



Germany–Serbia Economic Relations:

Key Trends and Impacts
of Trade and Investment

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Preface by Milan Grujić, President of AHK Serbia



Dear Reader,

In the shifting currents of the global economy, few bilateral relationships stand as both a stabilising anchor and a propelling force. The economic partnership between Germany and Serbia is one of them. It is a story of shared ambition, mutual trust and a recognition that prosperity is best built through cooperation, not isolation.

Today, Germany is not only Serbia's leading trade partner and investor — it is a co-architect of our industrial transformation. Together, we are building advanced manufacturing capabilities, raising technological standards and opening new pathways for regional integration. These are not abstract achievements; they are factories humming with innovation, supply chains growing more resilient and communities gaining skills for the future.

This report offers more than numbers and charts — it offers perspective. It shows that our partnership is not a matter of short-term transactions, but of long-term vision. The data confirms what experience tells us: that where German precision meets Serbian adaptability, opportunity multiplies.

The task ahead is clear. In a world where geopolitical and economic uncertainties are the norm, we must not only preserve this momentum, but accelerate it. That means deepening our industrial cooperation, investing in green transitions and ensuring that the benefits of growth are felt in every corner of Serbia.

I invite every reader — be you a policymaker, entrepreneur, or student — to see in these pages not just the current state of our economic ties, but the potential they hold. The next chapter of Germany–Serbia relations is yet to be written. Let us make it one of ambition, resilience and shared success.

Executive Summary

Despite global economic challenges, the trade relationship between Serbia and Germany has shown resilience and steady growth. While global trade contracted by 4.5% in 2023 and Germany's overall trade declined by 3.3%, bilateral trade with Serbia grew by 11.1%, reaching EUR 9.37 billion. This growth trend persisted into 2024, albeit at a moderated rate of 7.0%. Germany remains Serbia's most significant trading partner, underpinned by Serbia's strategic location, growing infrastructure, and its role as a nearshoring destination amidst ongoing global disruptions.

Exports from Serbia to Germany¹ are dominated by the mobility sector, which expanded by 300% between 2015 and 2023, reaching EUR 2.6 billion, or 57% of total exports from Serbia. Driven largely by German FDI, Serbia produces key semi-manufactured goods such as insulated wire sets, electric motors, and mobility parts, integrated into Germany's automotive and industrial supply chains. Serbian companies, alongside German investments, have successfully penetrated this value chain, with notable contributions in machined metal and rubber parts, showcasing the sector's depth and competitiveness.

Exports from Germany to Serbia remain crucial for Serbia's industrial and consumer markets, totalling EUR 4.9 billion in 2023. The mobility sector accounts for the largest share at 27%, followed by machinery, mechanical appliances, and electrical equipment at 23%. These exports, often serving as inputs for further production and reexport, highlight the interconnected nature of bilateral trade. While some sectors, such as foodstuffs, base metals, and chemical products, faced declines in 2023, other categories like machinery, plastics, and textiles demonstrated steady growth, reinforcing the balanced structure of imports.

Germany stands as the most significant investor, accounting for approximately 10% of Serbia's total FDI stock and employing around 80,000 workers². Between 2015 and 2021, Serbia saw a steady increase in FDI, driven by economic reforms, investor confidence, and strong bilateral ties. However, FDI inflows declined sharply post-2021, influenced by global uncertainties, geopolitical tensions, and local labour shortages. Despite these challenges, new investments by German companies, such as Hansgrohe, Bizerba, and Haix, continue to bolster Serbia's manufacturing sector and the long-term outlook remains positive. Strategic trends like nearshoring, geopolitical shifts, and digital transformation have positioned Serbia as a reliable hub for European markets, leveraging its geographic proximity, competitive labour costs, and tech-savvy workforce to attract and sustain investments.

Between 2012 and 2023, German companies operating in Serbia recorded significantly higher growth across key economic indicators compared to the overall business sector. Employment in German firms rose at an 11.3% compound annual growth rate (CAGR), more than triple the national average of 3.6%, contributing to over 80,000 jobs. Their revenues expanded from €2.0 billion to €8.9 billion (13.2% CAGR), nearly doubling the pace of total business sector revenue growth (7.2% CAGR). Export performance was particularly strong: German firms increased their exports more than tenfold to nearly €5 billion in 2023, with a 21.4% CAGR, far surpassing Serbia's average export growth of 11.7%. These firms now account for 16% of national exports, underscoring their role in deepening Serbia's participation in global markets.

¹ In this report, trade flows are described using export directions (e.g. 'exports from Serbia to Germany' and vice versa) to clearly show where goods are coming from and where they are going. References to 'import markets' are used analytically to assess how exports (from the exporting country e.g. 'exports from Serbia') perform within the total imports (the total of imported goods from the entire world inside a single country e.g. 'Germany') of the country.

² This report uses data from the Serbian Business Register Agency (SBRA), which covers most of the business sector except for banks and insurance companies, as they do not submit their annual financial reports to the SBRA. For this reason, our report shows that German companies employ 74,190 people. However, when including banks and insurance companies, this number exceeds 80,000 employees.

The impact of German investment is especially visible in high-value, export-intensive sectors. In the mobility sector, German firms contribute 50% of revenues in the integrated systems and vehicles subsector and 40% of gross value added (GVA) in electric components. Their presence is similarly strong in the pharmaceuticals and chemicals sectors, where they account for nearly one-quarter of sectoral employment and close to half of export volumes. German companies consistently outperform sector averages in productivity and wages: in retail, their GVA per employee is nearly three times the sector average, and salaries in many sectors—including IT, construction, wholesale, and retail—are significantly above average, often by more than 60%. These differentials reflect the technologically advanced and operationally efficient nature of German firms, whose higher standards contribute to raising overall benchmarks within Serbian industry.

German foreign direct investment has also played a transformative role in regional development. German companies are active in nearly all of Serbia's 25 administrative districts, with particularly high employment shares in underdeveloped regions such as Toplički (30%) and Nišavski. In Južnobanatski District alone, they account for over 25% of business revenues and nearly 40% of GVA. Districts with a high concentration of German firms—such as Severnobački, Sremski, and Rasinski, consistently show higher levels of productivity and wages. In Vršac, for example, Hemofarm alone drives over 70% of local GVA and 60% of business revenues. Across 18 dis-

tricts, German companies pay wages that exceed the local average by 60% to 87%, making a measurable impact on income convergence and local living standards. Their substantial share in regional export performance further highlights their pivotal role in boosting Serbia's external competitiveness and industrial modernization.

Germany's position as Serbia's leading investment partner highlights a deep-rooted economic relationship shaped by historical connections, strategic investments, and shared interests. Serbia's industrial heritage, stemming from its Yugoslav past, laid the groundwork for compatibility with developed European economies, particularly Germany. This foundation, coupled with Serbia's highly skilled workforce and cost competitiveness, has made the country an attractive destination for German investments. Proximity to Germany, enhanced by ongoing infrastructure development, further facilitates trade and supply chain efficiency. Geopolitical shifts, including the need for resilient supply chains and nearshoring strategies, have solidified Serbia's role as a strategic partner. Additionally, Serbia's government has consistently fostered investor-friendly policies, reinforcing trust and collaboration. German investments have driven innovations, improved competitiveness, and revitalized underdeveloped regions, while fostering strong ties between German firms and Serbian SMEs. This partnership underscores Serbia's strategic importance within European trade networks and its potential to further integrate into global value chains.

1 Introduction

Germany and Serbia share a longstanding and dynamic economic partnership, rooted in mutual trust, strong institutional cooperation, and a shared commitment to sustainable growth. As Serbia's largest trading partner and one of its most prominent sources of foreign direct investment, Germany plays a vital role in the country's economic development. German companies have not only brought capital and technology but have also set benchmarks in productivity, employment standards, and export competitiveness. This partnership continues to be a cornerstone of Serbia's integration into European markets and its broader economic transformation.

This report provides a comprehensive overview of the economic ties between Serbia and Germany, structured around two closely related but analytically distinct parts: (1) an assessment of bilateral trade relations, and (2) an in-depth analysis of the macroeconomic effects of German foreign direct investments (FDIs) in Serbia. Together, these two dimensions offer an integrated view of how Germany—Serbia's most important economic partner—contributes to the country's growth, structural transformation, and integration into global value chains.

The first part of the report explores the structure and dynamics of trade between Serbia and Germany. It analyzes general trade trends, disaggregates the bilat-

eral trade structure, and identifies Serbia's most competitive export sectors in the German market—particularly in high-value-added industries such as automotive components, machinery, and electronics. This section aims to highlight not only the scale of trade but also its strategic importance for Serbia's industrial upgrading and international competitiveness.

The second part focuses on German companies operating in Serbia, defined as legal entities registered under Serbian law but controlled by capital originating from Germany. Using firm-level data from the Serbian Business Registers Agency (SBRA) for the period 2012–2023, the report evaluates their contributions to employment, gross value added (GVA), productivity, and exports. Special attention is given to their regional footprint, wage levels, and role in fostering innovation and local supply chains—particularly in sectors such as mobility, pharmaceuticals, chemicals, and ICT.

While each part of the report stands on its own, their findings are deeply interconnected. German trade and investment reinforce one another: export-oriented FDI helps drive Serbia's trade performance, while stable trade relations encourage continued investment. By combining both perspectives, this report provides a nuanced understanding of Germany's role as both a commercial and developmental partner in Serbia's ongoing economic transition.

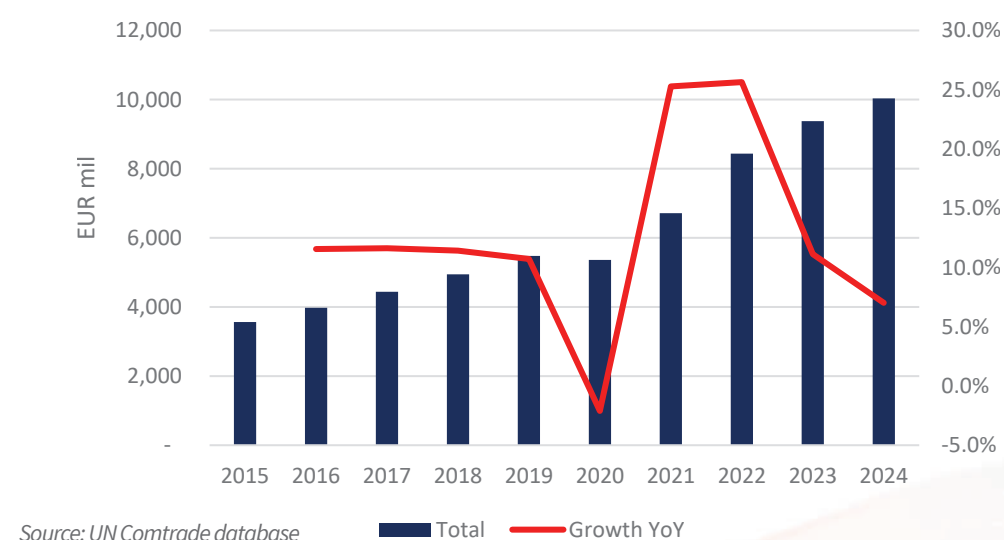
2 General Trends in the Bilateral Trade

The trade dynamics between Serbia and Germany experienced significant expansion, defying the predominantly negative trend in global trade, and signalling a deepening economic partnership.

Global trade experienced a slowdown in 2023, with global exports falling by 4.5%, and a gradual recovery taking place in 2024 growing by 3.1%(WTO). Germany's overall trade also contracted by 3.3% 2022/2023 and in 2023/2024 it contracted by 1.3% year-on-year (YoY) mainly by declining imports into Germany, yet its relationship with Serbia demonstrated resilience, with bilateral trade growing significantly by 11.1% from EUR 8.43 billion in 2022 to EUR 9.37 billion in 2023 and continuing into 2024 with a mod-

erated growth rate of 7.0% YoY. While the slowdown exhibited in 2024 can be expected to continue (see Figure 1) trade is still growing for the time being. This continuing positive trend reinforces Germany's position as Serbia's primary trading partner and indicated the potential for even deeper cooperation amid global economic uncertainties. Both countries have capitalized on post-pandemic opportunities, aligning with Germany's strategic shift toward nearshoring to stabilize supply chains in response to global disruptions. Serbia's strategic location, skilled workforce, and industrial background make it a strong partner for Germany, fostering mutual economic benefits.

