

# ECOWEEK

No. 19-08, 22 February 2019

## Europe: China exposure and export sentiment

■ Considering its considerable weight in world GDP, slower growth in China causes spillover effects ■ Over the past 12 months, countries which are more exposed to China in terms of exports have seen a bigger drop in their new export order assessment ■ In Germany there is a close correlation between the Chinese purchasing managers index and the assessment of exports in the PMI ■ This shows that Germany and, by extension, Europe as a whole should hope that recent Chinese growth support measures will be successful.

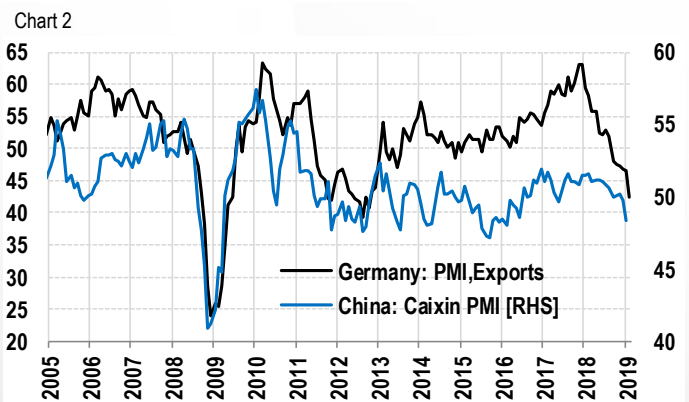
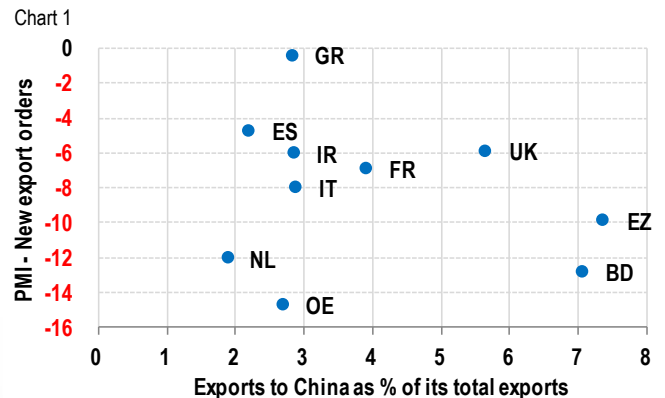
Paraphrasing the quote which is attributed to Napoleon that “when China will wake up, the world will tremble”, one can argue that if China would fall asleep, it would not go unnoticed either. After all, as the country’s GDP represents about 15% of world GDP, weaker Chinese growth should cause spillover effects. The extent depends on the nature of the slowdown (the import content of the components of final demand which see softer growth) and on the importance of China as a trading partner.

Chart 1 shows on the horizontal axis the exports to China as a percentage of total exports<sup>1</sup>. The vertical axis shows the change over the past 12 months in the assessment of new export orders. With the exception of the Netherlands and Austria, there seems to be a relationship between China’s weight as an export destination and the change in the export order assessment. Despite their more limited exposure to China, the Netherlands and Austria have witnessed a big drop in export sentiment, probably because of the important weight of Germany in their exports (respectively 24% and 30%) and in view of the considerable growth slowdown in Germany last year. Focussing on Germany, chart 2 shows the close correlation between the Caixin purchasing managers index for China and the exports assessment in the German PMI. Developments in China do not provide the full explanation, but it is clear that Germany and, by extension, Europe as a whole should hope that recent Chinese growth support measures will be successful.

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<sup>1</sup> For eurozone member states, total exports consist of intra- and extra-eurozone exports. For the eurozone as a whole, exports obviously only concern extra-eurozone exports. This explains why the share of exports to China in eurozone exports is so high compared to the individual eurozone countries.

### EXPORT SENTIMENT AND CHINA EXPOSURE



Source: Markit, Datastream, BNP Paribas

GR: Greece; ES: Spain; IR: Ireland; IT: Italy; FR: France; UK: United Kingdom; NL: Netherlands; OE: Austria; BD: Germany; EZ: Eurozone

p. 2

Markets Overview

p. 3

Pulse & Calendar

p. 4

Economic scenario

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