same time, the volume of German exports to Russia in May 2022 increased by 29.4 % compared to April and amounted to 1 billion euros. It is noted that the indicator increased for the first time in three months. In March, it collapsed by more than 60 %, in April it decreased by 9.9 % against the background of sanctions and various export restrictions.[3]

Meanwhile, imports from the Russian Federation to Germany continue to decline. Last year, it fell by 9.8 % to 3.3 billion euros, after a 16.4 % decline in April.

**Foreign economic activity of Germany.** Germany is an economically successful and open state to the world, a leading industrial and agricultural state, which occupies the first places in numerous ratings, including for innovations and research developments.

Germany is the largest economy in the European Union and the fourth in the world after the USA, China and Japan. It owes its competitiveness and global involvement in the network to its great innovative power and significant export orientation. [4]

More than 99 percent of small and medium-sized firms continue to be the structural backbone of the economy. Small and medium-sized enterprises complement concerns whose shares are listed in the German stock index DAX on the Frankfurt Stock Exchange — the most important financial center of continental Europe.

In 2020, the German economy experienced a severe recession due to the coronavirus pandemic. However, the economy began to recover from the crisis, with GDP growing for the first time since the pandemic (a total of 2.7 % growth in 2021) and totaling EUR 3,563.9 billion.[4]

According to the results of 2021, the volume of foreign trade of Germany amounted to 2,578 billion euros (2020 — 2,232 billion euros); export — €1,375 billion (2020 — €1,206.0 billion); import — € 1,203 billion (2020 — € 1,026 billion). Despite the challenges of 2021, Germany still maintained a typical foreign trade surplus [4].

The leading place in the German economy is occupied by: the service sector, mining, metallurgical, chemical, machine-building, food, shipbuilding, light, oil refining industry, shipbuilding, electronics production.

Main export items: automobiles, machinery, chemicals, computers and electronic products, electrical equipment, pharmaceuticals, metals, transport equipment, foodstuffs, textiles, rubber and plastics.

Main articles of German imports: mechanical engineering, information processing equipment, automobiles, chemicals, oil and gas, metals, electrical equipment, pharmaceuticals, foodstuffs, agricultural products [4].

Germany is increasingly importing chemicals as its own industrial giant BASF SE grapples with soaring energy prices due to cuts in Russian gas.

Due to the deepening of the crisis, the volume of German chemical imports has almost doubled. According to the Federal Statistical Office, in the first half of 2022, Germany imported about 2.8 billion tons of inorganic chemicals. This is almost 40 % more than in the same period last year [5].

Meanwhile, domestic chemical production has plummeted as manufacturers cut production due to skyrocketing gas costs.

The changes in the chemical industry highlight the depth of the energy problem in Germany, which suffers from higher prices than neighboring countries due to its dependence on Russian gas. Falling domestic production may be the first sign of an economic crisis that is growing in the country.

BASF, Germany's biggest chemical maker, said in July it had started buying ammonia rather than producing it to reduce gas consumption at its Ludwigshafen plant. Meanwhile, Abu Dhabi's national oil company sent its first batch of low-carbon ammonia to Germany this month.

Experts are increasingly beginning to notice significant import substitution of energy — and gas-intensive products, which is evidence of the growth of the country's internal problems. [5]

**The role of Ukraine in Germany's foreign economic activity.** Foreign trade relations between Ukraine and Germany have a long history. They are currently in a kind of trial period: in recent years, the two countries have faced many opportunities to take relations to a new level. In particular, this was facilitated by Ukraine's signing of

the free trade agreement with the EU and the abolition of import duties from the European Union. However, during this time, Ukraine must demonstrate to Germany exactly what they value in partnership with other countries: the ability to follow clear rules of the game and the ability to fulfill their obligations [6].

The Federal Republic of Germany exports machines, vehicles, chemical products and electrical products to Ukraine.

The most important Ukrainian export products are textiles, clothing, metals, alloys, iron products and chemical products. Many German companies have representative offices in Ukraine. In addition to the German Embassy, their interests in Ukraine are also looked after by the “Delegation of the German Economy”, which represents the Association of German Chambers of Commerce and Industry [7].

Trade and economic cooperation between Ukraine and the strongest economy of the European Union has decreased somewhat due to the pandemic. According to 2020 data, Germany continues to be one of the world leaders in trade with our country, ranks sixth among countries in the world in terms of Ukrainian exports and third in terms of imports. Among European countries, Germany ranks second in terms of trade with our country. [8].

In 2021, the dynamics of bilateral trade increased, testifying to a stable trend towards growth in the volume of Ukrainian-German trade in goods and services.