Figure 1: Trade dynamics between Germany and Serbia, volume and growth rate 2015-2024



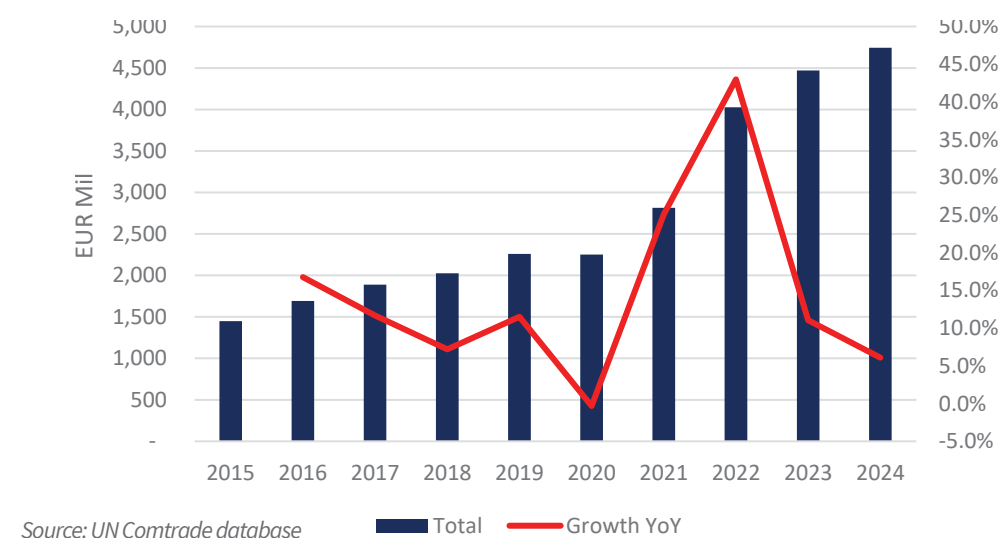
Despite Germany facing economic challenges in 2023 and declining overall imports from around the globe, exports from Serbia to Germany proved resilient increasing their overall share in the German import market³. Exports from Serbia to Germany continued to grow

between 2022 and 2023, increasing from EUR 4.02 billion to EUR 4.47 billion, or 11.06%. While the pace of growth in 2023 was slower compared to the rapid post-pandemic rebound in 2021-2022, this deceleration was expected given Germany's economic slowdown, driven by meas-

ures to curb inflation and manage energy prices in 2023 and 2024. German overall imports declined by 9.88% 2022/2023, and this slowdown continued in 2024 seeing a decline of 2.4% YoY (see Figure 2). However, exports from Serbia to Germany proved resilient managing to grow by 6.1% in 2024. The increase in exports from Serbia over the years has enhanced its share of the German import market from 0.17% in 2015 to approximately 0.31% in 2023,

managing to capture new partners and opportunities despite the challenges. On the other hand, in 2024 Germany continues to hold its place in Serbia's import market being on par with exports from China, which saw astronomical growth in recent years. Germany remains the most important trade partner, underscoring the resilience and strategic importance of the economic relationship.

Figure 2: Exports from Serbia to Germany – trade volume and growth rate 2015-2024

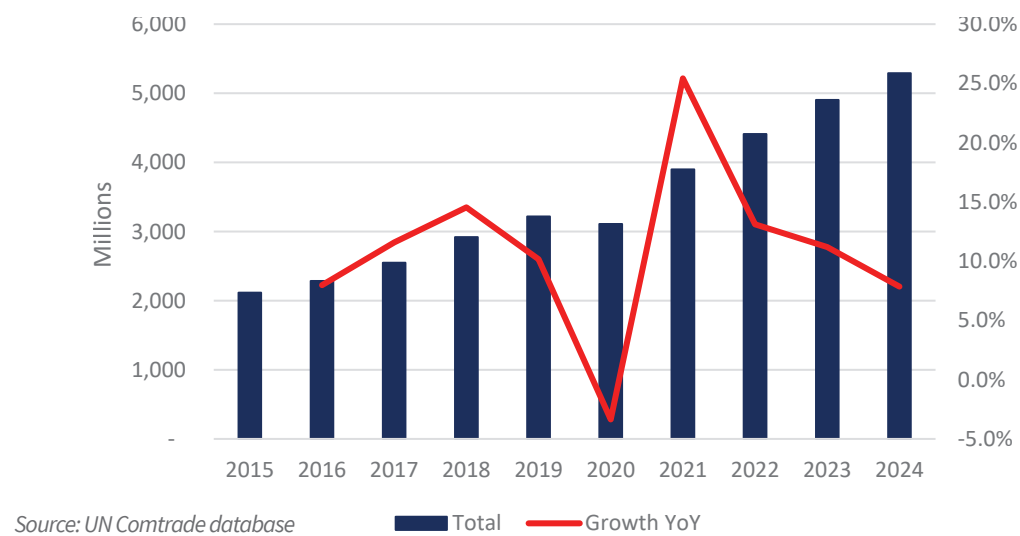


Exports from Germany continue to play a crucial role on the Serbian import market, maintaining a strong presence and share. Exports from Germany to Serbia have shown consistent growth, reaching EUR 4.9 billion in 2023, an 11.2% increase from 2022, continuing the trend of an average annual growth rate of 11.3% between 2015 and 2023. The trend continued in 2024 with exports growing 7.8% YoY. Despite a brief disruption during the pan-

demic year of 2020 and the subsequent recovery in 2021, this upward trend is expected to persist, barring significant disruptions. Although the share of German goods in Serbia's import market has slightly declined from 12.4% in 2015 to 11.4% in 2022, Germany remains by far the largest player on Serbia's import market. This highlights Germany's dominant role in bilateral trade relations and its enduring importance as a key trading partner for Serbia.

³ The term 'import market' refers to all goods entering a country.

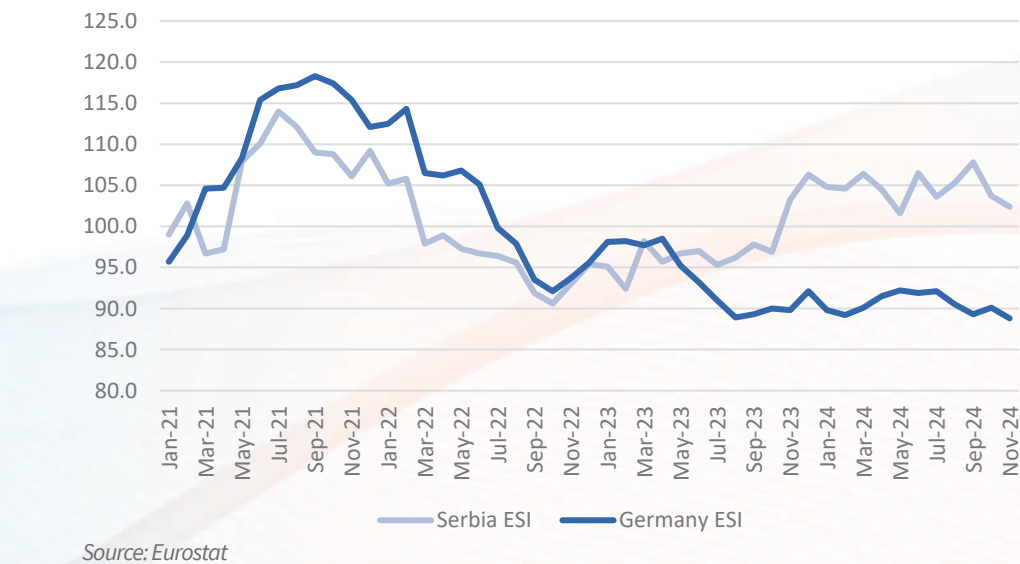
Figure 3: Exports from Germany to Serbia – trade volume and growth rate 2015-2024



The German economy faced a challenging period in 2023 and 2024, marked by stagnation and recessionary trends, with possibilities and challenges ahead. The issues facing the German economy in 2023 and early 2024 provide essential context for understanding the broader economic picture and its implications for bilateral trade. Since the beginning of 2023, Germany has struggled to achieve sustained growth. The first two quarters of 2023 recorded marginal YoY growth rates of 0.2% and 0.1%, respectively, before the economy entered a technical recession. The following five quarters registered negative YoY growth, averaging around -0.2%, with little expectation of recovery in Q4. Several factors underlie these challenges, including persistently high energy prices, disruptions

in the automotive industry requiring German manufacturers to adapt to a rapidly evolving market, and elevated interest rates implemented to combat inflation. The economic sentiment has also mirrored these trends (see Figure 4). While sentiment in Germany rebounded more swiftly than in Serbia following the COVID-19 pandemic, a noticeable shift occurred in mid-2023, stabilizing at around 90 since July 2023. Despite the current downturn in 2024, there are prospects for positive developments in 2025. The ECB interest rate cuts could stimulate industrial credit flows, providing much-needed support to businesses. Furthermore, Germany held federal elections in February 2025 and formed a new government in May 2025 – with developments ongoing.

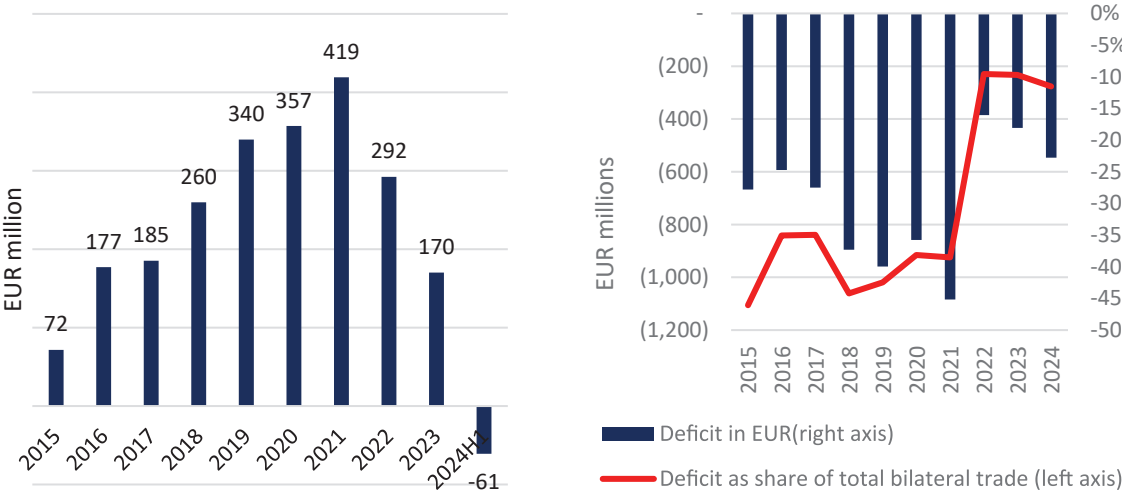
Figure 4: Economic sentiment indicator (ESI) for Germany and Serbia



Although fluctuating in recent years, foreign direct investments have had a lasting positive impact on Serbia's balance of payments, employment, and competitiveness. From 2015 to 2021, FDI inflows followed a steady upward trajectory, reflecting increasing investor confidence, economic reforms, and strengthened bilateral ties between the two countries (Figure 4). The influx of foreign investments has led to an increase in imports (primarily parts and raw materials), but also, as demonstrated, it has driven a significantly stronger increase in exports, contributing to the reduction of the trade deficit (Figure 5). However, after peaking in 2021, inflows began

to decline sharply, dropping to EUR 170 million in 2023, and turning negative in the first half of 2024, indicating a net disinvestment. This downturn may be attributed to global economic uncertainties, geopolitical tensions, and deficit of labour that recently started to plague Serbian economy. Nevertheless, German investments in Serbia remain the highest among all countries, accounting for around 10% of the total stock of capital. These investments significantly contribute not only to employment, with more than 80,000⁴ people working in German companies, but also to enhancing the competitiveness of the domestic Serbian SME sector (more on this in Chapter 5).

Figure 5: Impact of Germany on Serbian balance of payments through...



a)... an increasing FDI inflows from Germany (mil EUR)...

b) ...and shrinking trade deficit with Germany (mil EUR)

Source: UN Comtrade database

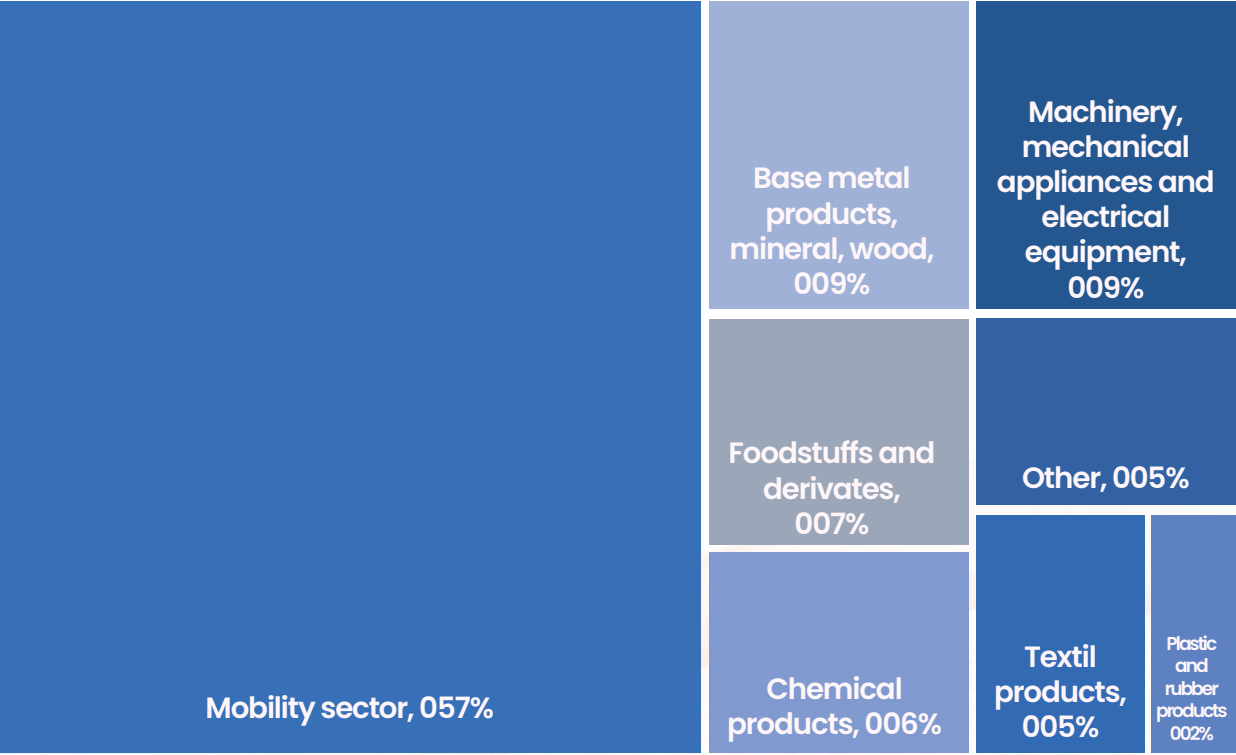
⁴ This report uses data from the Serbian Business Register Agency (SBRA), which covers most of the business sector except for banks and insurance companies, as they do not submit their annual financial reports to the SBRA. For this reason, our report shows that German companies employ 74,190 people. However, when including banks and insurance companies, this number exceeds 80,000 employees.

3 Trade Structure of Germany and Serbia

When considering various product groups, mobility sector accounts for more than half of exports from Serbia to Germany. The export structure somewhat differs when comparing the two economies, exports from Serbia to Germany are mostly concentrated and related to the mobility sector, chemical industry, foodstuffs, textiles and other less significant sectors (Figure 5). The mobility sector saw continued growth in 2023 when compared with 2022 by around 23%, and it accounts for almost EUR 2.6 billion constituting around 57% of exports from Serbia to Germany. The products that are produced and exported to Germany in this sector are to a large extent created by FDIs with German capital. They produce a large portfolio of components and specialised equip-

ment, such as insulated wire sets, electric motors, infotainment systems, engine parts and other semi-manufactured mobility components. However, some Serbian companies have also utilised the opportunity to integrate themselves into this production chain – especially in machined metal parts, rubber and plastics parts. These components, produced by both domestic and German FDI companies, are in most cases semi manufactured goods, that are exported to Germany for further use and implementation into goods such as cars, car engines, aircraft, railway vehicles or similar more complex goods. It is worth noting that German manufacturer Siemens produces finished trams in Serbia. More on this sector will be elaborated in the next chapter.

Figure 6: Trade structure of exports from Serbia to Germany in 2023 (% and EUR)



Source: UN Comtrade database

Apart from mobility products, significant export categories that saw growth in 2023 are textile products, plastics, rubber, machinery and electrical appliances. Machinery and electrical equipment saw continued growth, increasing their share in the exports from Serbia to around 8.5% or +1pp compared to 2022, in absolute terms around EUR 80 mil. This machinery and electrical equipment is mostly utilised by the German industry for further production and creation of final products. Plastic and rubber products saw a growth in value by around EUR 10 mil, and maintained their share in the overall trade structure, the same was true for textile products which also saw growth by around EUR 25 mil and managed to maintain their share.

Some important categories saw declines, foodstuffs, base metals, minerals and wood as well as chemical products, underscoring the challenges faced by Germany and Serbia in 2023. Foodstuffs experienced the most notable contraction, falling by around 33% to a value of around EUR 300 mil in 2023, reducing their share of exports from 11.30% to 6.78%. This was primarily due to the ongoing difficulties experienced by the Serbian agricultural sector, which experienced a significant decline in production in 2023. Similarly, base metal products, minerals, and wood declined by 12.6%, dropping to EUR 414.4 million and reducing their share from 11.76% to 9.27%. This trend reflects the impact of slowing demand within Germany’s industrial sectors, particularly in construction and manufacturing, where such materials play a crucial role. Chemical products also saw a more moderate decrease of 4.9%, falling to EUR 262 mil, with their share decreasing to 5.87%. These declines highlight the pressures faced by the German economy in 2023, marked by higher inflation, energy price volatility, and reduced industrial output, which have effected demand for certain goods exported from Serbia.

Several product groups from Serbia have been increasing their share in the overall German import market, expanding their presence driven by their quality and price. The constant market share analysis (CMSA) allows us to identify products which not only grew but also managed to increase their share on the German import market.⁵ When looked from the perspective of particular products, rather than groups, conclusions remain unchanged. Table 1 shows the products which comprise the largest imports, along with growth rates and market share gains. Again, mobility products dominate the overall imports, especially insulated wire sets and cable sets which have quadrupled in value, thus significantly increasing their market share in the German import market from 1,4% to 4% (between 2015 to 2022). Furthermore, imports related to the railway and tramway coaches and locomotives have shown remarkable growth in the same time period, with market share in the German import market for coaches soaring from non-existent to 13% and 0,7% to 3,2% for locomotives. The import of electric motors and generator parts to Germany maintained a relatively high share of the import market, slightly growing from 7,3% to 7,7% from 2015 to 2022. Motor vehicle parts and accessories saw their market share double, in the regarded period, indicating a stronger presence in the German import market. Similarly, imports of rubber products and new tyres have seen substantial increases in market shares. All of the aforementioned sectors are closely linked to mobility and as such most of the exports from Serbia into the German market are linked to mobility and suggest a strong positive trend, and a possibility further expansion in the future. The chemical sector has also seen a significant growth in its importance in the perceived period, growing its market share in the German import market from 0.9% to 4.8%, as well as said foodstuffs (especially water and berries), socks and electrical equipment and machinery parts to some extent produced by Serbian companies (while the majority of highest value products are indeed produced by mostly German FDIs).

⁵ More on CMSA analysis is available in the Methodological Annex.

Table 1: Top 20 products with largest exports from Serbia to Germany in 2023

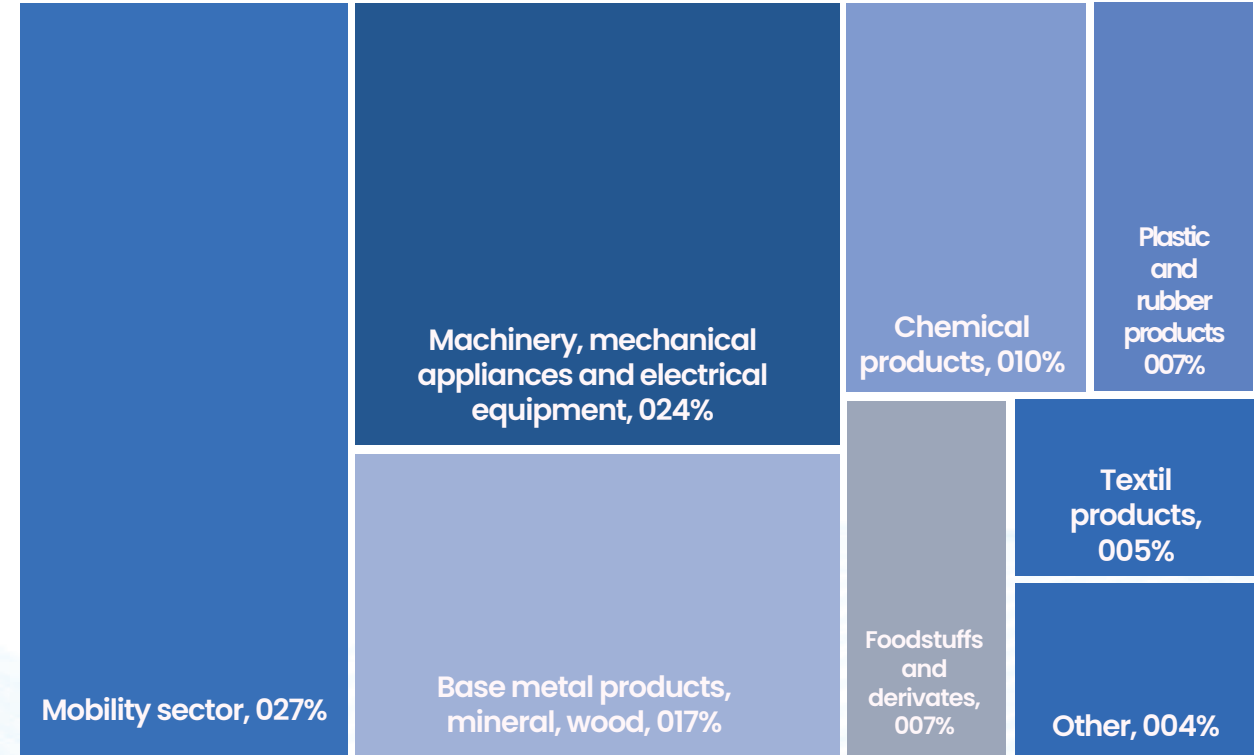
	2015	2022	2023	Share in the German import market 2015 - 2016 Avg	Share in the German import market 2021 - 2022 Avg	Share in the German import market 2022- 2023 Avg
Insulated wire, cable and other electric conductors	133,002,628	528,082,389	611,502,739	1.4%	4.0%	4.2%
Electric motors and generators	138,641,131	318,129,800	411,825,507	4.2%	3.9%	5.4%
Motor vehicles; parts and accessories	55,358,731	188,103,522	276,133,941	0.2%	0.4%	0.6%
Electric motors and generators	83,658,496	243,729,766	249,397,067	7.3%	7.7%	7.8%
Air or vacuum pumps, air or other gas compressors and fans	4,619,877	45,767,364	156,719,594	0.1%	0.6%	1.9%
Fruit and nuts	113,242,554	156,646,788	123,127,526	21.0%	20.0%	21.2%
Organic surface-active agents	12,368,396	140,741,397	114,263,689	0.9%	4.8%	4.6%
Lighting or visual signaling equipment	26,838,953	78,800,858	103,156,563	1.3%	2.0%	2.1%
Medicaments	36,477,283	80,222,071	101,275,589	0.2%	0.2%	0.3%
Railway or tramway coaches	-	78,490,288	98,531,523	0.0%	13.5%	22.8%
Articles of vulcanized rubber	7,910,199	62,589,970	88,364,524	0.4%	1.7%	2.3%
Electrical apparatus for switching, protecting electrical circuits	24,889,917	96,919,114	86,323,055	0.4%	1.0%	1.0%
Electric water, space, soil heaters electro-thermic appliances for domestic purposes	45,287,904	65,120,938	71,190,739	1.5%	1.1%	1.3%
Instruments and appliances used in medical, surgical, dental or veterinary science	41,515,547	55,822,693	66,279,748	0.5%	0.5%	0.5%
Turbo-jets, turbo-propellers and other gas turbines	228,433	60,103,066	64,039,210	0.0%	0.5%	0.5%
Hosiery; panty hose, tights, stockings, socks and other hosiery	39,673,621	51,849,778	55,577,444	4.6%	4.2%	4.5%
Railway or tramway locomotives or rolling stock; parts thereof	3,575,715	51,029,222	53,041,692	0.7%	3.2%	3.4%
Boards, panels, consoles, desks, cabinets	224,837	31,472,626	51,088,418	0.0%	0.3%	0.4%
Structures of iron or steel and parts thereof for use in structures	10,543,068	61,808,569	50,390,176	0.4%	1.2%	1.3%
New pneumatic tyres, of rubber	32,478,999	51,231,610	50,127,289	0.5%	0.6%	0.7%

Source: UN Comtrade database

Exports from Germany to Serbia primarily comprise consumption goods and remain structurally unchanged. While exports from Serbia to Germany mostly comprise semi-manufactured goods, the largest share of exports from Germany to Serbia continues to be dominated by the mobility sector, which accounted for around 27.2% or EUR 1.3 billion in 2023, up from 24.7% in 2022, reflecting significant growth of around 20%. These exports primarily include mobility parts intended for further processing into semi-manufactured products and vehicles. Machinery, mechanical appliances, and electrical equipment form another major category, representing about 23% of total exports, or EUR 1.1 billion. This group includes specialized industrial and mechanical equipment, as well as home appliances and other essential goods. The chemical sector remains a key contribu-

tor, holding approximately 6% of exports, or EUR 262 million, with pharmaceutical products continuing to dominate this category. Manufactured foodstuffs and derivatives also play an important role, comprising around 7% of exports in 2023. German-owned companies in Serbia heavily utilize these exports as critical inputs in their production processes, thereby enhancing their value. A notable example is copper wiring exported from Germany, which is used in Serbia to produce insulated wire sets that are reexported to Germany and integrated into finished products such as cars and other complex goods. This interconnected production chain highlights the deep integration and mutual benefits of the trade relationship, reinforcing its role as a significant driver of bilateral economic cooperation.