At the same time, the Federal Republic of Germany continues to be one of the world leaders in the trade of goods with our country, it ranks sixth among the countries of the world in terms of the volume of Ukrainian exports and second — in terms of the volume of imports. Among European countries, Germany ranks second in the volume of trade in goods with our state.

In 2021, the volume of trade in goods and services between Ukraine and Germany increased by 23.2 % and amounted to about USD 10.36 billion. At the same time, the volume of Ukrainian exports increased to about 3.59 billion US dollars, while the volume of imports from Germany reached about 6.77 billion US dollars [8].

Table 1 shows the main indicators of bilateral trade in goods and services.

In the structure of the export of Ukrainian goods to Germany, deliveries of: seeds and fruits of oleaginous plants (20.3 %); electric machines (15.3 %); ores, slag and ash (10 %), furniture (6.0 %); wood and wood products (5.6 %); nuclear reactors; boilers, machines (5.5 %); ferrous metal products (5.1 %); ferrous metals (4.4 %); clothing and clothing accessories, textile (3.9 %); grain crops (1.6 %).

*Table 1*

**INDICATORS OF BILATERAL TRADE IN GOODS AND SERVICES**

Indicator	2021	2020	2021/2020, million dollars USA
Commodity circulation	10366,3	8411,2	+1955,1
Export	3592,3	2685,0	+907,3
Imports	6774	5726,2	+1047,8
Balance	-3181,7	-3040,2	-141,5

Source: [8].

The structure of imports from Germany was dominated by the arrival of: nuclear reactors, boilers, machines (18.8 %); means of land transport other than railway (16.6 %); pharmaceutical products (8.8 %); plastics, polymer materials (6.7 %); mineral fuel, oil and products of its distillation (6.3 %); electric machines (6.0 %); various chemical products (3.4 %), optical and photographic devices and apparatus (3.3 %); paper and cardboard (2.4 %); various food products (1.7 %) (figure 2).

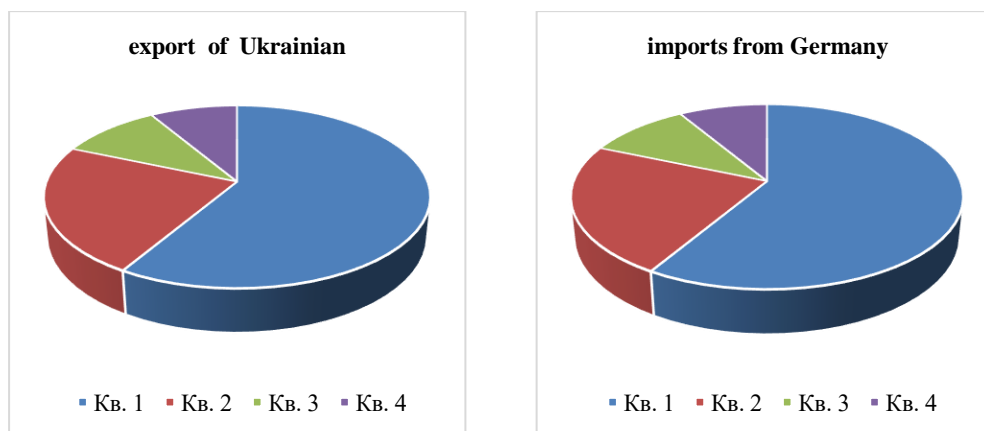


Figure 2. The commodities structure of import-export flows between Germany and Ukraine

**Conclusion.** Thus, Germany is a highly developed industrial state. With limited raw materials, the country's economy is largely export-oriented. Ensuring its high quality was the determining factor in achieving high competitiveness of the products created. The last decade has seen a steady growth of economic indicators, which indicates the dynamic development of the country's economic complex. Germany became one of the countries that quickly overcame the consequences of the economic crisis of 2008–2009.

The advantages of the German economy are its scale, low inflation (2.5 %), the availability of a skilled workforce (German workers have long been famous for accuracy, diligence and punctuality). Strong industries in the international market are automotive, heavy industry, electronics and chemical industry. Weaknesses: underestimation of costs for the modernization of East Germany, high social costs, shortage of specialists, especially in the field of high technologies, aging population, consistently high unemployment rate (11 %), competition from the newly industrialized countries of Asia.

After all, any economic indicators and any structure of the economy manifest themselves in the form of concrete results. Ukraine seeks a future in the European Union, and Germany is one of the leaders of the union. Its economy is a benchmark: this is how the results of a market economy that meets the highest standards can look like.

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