Figure 7: Trade structure of exports from Germany to Serbia in 2023



Source: UN Comtrade database

4 Export Sectors of High Competitiveness

Here we will touch upon the sectors of high competitiveness, especially mobility, but also paying

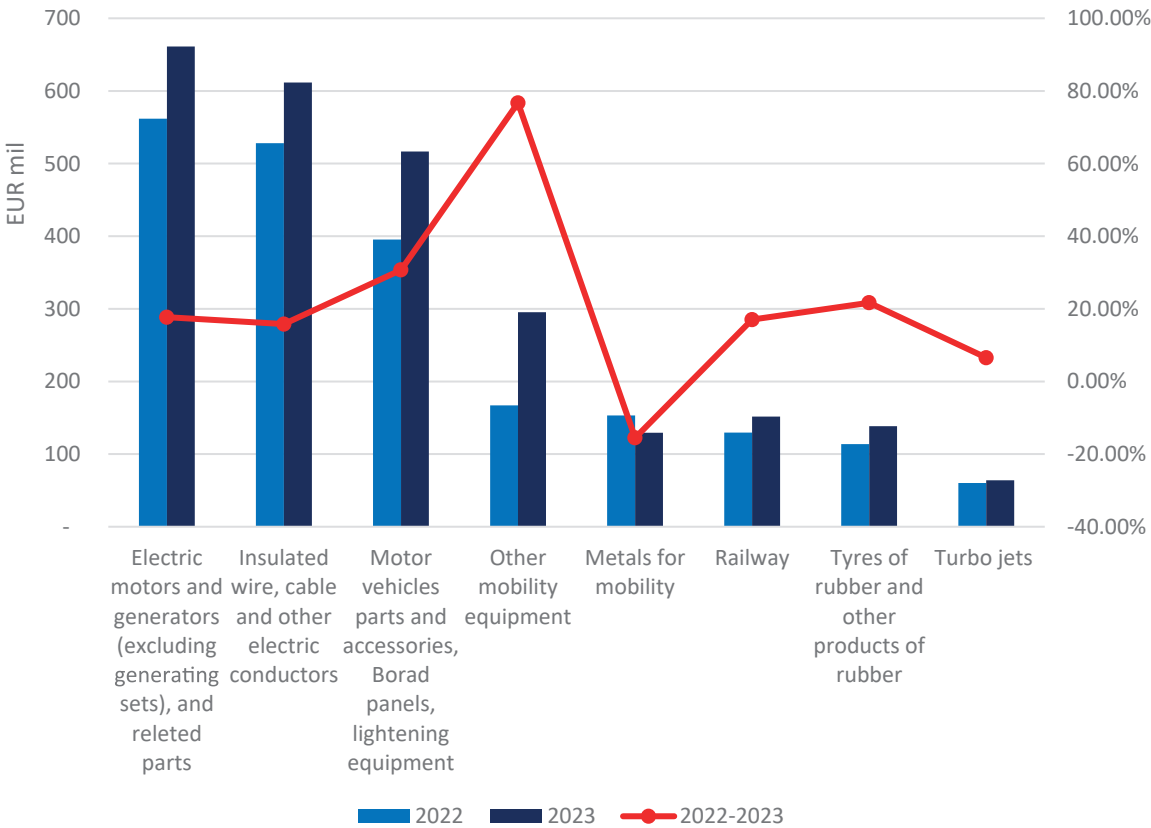
attention to other significant sectors which contribute significantly to exports from Serbia to Germany.

4.1. Mobility

The mobility sector remains a cornerstone of Serbia-Germany trade relations, underpinned by significant German investments and a high volume of semi-manufactured goods exported from Serbia, achieving remarkable growth despite facing challenges in 2023. The sector expanded by around 300% from 2015 to 2023, reaching nearly EUR 2.6 billion and accounting for 57% of total exports from Serbia to Germany. This sector has been shaped over the years by a strong influx of German capital, with more than 19% of Serbia's FDI stock directed toward mobility-related industries (DAS, 2022). Given the scale of German FDIs and the bilateral trade patterns, it is evident that a substantial portion of these investments has been channelled into mobility production. However, FDI flows from Germany slowed in 2023 and turned negative in early 2024, reflecting challenges faced by the German automotive industry. Signs of these challenges are already visible, with ZF also being acquired by the Chinese company Luxshare, alongside its acquisition of Leoni Wiring Systems.⁶ Despite these headwinds, exports from Germany to Serbia related to the mobility sector continue to account for around 27% of total exports, primarily driven by final consumption (passenger vehicles), while a notable share of these exports serves as inputs for further production and reexport to Germany. Importantly, the sector remains resilient, with ongoing growth and expansion, reaffirming its central role in the bilateral economic partnership.

Exports from Serbia related to the mobility sector are dominantly electric components, insulated wiring sets, motor parts, tyre and rubber products, railway products and are dominated by German companies. A large share of the mobility sector is driven by exports related to electric motors and generators, with prominent German companies such as Flender, EBM, and Siemens playing a major role. In 2023, these exports reached approximately EUR 661 million (Figure 8), supplying critical electrical components and parts used across the automotive, railroad, and renewable energy sectors. The second most important export category are sets of insulated wire, contributing nearly EUR 611 million in exports as of 2023 (Figure 8). This segment is led by pioneering German-capital manufacturing companies in Serbia, such as Leoni Wiring Systems Southeast and DRÄXLMAIER, which dominate the production of insulated wiring sets for export to Germany. A significant share of this production involves copper wiring imported from Germany, which is processed into insulated wiring sets in Serbia and then re-exported back to Germany. Motor vehicle parts form the third largest export category, with companies like Boyesen, specializing in exhaust systems, and Vorwerk, producing various automotive components, including metal, rubber, and plastic parts. Siemens further strengthens its presence in Serbia, not only producing wind turbines and generators but also manufacturing railway components and vehicles, particularly trams. A notable boost to Siemens' tram production came through its acquisition of the Serbian company Milanović Engineering (see Text Box 1). Additionally, Serbia's domestic expertise is represented by AMM Manufacturing, a key player in the production of railway vehicles and parts (see Text Box 2).

Figure 8. Mobility exports from Serbia to Germany – 2022 and 2023



Source: UN Comtrade database

Box 1. From Milanović Inženjering to Siemens Mobility

In 2018, Siemens acquired the Serbian company Milanović inženjering, a supplier of pressed metal parts for railway vehicles, and transformed it into a full tram production facility. This Siemens factory, located in Kragujevac, Serbia, began delivering trams by late 2020. Since the acquisition, the factory has exported trams worth USD 364 million, with significant growth observed in 2021. In 2022 alone, exports amounted to USD 137 million. The “Avenio” low-floor trams, manufactured in this facility, are now operational in Austrian cities as well as in Bremen (77 trams) and Nuremberg (26 trams) in Germany, with plans to expand to Munich, Dusseldorf, Duisburg and others.

“Our customer BSAG (Bremer Straßenbahn AG) was impressed by the quality of the first train and the motivation of our team in Serbia. Many thanks to all colleagues involved for their outstanding performance, especially under these hard pandemic conditions.”

Julia Fischer
Vice President Light Rail and Val at Siemens

⁶ <https://rs.bloombergdria.com/biznis/kompanije/68995/zasto-volkswagen-zatvara-tri-fabrike-u-nemackoj/news>; <https://rs.bloombergdria.com/ekonomija/srbija/67643/kinezi-preuzimaju-nemacki-leoni-sta-ce-biti-sa-12500-radnika-u-srbiji/news>

Recently, high-tech and IT mobility companies started coming to Serbia. When it comes to increasing complexity and value-added, there are notable over-time improvements. These improvements manifest in two ways. (a) Increasing complexity within companies which have been operating in Serbia for some time. For example, LEONI Wiring Systems, initiating its Serbian journey in Prokuplje in 2009, has grown to be the largest industry employer with around 13,700 employees with increasing number of staff with higher qualifications, at the same time reaching EUR 490 million of exports in 2023 (85% to Germany). There are many similar examples, aforementioned Siemens started in late 1990s with an assembly line, now producing fully functional trains, while Robert Bosch began by producing windshield wipers, and has now developed a large competence centre. (b) The second channel is that Serbia is

increasingly attracting companies that, from the outset, produce complex products with higher added value. These companies most notably include Brose, Continental and ZF which are involved in advanced mobility solutions, developing autonomous driving solutions, infotainment systems and similar IT driven mobility solutions⁷; while their facilities include R&D centres and processes with dominant role of engineers. Diversity and strong anchorage of mobility sector in Serbia was confirmed during the COVID-19 crises and its aftermath, which saw far less turmoil than in the rest of the world. With the expanding geopolitical instability in foreign markets there is potential for future investment in Serbia; this is however dependant on economic recovery in Germany and the EU, which as previously mentioned faces challenges.

Box 2. AMM Manufacturing: Pioneering aluminium and steel solutions for the global rail industry

AMM Manufacturing has made its mark by specializing in the production of aluminium and steel parts for trains, metros, and trams. The company's dedication to quality has earned it a reputation as a trusted supplier to global industry giants like Alstom, Deutsche Bahn, ABB, Siemens, Bombardier, Hitachi, Stadler, Škoda, and CAF. Exporting primarily across Europe and to the Russian Federation, AMM Manufacturing stands out for its commitment to excellence, continuous skill enhancement, and embracing innovative technologies like friction welding. The company's roots trace back to Germany, where the founder established his first company in 1990. This initial venture laid the groundwork for Milanović's expansion into Serbia in 2000 with Milanović Inženjering (Milanović Engineering). Originally a modest engineering bureau, it evolved into a major production entity, manufacturing rail vehicle components and other specialized machinery. The German connection played a significant role in shaping the company's approach, particularly in quality and innovation. Milanović Inženjering was later acquired by Siemens Mobility's (See the text box 1) which led to the creation of AMM Manufacturing, keeping high product standards and business success. This new company continued partnerships with established clients and forged new ones, maintaining a focus on quality and industry certification to ensure long-term project collaborations in the demanding rail sector. The German influence remains a cornerstone in AMM Manufacturing's journey, reflecting in its business practices, technological adoption, and market strategies.

⁷ The impact of these companies is likely even more significant than these data suggest, as they focus solely on goods exports, whereas these firms predominantly export services. Unfortunately, services had to be excluded from this analysis due to the lack of reliable data sources at the necessary level of detail.

4.2. Other Highly Competitive Sectors

Besides the dominant mobility sector, metal products and machinery constitute large export groups from Serbia to Germany. The base metal products sector, which includes industrial parts, metal beams, and specialized components, saw its share of exports from Serbia decline from around 12% in 2022 to approximately 9% in 2023. Supported by both German companies, such as Koenig Metal and Geze, and Serbian producers like Gamma Consulting, TIM Industrial Steel, and Idas, this sector has maintained its competitiveness, with exports from Serbia tripling their share in the German overall import market from 0.4% in 2015 to 1.3% in 2023, managing to maintain their position due to improved quality and cost efficiency. Meanwhile, machinery, mechanical appliances, and electrical equipment saw growth from around 7% in 2022 to 8.5% in 2023 of exports from Serbia to Germany. This category includes high-value products such as packaging injection molding tools, automation systems from Serbian companies like Inmold Požega and Servoteh, and wind generator production led by Siemens (see Text Box 3). Overall, the strong presence of Serbian companies in metal processing, machinery production, and customized rubber and plastic manufacturing (see Text Box 4) highlights the enduring influence of Serbia's Yugoslav engineering legacy, with these companies consistently recognized for providing "excellent value for money" to discerning German customers.

Other notable export categories are foodstuffs and chemicals which saw a decline in 2023 but remain highly relevant. Foodstuffs, which experienced a surge between 2021 and 2022, followed by a notable decline from 2022 to 2023, reducing their share of Serbia's exports to Germany from around 11% to approximately 7%. This was primarily driven by a decrease in beverage exports, which had previously led the strong growth in this category. Nevertheless, fruits and nuts remained resilient and even achieved slight growth, accounting for around 21% of the fruits and nuts in the overall German import market in 2023. Z.A. Fruit, one of Serbia's leading exporters, continues to play a significant role, particularly in the export of raspberries. Chemical products also remain a key export category, although their share declined by 1 percentage point to approximately 6% in 2023. Organic surface-active agents, which demonstrated dynamic growth in previous years, increasing their share in the German import market from 0.9% in 2015 to 4.8% in 2022, experienced a slight decline in 2023, settling at 4.5%. Henkel remains a dominant player in this sector, with its diverse range of brands, including Ceresit (construction materials), Loctite (adhesives), and consumer products like Schwarzkopf and Persil, continuing to expand production capacities and operations in Serbia.

Box 3. Siemens Wind turbine factory in Subotica

Siemens' Subotica wind turbine factory, with a workforce of over 950 employees, stands as one of Serbia's prominent producers of electric machines for renewable energy applications. This factory, located in the Subotica Free Zone, represents the forefront of technological production in Serbia and has been successfully contributing to the country's economic development and export capacity. Notably, one out of every four wind turbines in Europe is powered by a Siemens turbine manufactured in the Subotica factory. The factory's commitment to quality, meeting delivery deadlines, adherence to procedures and standards, and continuous innovations in production have earned it recognition within the Siemens Large Drives group, one of Siemens' 26 largest plants globally. Since its establishment, the factory has produced over 15,500 generators. Recognizing the importance of skilled labour in Serbia, Siemens has launched cooperative education programs in Subotica. These programs offer educational profiles tailored to the factory's needs, with the ultimate aim of nurturing a qualified workforce with improved employment prospects.

Box 4. Largo: From small workshop to international rubber products leader

Largo d.o.o. is a Serbian company specialized in production of rubber products, mostly wheels, rollers and various rubber products and service industrial areas such as: industrial appliances, construction, power generation, automotive and similar. The company owner started his career at a young age, moving to Germany after completing secondary school with minimal work experience and got a job in rubber industry. He received multiple promotions but after a while he recognized that some segments of the production process could be done in Serbia more cost efficiently. Convinced of this business opportunity, he discussed their idea with his boss in Germany and returned to Serbia to establish their own company. Initially, their former boss in Germany was their only customer, and the business began as a small workshop. This connection helped the company experience significant growth, expanding its network and capabilities. Today, Largo boasts an impressive export value of around 7 million EUR, a consistent growth trajectory, and a workforce nearing 100 employees. The company's evolution was further supported by management training courses that enhanced its corporate structure. Additionally, the founder credits his knowledge of German an important factor in their success. The ability to communicate directly with customers in their native language not only facilitated smoother operations but also helped in building trust more rapidly, underscoring the importance of language skills in international business.



5 Reasons for and behind the Deepening Economic Partnership

Germany's leading role as Serbia's main investment partner is the result of heritage, historical ties, strategic investments, and mutual economic interests. The trade relationship between Germany and Serbia as stated earlier is a longstanding partnership that has in recent decades been driven mostly by German capital investments in Serbia. A number of factors make Serbia attractive for FDI's especially from Germany. The first is the industrial heritage of Serbia, coming from Yugoslav times. The Yugoslav economy, unlike the majority of Eastern Bloc countries, was built with high compatibility with more developed European countries – mostly Germany and Italy. Therefore, the cooperation of Serbia with Germany was the logical path for reindustrialization. The availability of a skilled workforce also played a major role, and for the same “industrial heritage” reason. A highly skilled workforce, especially the presence of an excellent engineering staff, is one of the main reasons why Serbian companies producing customized metal, plastic and rubber products, as well as smaller-scale industrial machines, are competitive and successful in foreign markets, most notably Germany. Overall, German companies praise Serbia for providing “excellent value for money”, be it as customers of Serbian companies, or producers based in Serbia.

Building on this foundation, Serbia is expanding into more technologically sophisticated sectors, with aviation emerging as a promising new area for cooperation. A prominent example is the greenfield MRO facility of MTU Aero Engines in Nova Pazova, Serbia: this 39,000 m² site opened in late 2022 with an initial workforce of about 240, expecting to reach around 500 employees in the first phase. The €100 million investment is designed for up to 470,000 annual repair hours and will be staffed by

over 400 engine specialists, positioning Serbia as a regional hub for high-value aircraft turbine maintenance.

A consistent factor in the last decades has been the willingness of the Government of Serbia to be open for partnerships and providing support to investors. The proximity of Serbia to Germany continues to play a significant role in facilitating trade, particularly in recent years with the ongoing development of infrastructure in Serbia and its integration into larger European trade networks. As of 2023, Germany remains Serbia's leading investment partner, accounting for approximately 10% of the country's FDI stock, though the true figure may be higher due to the complexity of capital flows and international ownership structures. While 2023 and early 2024 witnessed a slowdown—and even negative FDI flows—from Germany to Serbia, driven by challenges in the German economy, this should not yet be interpreted as a long-term negative trend. Once the German economy regains momentum and returns to growth, there is a strong likelihood that FDI flows will recover, reinforcing the robust economic partnership between the two countries.

Growing geopolitical tensions continue to drive German investments, as nearshoring became a strategic move to stabilize supply chains, this has however seen slowdown in 2023 and first half of 2024. Investments from Germany have particularly increased in response to growing geopolitical instability and shifts in global trade dynamics. The COVID-19 pandemic exposed vulnerabilities in global production chains, as restrictions slowed production and disrupted the flow of goods to key markets. This prompted major international companies to turn to nearshoring—relocating production closer to home—to enhance the stability and resilience of their supply chains. Ser-

⁸ https://www.mtu.de/newsroom/press/press-archive/press-archive-detail/mtu-opens-its-new-mro-facility-in-serbia/?utm_source=chatgpt.com

bia emerged as an attractive destination for such investments, particularly from German companies, which led to a notable rise in trade volumes during 2021 and 2022 as these investments began to mature. However, the worsening war in Ukraine throughout 2023 and 2024 has further exacerbated uncertainties in global trade, compelling companies to prioritize regional stability and secure supply routes. Simultaneously, the growing influence of China and its recognition by the collective West as a strategic adversary have intensified efforts to diversify and nearshore production. In this evolving geopolitical landscape, Serbia's proximity to Germany, coupled with its industrial capacity and strategic positioning within Europe, offers a critical opportunity for deepening bilateral economic cooperation.

German investments in Serbia have created significant economic spillovers. Serbia has benefited considerably from German investments, allowing for a number of spillover effects to take place. First, German compa-

nies were among the first to start coming to Serbia in the aftermath of the Global Crisis in 2009, and they played a much-needed role in containing high unemployment, and as of 2023 they employ around 80.000 workers in Serbia⁹. Thus, they also provided a much-needed reindustrialization spark and reviving industrial human capital. Second, the arrival of German companies created the environment for new and innovative business practices to be recognised and adopted by the overall Serbian market as well as new technologies to be implemented in the wider industry. By offering competitive wages, German companies have boosted economic activity in less developed Serbian regions, such as Prokuplje and Doljevac. Finally, competitiveness on the Serbian market also increased due to German companies driving the overall quality of all products manufactured. Moreover, one of the key hidden benefits lies in the ties of German economy and Serbian SMEs which have helped many in elevating their businesses (see the text box 5 below), helping Serbia start to create its own "Mittelstand".

Box 5. SCGM: A German-Serbian success in plastic product innovation and manufacturing

SCGM d.o.o., initially a joint German-Serbian venture, is a certified company specialized in developing and processing plastic products and assembling complex electronic assemblies. Founded in 2004, the company emerged from combining German and Serbian expertise in technical product design and injection molding tool manufacturing. This collaboration has significantly influenced SCGM's trajectory, with Germany not only a key partner in its establishment but also its largest market. Offering services such as industrial design, product planning in plastics, prototype creation, and production of plastic products through single and dual-component injection molding, SCGM has adopted a 'turnkey' principle highly valued by its clients. SCGM's diverse products are utilized across various industries, including laser measuring device manufacturing, construction equipment, and the medical, textile, automotive, electrical, transportation systems, and furniture industries. With a strong export orientation, 90% of its production volume is directed to the European market, primarily Germany. SCGM's development is characterized by a consistent growth pattern, expanding from an initial 400 m² to 4200 m² in production space and it currently operates 22 machines in its plastic injection molding division.



⁹ This report uses data from the Serbian Business Register Agency (SBRA), which covers most of the business sector except for banks and insurance companies, as they do not submit their annual financial reports to the SBRA. For this reason, our report shows that German companies employ 74.190 people. However, when including banks and insurance companies, this number exceeds 80,000 employees.

6 German Direct Investments in Serbia: Structure and Key Trends

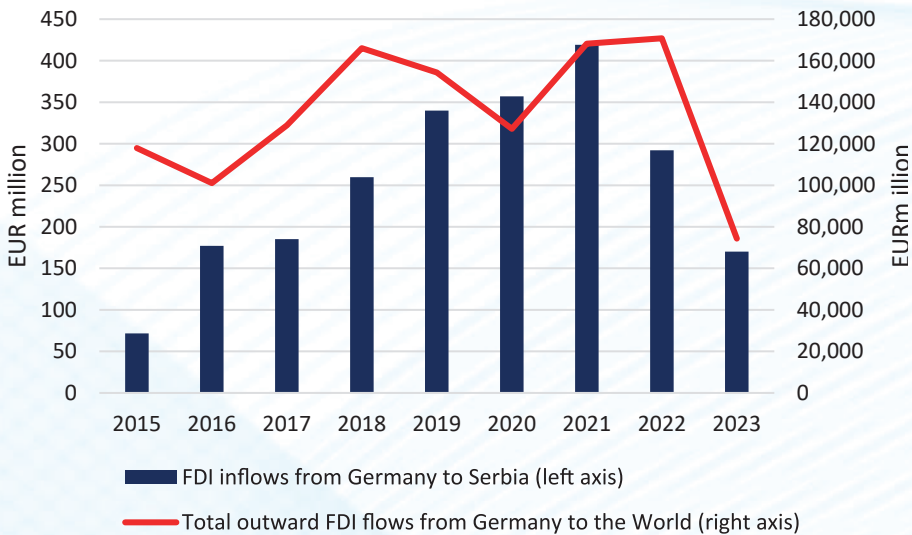
Investment scale and trends

Foreign direct investments have emerged as the cornerstone of Serbia's economic growth model, contributing over 6% of GDP and accounting for nearly one-third of total investments. Among the leading foreign investors, Germany stands out as the most significant, representing approximately 10% of Serbia's total FDI stock. German-owned companies in Serbia employ around 80,000 workers, underscoring their critical role in the country's labour market. Beyond employment, these investments have enhanced the competitiveness of Serbia's SMEs, fostering stronger links in global value chains and stimulating innovation and productivity within the local economy.

Between 2015 and 2021, Serbia experienced a steady increase in FDI inflows, propelled by greater investor confidence, the implementation of key economic reforms,

and the strengthening of bilateral ties with Germany. As illustrated in Figure 8, German investments in Serbia have mirrored broader trends of German FDI abroad, reflecting global patterns of economic expansion. Notably, FDI inflows from Germany to Serbia have closely followed the trajectory of Germany's total outward FDI flows, indicating that these inflows to Serbia are not solely driven by bilateral relations, but are also strongly influenced by the overall health of the German economy. Following a peak in 2021, both German global FDI outflows and German FDI to Serbia have declined sharply, with Serbia receiving only EUR 170 million in 2023 and turning negative in early 2024, signalling a net withdrawal of investments. This decline can be attributed to a combination of factors, including Germany's recent economic slowdown and entry into recession, heightened global uncertainty, geopolitical challenges, and a labour shortage that has increasingly affected Serbia's economic landscape.

Figure 9: German FDI in Serbia vs. Germany's global outward FDI flows (EUR million)



Source: National bank of Serbia and OECD

In 2023, several German companies opened plants in Serbia, either as first-time investors or by expanding their existing operations (Table 2). Regarding new companies, the largest investment, both in terms of the amount (EUR 85 million) and the number of people it announced it would employ (1,000), was made by Hansgrohe, a producer of sanitary equipment, which opened a factory for the production of bathroom and kitchen fittings in the West Serbian City of Valjevo. Furthermore, the company itself announced this investment as the largest in its history. Another large new investor, Bizerba, opened a plant

for manufacturing scales in Valjevo, announcing an investment of EUR 30 million and the employment of 300 people. In the City of Vranje, the German footwear manufacturer Haix opened a plant, investing EUR 2.8 million and announcing the employment of 650 people. This investment is particularly notable for the city, as it follows the closure of Geox in 2021, which resulted in the loss of 1,200 jobs. Additionally, companies in the sectors of machinery, mobility, and construction materials manufacturing, such as Wacker Neuson, Continental, and Knauf Insulation, expanded their operations in Serbia in 2023 (Table 2).

In addition to these, several other German companies have invested in Serbia and plan to open their plants in the near future. For instance, Mühlbauer, which has been operating in Serbia for over 15 years, began the construction of a new factory in Stara Pazova in February 2024. This factory will develop and assemble batteries and fuel cells for electric vehicles. The value of the investment in the new factory, expected to open in 2025, is EUR 29.5 mil-

lion, and it is projected to employ 150 new workers by the end of 2025. Meanwhile, the PWO Group, a German manufacturer of automotive components, officially opened its new factory in Čačak (Preljina) in July 2025. The investment, worth €89 million, currently employs 137 workers, with employment expected to rise to 500 in the coming months, and up to 800 in the second phase.

Box 6. German companies announcing structural adjustments of operations in Serbia

Despite several major investment announcements, signals of a potential shift in German investor sentiment have also emerged. Wieland is not the only company withdrawing operations from Serbia. ZF has announced the relocation of its micro switch production, while other automotive suppliers such as Draexlmaier have also confirmed that they will leave Serbia until the end of 2025. These developments reflect broader structural challenges in the German automotive industry, which is under increasing pressure from rising Chinese competition and the costly transition to e-mobility. Siemens, another major German employer in Serbia, has likewise announced global layoffs, raising concerns about future employment stability in the sector.

7 Macroeconomic Effects of German FDI

German companies in Serbia play a vital role in the country’s economic landscape, employing over 80,000 people¹⁰ and making a substantial contribution to its key macroeconomic indicators. Notably, the average salary in German companies is 33% higher than the overall business sector average, highlighting their role in improving income levels and supporting the

standard of living for their employees. As shown in Table 3, these companies demonstrate remarkable export activity, contributing 17% of the total exports of the Serbian business sector. This underscores their importance not only as employers but also as key drivers of Serbia’s integration into global markets and its economic competitiveness.

Table 2: Recent German FDI in Serbia

Company name	New investment/ expansion	Year of official opening	Sector	Announced investment (EUR million)	Announced number of employees	City / Municipality
Wacker Neuson	Expansion	2023	Machines	25	400	Kragujevac
Bizerba	New	2023	Scales manufacturing	30	300	Valjevo
Hansgrohe	New	2023	Sanitary equipment	85	1000	Valjevo
Knauf insulation	Expansion	2023	Construction material	20	15	Surdulica
Haix equipment	New	2023	Footwear	2,8	651	Vranje

Table 3. Comparison of German companies’ performance with Serbian business sector indicators

Total vs German companies - 2023	Total businesses	German companies	German companies as % of total businesses
Number of employees	1,606,231	74,190	5%
Business revenues (EUR million)	171,884	8,739	5%
Gross value added GVA (EUR million)	42,653	2,148	5%
Average salary (EUR)	791	1,053	133%
Total exports (EUR million)	28,227	4,834	17%
GVA per employee (EUR)	26,554	28,951	109%

Source: Business Register Agency

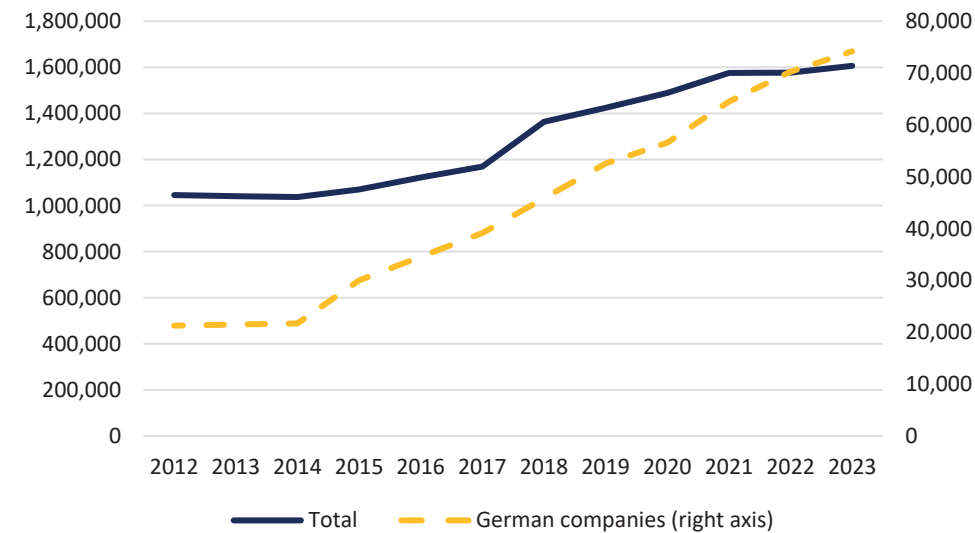
¹⁰ This report uses data from the Serbian Business Register Agency (SBRA), which covers most of the business sector except for banks and insurance companies, as they do not submit their annual financial reports to the SBRA. For this reason, our report shows that German companies employ 74,190 people. However, when including banks and insurance companies, this number exceeds 80,000 employees.

The following analysis tracks the 2012–2023 trends in employment, gross value added, exports, wages, and productivity among German companies in Serbia, comparing their trajectory with the broader economy.

Figure 10 below highlights how employment in German companies grew significantly faster than overall employment between 2012 and 2023. While total employment increased at a steady compound annual growth rate (CAGR) of 3.6%, jobs in German companies surged at an impressive 11.3% CAGR—more than three times the pace. The acceleration in growth after

2014 can be attributed to major German investors such as ZF, Lidl, Kromberg & Schubert, and Kühne + Nagel entering the Serbian market for the first time, as well as the substantial expansion of established companies like Leoni, Continental, Dräxlmaier, and Hemofarm/STADA. These firms have created thousands of jobs across manufacturing, retail, and pharmaceuticals, contributing meaningfully to overall employment trends. This dynamic reflects growing confidence from German businesses, supported by favourable investment conditions, a skilled workforce, and integration into regional and global value chains.

Figure 10: Employment trends: German-owned companies (right-axis) vs. total economy (2012–2023)

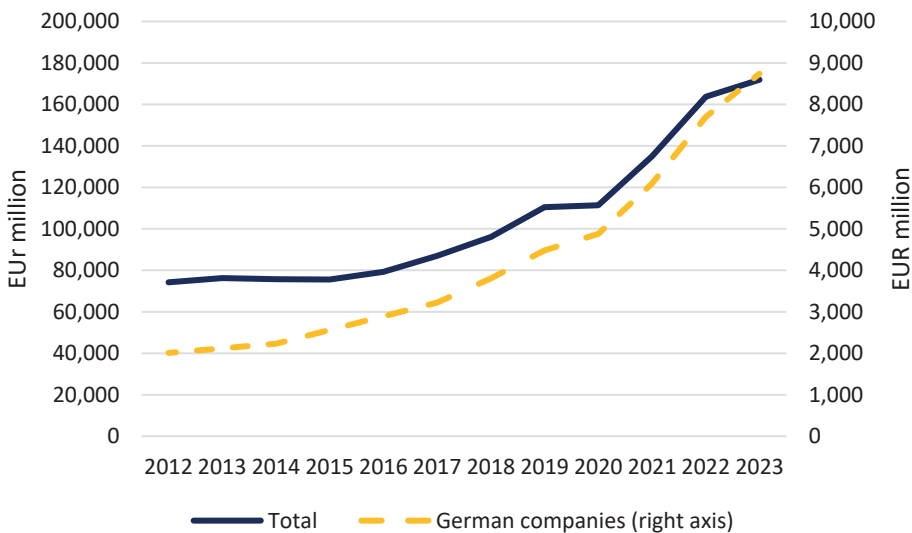


Source: Serbian Business Register Agency – author’s calculations

Figure 11 below shows the revenue growth of both the overall economy and German companies in Serbia from 2012 to 2023. During this period, total revenues increased from €74.2 billion to €171.9 billion, with a CAGR of 7.2%. Revenues from German companies grew

from €2.0 billion to €8.9 billion, reflecting a higher CAGR of 13.2%. This difference points to the strong expansion of German companies over the period, contributing to overall economic growth through increased business activity and continued investment.

Figure 11: Revenue growth: German-owned companies (right-axis) vs. total economy (2012–2023)

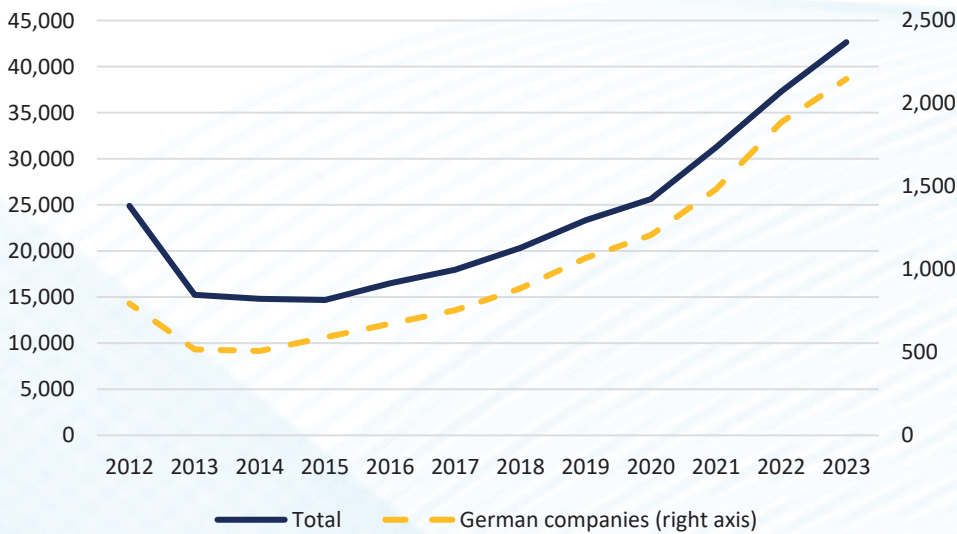


Source: Serbian Business Register Agency – author’s calculations

Although data from Figure 12 shows that total GVA in German companies grew nearly twice as fast as in the overall economy between 2012 and 2023 (8.8% vs. 4.6% CAGR), the trend in GVA per employee—a key measure of productivity—offers a more nuanced picture. As illustrated in the Figure 13, productivity levels in German companies remained consistently above the national average, though the gap narrowed over time. This reflects the fact that much of the growth in German companies between 2014 and 2019 was driven by increased

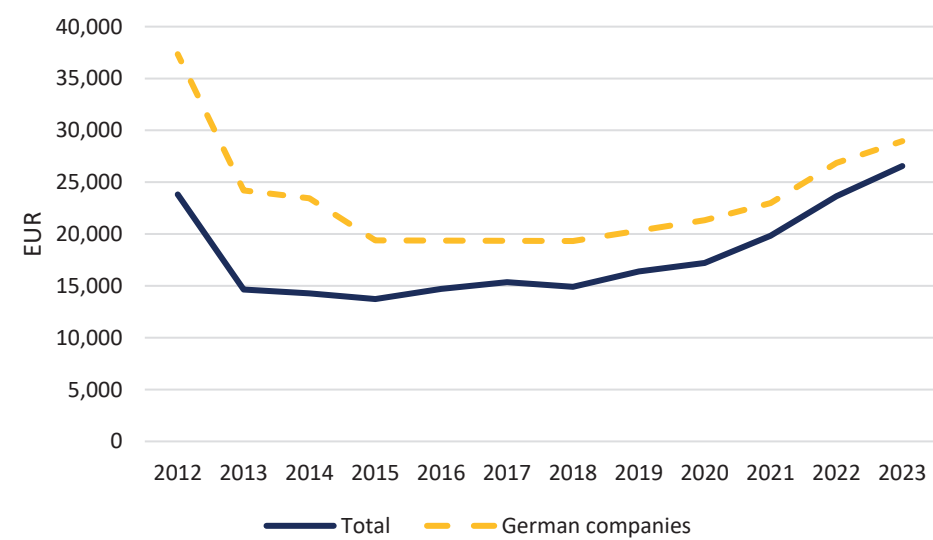
employment, while productivity gains became more evident in the later years. This does not diminish the role of German firms; on the contrary, their sustained investments, transfer of know-how, and higher operational standards likely contributed to the overall uplift in productivity across the economy. While German companies continued to grow their workforce and output, they also played a key role in setting benchmarks that influenced improvements among domestic peers, fostering a more competitive and efficient business environment.

Figure 12: GVA growth: German companies (right-axis) vs. total economy (2012–2023)



Source: Serbian Business Register Agency – author’s calculations

Figure 13: Productivity trends: GVA per employee in German companies vs. total economy (2012–2023)

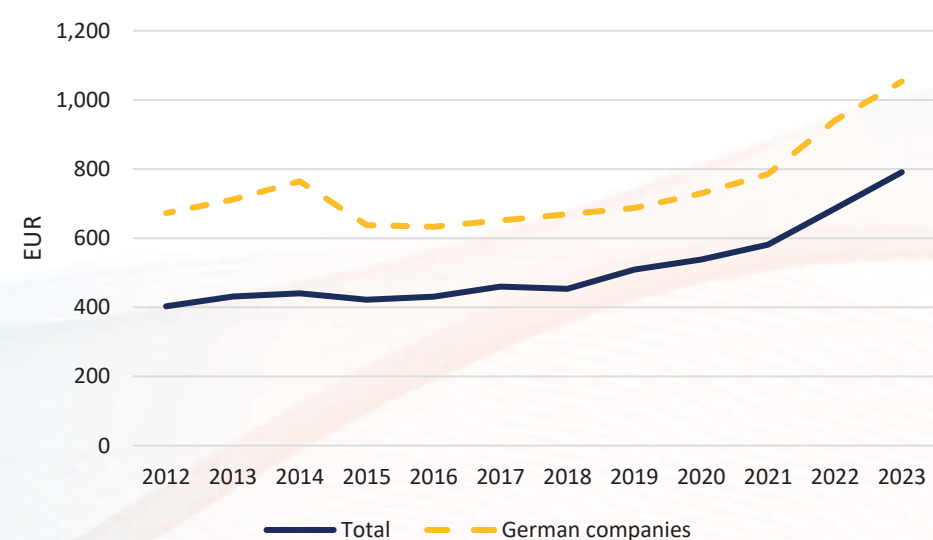


Source: Serbian Business Register Agency – author’s calculations

The data on average salaries from 2012 to 2023 (Figure 14) shows that employees in German companies consistently earned above the national average, reflecting the strong position and higher value-added nature of these firms. Although salary growth in the overall economy was faster during this period (CAGR of 5.8% compared to 3.7% in German companies), this reflects a process of gradual convergence rather than a narrowing of opportunity. In fact, German companies main-

tained a clear wage premium—paying on average 31% more than the national average in 2023—down from 67% in 2012. This premium has likely served as a benchmark, helping to raise wage expectations and standards more broadly. The relatively moderate wage growth in German firms may be explained by earlier frontloading of higher salaries, already starting from a stronger position, while the rest of the economy experienced catch-up growth in the more recent years.

Figure 14. Average salary in the overall economy and German-owned companies from 2012 to 2023 (EUR)

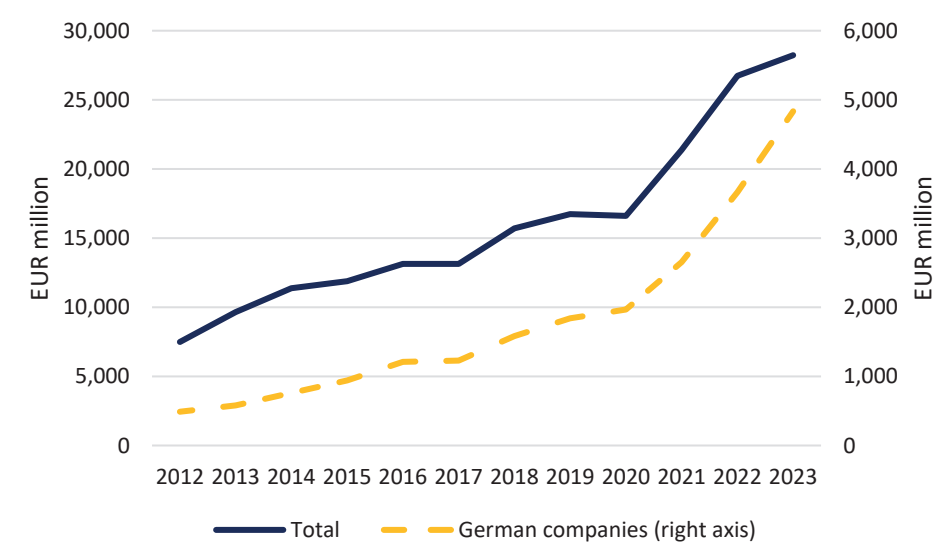


Source: Serbian Business Register Agency – author’s calculations

Exports have been a key area of strength for German companies in Serbia, with export values rising from €489 million in 2012 to nearly €5 billion in 2023 (Figure 15)—a remarkable compound annual growth rate (CAGR) of 21.4%, nearly double the growth rate of overall national exports (11.7% CAGR). This strong performance reflects the export-oriented nature of many German investments, particularly in manufacturing and

high-value sectors. Their integration into global value chains, combined with consistent reinvestment and expansion, has contributed significantly to Serbia’s overall export growth. In doing so, German companies have played a key role in boosting the country’s competitiveness on international markets and strengthening its long-term economic resilience.

Figure 15. Export growth: German companies (right-axis) vs. total economy (2012–2023)



Source: Serbian Business Register Agency – author’s calculations

The significant contribution of German companies to Serbia’s macroeconomic environment becomes even more evident when analysed at the sectoral level.

German foreign direct investments (FDIs) are concentrated in highly competitive sectors such as mobility, metal and machinery, and pharmaceuticals and chemicals. For example, more than half of the total employment in German companies in Serbia is in the mobility sector, which accounts for approximately one-third of total employment within this sector in Serbia.

German FDIs are particularly prominent in the mobility sector, especially in the electric components and integrated systems and vehicles subsectors, where they account for around 50% and 30% of total employment, respectively (Table 4). These investments have been driven by leading global companies such as Leoni, Bosch, IGB Automotive, ZF, Kromberg & Schubert, Continental, and Brose. On the other hand, companies like Hemofarm/Stada and Henkel greatly emphasize German companies’ presence in the pharmaceuticals and chemicals sector, accounting for 23% of total employment in that sector. Their presence not only creates jobs but also enhances Serbia’s industrial capabilities, competitiveness, and integration into global supply chains.

Table 4. German companies’ contribution to sectoral employment in Serbia (2023)

Sectors - 2023	Number of employees - total business sector	Number of employees in German companies	Employment in German companies as a % of total employment
Mobility - Integrated Systems and Vehicles	68,576	30,118	44%
Pharmaceuticals and Chemicals	18,597	4,267	23%
Mobility - Electric Components	26,865	3,767	14%
Business Services	29,271	2,881	10%
Lighting and Optics	8,184	759	9%
Mobility - Rubber and Plastics	31,334	2,583	8%
Textile	53,585	4,260	8%
Metal and Machinery	68,083	3,486	5%
Wholesale	126,708	4,811	4%
IT Solutions and Services	60,017	2,206	4%
Retail	173,028	6,119	4%
Construction and Building Materials	18,387	371	2%
Transport and Logistics	67,134	764	1%
Other	740,479	7,451	1%
Foodstuffs	115,983	347	0%
Total	1,606,231	74,190	5%

Source: Business Register Agency

Text box 7: Leoni in Serbia- Supporting economic growth and local communities

Leoni Wiring Systems Southeast – LEONI Serbia – plays an important role in Serbia’s industrial sector and economic development. As a producer of cable harnesses for premium-class cars of the world’s leading manufacturers, LEONI Serbia employs around 12,500 people, making it the largest industrial employer in the country. With four factories located in Prokuplje, Malošište, Niš, and Kraljevo, LEONI has been operating in Serbia since 2009. The company exports its entire production and was among the top five Serbian exporters in 2023, showcasing its contribution to Serbia’s export performance. Additionally, LEONI collaborates with around 700 local suppliers, further supporting local businesses and strengthening economic ties within the country. The company is dedicated to the development of its employees, offering training and education programs to help build professional skills. Competitive salaries and a focus on employee well-being highlight its commitment to fostering a positive work environment. Beyond its operations, LEONI actively supports local communities through socially responsible initiatives, contributing to regional development and creating shared value. By balancing economic impact with community engagement, LEONI Serbia continues to make a meaningful contribution to Serbia’s growth and development.

German companies in Serbia demonstrate a strong contribution to revenues and GVA in several key sectors. In particular, their presence is prominent in high-value industries such as mobility, pharmaceuticals, and chemicals, where German businesses contribute significantly to both sectoral revenues and GVA. For instance, in the mobility sector, German companies account for as much as half of business revenues in

the integrated systems and vehicles subsector and more than 40% of GVA in both the electric components and integrated systems subsectors as well as the chemicals and pharmaceutical sectors (Tables 5 and 6). These figures underscore the value German companies bring through advanced production capabilities and a strong presence in competitive export-oriented industries.



Table 5. Sectoral business revenues: Contribution of German companies in Serbia (2023)

Sectors - 2023	Business revenues - total (EUR million)	Business revenues in German companies (EUR million)	Business revenues in German companies as a % of total
Mobility - Integrated Systems and Vehicles	4,411	2,219	50%
Pharmaceuticals and Chemicals	3,194	1,025	32%
Mobility - Electric Components	2,139	152	7%
Textile	1,965	137	7%
Retail	18,657	1,219	7%
Metal and Machinery	5,517	353	6%
Mobility - Rubber and Plastics	3,521	223	6%
Construction and Building Materials	1,700	100	6%
Wholesale	33,795	1,862	6%
Business Services	1,822	99	5%
IT Solutions and Services	4,458	181	4%
Lighting and Optics	1,435	23	2%
Other	68,487	1,015	1%
Transport and logistics	6,097	48	1%
Foodstuffs	14,687	84	1%
Total	171,884	8,739	5%

Source: Business Register Agency

Table 6. Gross Value Added (GVA) in Serbian sectors and the role of German companies (2023)

Sectors - 2023	Gross value added (GVA) - total in EUR million	Gross value added (GVA) in German companies in EUR million	Gross value added (GVA) in German companies as a % of total
Mobility - Integrated Systems and Vehicles	1,197	604	50%
Pharmaceuticals and Chemicals	584	236	40%
Mobility - Electric Components	536	88	16%
Retail	2,947	305	10%
Mobility - Rubber and Plastics	801	73	9%
Business Services	817	70	9%
Textile	638	53	8%
Wholesale	4,101	241	6%
Metal and Machinery	1,482	74	5%
Construction and Building Materials	520	24	5%
Lighting and Optics	255	10	4%
IT Solutions and Services	2,782	110	4%
Other	21,540	230	1%
Transport and logistics	1,592	16	1%
Foodstuffs	2,860	11	0%
Total	42,653	2,148	5%

Source: Business Register Agency

In nearly all sectors where they are active, especially in higher value-added industries such as pharmaceuticals, IT, and parts of wholesale, German companies exhibit significantly higher productivity than the sector average. This is most striking in retail, where GVA per employee in German firms is nearly three times

higher (293%) than the overall sector. Such performance underscores the technological sophistication, efficiency, and organizational capacity of these firms, contributing substantially to Serbia’s industrial development, competitiveness, and integration into global value chains.

Table 7. GVA per employee: Comparative performance of German companies in Serbia (2023)

Sectors - 2023	GVA per employee - total (EUR)	GVA per employee in German companies (EUR)	GVA per employee in German companies as a % of total
Retail	17,033	49,896	293%
Construction and Building Materials	28,271	64,799	229%
Pharmaceuticals and Chemicals	31,416	55,396	176%
Wholesale	32,367	50,116	155%
Foodstuffs	24,658	32,459	132%
Mobility - Electric Components	19,949	23,404	117%
Mobility - Integrated Systems and Vehicles	17,460	20,070	115%
Mobility - Rubber and Plastics	25,557	28,426	111%
IT Solutions and Services	46,359	49,919	108%
Other	29,089	30,838	106%
Textile	11,898	12,383	104%
Metal and Machinery	21,763	21,266	98%
Transport and Logistics	23,719	21,087	89%
Business Services	27,912	24,468	88%
Lighting and Optics	31,217	13,554	43%

Source: Business Register Agency

Box 7. Continental in Serbia: Advancing innovation and employment

Continental, a global leader in automotive technology, has established a significant presence in Serbia, contributing to the development of the country’s mobility and technology sectors. The company operates in two cities across three locations, showcasing its commitment to fostering technological advancement and creating high-quality job opportunities. In Subotica, Continental runs a factory specializing in the production of tubes and hose systems for the flow of various types of fluids, bolstering Serbia’s manufacturing sector. In Novi Sad, Continental has established a Research and Development Center, where more than 1,000 engineers work on cutting-edge technologies for the automotive industry. Over the years, the center has grown to become one of the largest employers in Serbia’s automotive engineering sector, focusing on innovative projects such as electronic cabin devices, systems, and sensors for autonomous driving. Through these operations, Continental not only supports local talent by collaborating with universities and offering career opportunities but also positions Serbia as a hub for innovation in automotive technology. Their efforts in sustainable and cutting-edge solutions align with global trends, solidifying Serbia’s reputation as a competitive player in the global automotive industry.

German companies also make a strong contribution to wage levels in Serbia, with average salaries significantly higher than the sector average in many industries. In some cases, such as retail, salaries in German companies are nearly three times higher than the sector average. Substantial wage premiums are also evident in sectors like construction, wholesale, pharmaceuticals,

and IT—the latter two being typically more competitive and requiring a highly skilled workforce. These higher wages reflect German firms’ emphasis on attracting and retaining talent, as well as their capacity to support higher living standards in the regions where they operate. This trend further underscores their role in enhancing both economic and social outcomes through quality employment.



Table 8. Average salaries in Serbian sectors: German companies’ contributions (2023)

Sectors	Average salary - total	Average salary - German companies (EUR)	Avg salaries in German companies as a % of total
Retail	562	1,659	295%
Construction and Building Materials	695	1,496	215%
Wholesale	861	1,630	189%
Foodstuffs	665	1,234	186%
Other	783	1,276	163%
Mobility - Electric Components	737	1,144	155%
Metal and Machinery	740	954	129%
Pharmaceuticals and Chemicals	1,003	1,274	127%
Transport and Logistics	720	846	117%
Textile	482	550	114%
Mobility - Rubber and Plastics	760	863	114%
IT Solutions and Services	1,995	2,256	113%
Mobility - Integrated Systems and Vehicles	697	752	108%
Business Services	1,104	1,140	103%
Lighting and Optics	989	621	63%

Source: Business Register Agency

Finally, when it comes to exports, German companies are pivotal to Serbia’s global trade performance. Their impact is especially pronounced in the mobility sector, where they account for 56% of exports in the integrated systems and vehicles subsector and 37% in electric components, as well as 48% in pharmaceuticals and chemicals (Table 9). This level of contribution highlights their role as key drivers of Serbia’s integration

Table 9. Exports by sector: Contribution of German companies to Serbian trade (2023)

Sectors - 2023	Exports - total (EUR million)	Exports in German companies (EUR million)	Exports in German companies as a % of total exports
Mobility - Integrated Systems and Vehicles	4,806	2,731	57%
Pharmaceuticals and Chemicals	1,617	777	48%
Metal and Machinery	2,288	305	13%
Mobility - Rubber and Plastics	1,834	205	11%
Construction and Building Materials	273	30	11%
Mobility - Electric Components	1,480	158	11%
Textile	1,292	123	10%
Lighting and Optics	295	21	7%
IT solutions and services	46	3	7%
Wholesale	3,274	211	6%
Other	7,633	235	3%
Retail	109	2	2%
Foodstuff	3,134	32	1%
Business Services	58	0	1%
Transport and logistics	89	0	0%
Total	28,227	4,834	17%

Source: Business Register Agency

into international markets. The significant export performance of German companies enhances Serbia’s trade balance and positions the country as an important player in high-value global supply chains. By focusing on sectors with strong export potential, German companies continue to play a vital role in strengthening Serbia’s economic growth and competitiveness on the international stage.

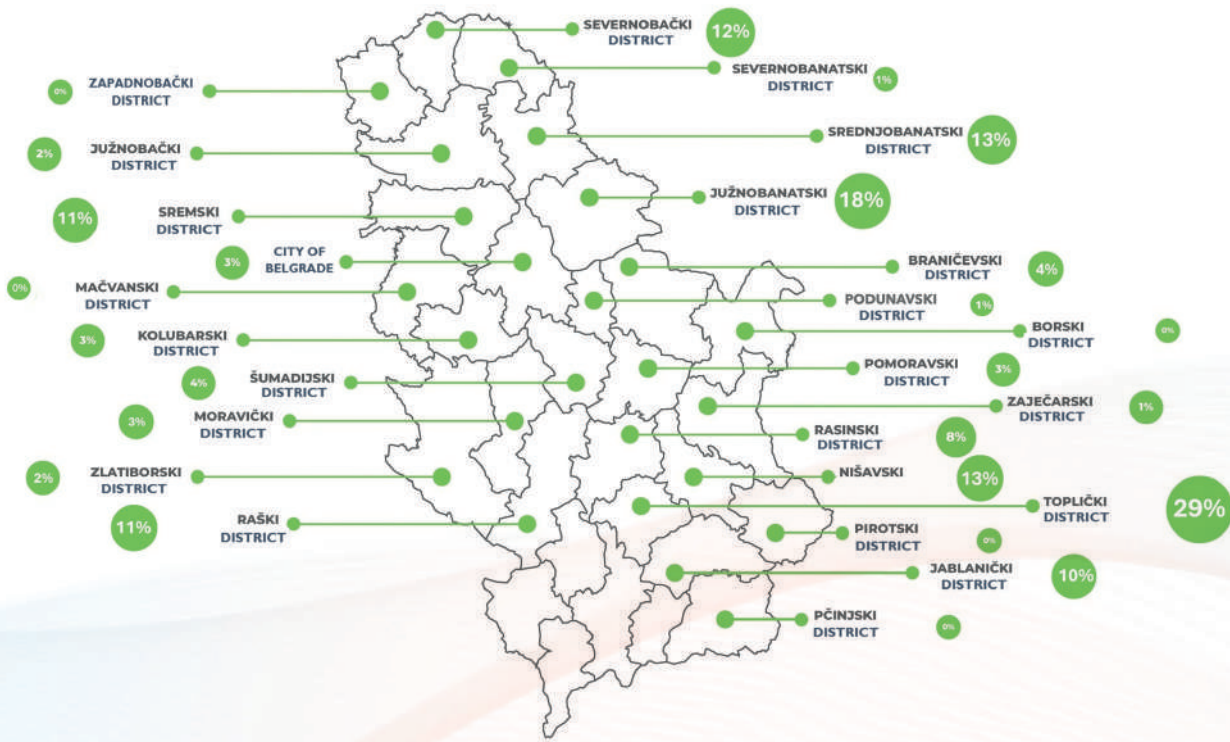
8 Mapping German FDI's Impact in Serbia

In addition to their macroeconomic and sectoral contributions, German FDI in Serbia play a pivotal role in driving regional development and reducing economic disparities across the country. These investments are not concentrated solely in major urban centres but are strategically dispersed to promote growth in both developed and less developed regions. This widespread presence has fostered employment opportunities, enhanced local economies, and contributed to the diversification of Serbia's industrial base.

As illustrated in Figure 16, German companies have a presence in nearly all of Serbia's 25 administrative dis-

tricts, contributing significantly to regional employment. Their impact is particularly notable in southern Serbia, especially in the Toplički District where they account for nearly 30% of total employment, as well as in Jablanički and Nišavski Districts. This presence provides essential support to local economies that have historically lagged in development. In northern Vojvodina, districts such as Južnobački, Srednjobanatski, and Severnobački also show strong contributions, where German companies help strengthen the already dynamic industrial base, boosting competitiveness and encouraging innovation across the region.

Figure 16. Map of German companies' contribution to regional employment in Serbia (2023)



Source: Business Register Agency

Box 8. Driving inclusive growth in the Rasina District: Kromberg & Schubert's sustainable investment in Kruševac

Kromberg & Schubert, a German automotive supplier, has been operating in Kruševac (Rasina District) since 2018. The €20 million factory spans over 24,000 square meters and currently employs around 2,000 workers, with plans to expand even further. Through this investment, the company plays a key role in regional economic development and workforce inclusion. The Kruševac facility is part of the company's global sustainability strategy, which aims for carbon neutrality by 2030. It is ISO 14001 certified and has adopted green technologies, including renewable energy sources. Kromberg & Schubert also partners with local vocational schools and universities to provide internships and technical training, supporting youth employment and skills development. By combining stable employment, environmentally responsible production, and education partnerships, the company contributes not only to industrial growth but also to inclusive and sustainable regional development in Serbia.

In addition to creating jobs, German companies play a significant role in enhancing productivity and driving high-value economic activities across Serbia. Their presence is particularly impactful in Južnobački Administrative District, where they account for more than a quarter of total business revenues and nearly 40% of GVA, underscoring the strategic importance of this region for German-Serbian industrial cooperation. Within this district, companies such as Brose and ZF in Pančevo are key

players in the automotive sector, bringing advanced technologies and innovation. Elsewhere, firms like Gruner in Vlasotince (Jablanički district), Henkel and Kromberg & Schubert in Kruševac (Rasinski district), and Continental (ContiTech) in Subotica (Severnobački district) contribute to the growth of advanced manufacturing, chemicals, and mobility solutions, further strengthening Serbia's position in regional and global value chains.



Table 10. German companies’ contribution to regional revenues in Serbia (2023)

Administrative Districts - 2023	Business revenues - total (EUR million)	Business revenues in German companies (EUR million)	Business revenues in German companies as a % of total
Južnobanatski Administrative District	4,436	1,170	26%
Rasinski Administrative District	2,465	445	18%
Toplički Administrative District	600	108	18%
Sremski Administrative District	8,016	1,237	15%
Severnobački Administrative District	3,555	460	13%
Nišavski Administrative District	3,964	300	8%
Raški Administrative District	2,695	141	5%
Šumadijski Administrative District	4,231	211	5%
Jablanički Administrative District	1,401	66	5%
Srednjobanatski Administrative District	2,323	105	5%
City of Belgrade	85,548	3,567	4%
Moravički Administrative District	3,808	141	4%
Južnobački Administrative District	22,356	587	3%
Braničevski Administrative District	1,151	26	2%
Kolubarski Administrative District	2,871	46	2%
Pomoravski Administrative District	2,120	29	1%
Podunavski Administrative District	1,898	23	1%
Zlatiborski Administrative District	3,417	35	1%
Severnobanatski Administrative District	1,529	11	1%
Zapadnobački Administrative District	2,353	14	1%
Zaječarski Administrative District	717	4	1%
Mačvanski Administrative District	4,008	11	0%
Borski Administrative District	3,705	1	0%
Pirotski Administrative District	1,449	0	0%
Pčinjski Administrative District	1,270	0	0%
Total	171,884	8,739	5%

Source: Business Register Agency

Table 11. German Companies’ contribution to regional value added in Serbia (2023)

Administrative Districts - 2023	Gross value added (GVA) - total in EUR million	Gross value added (GVA) in German companies in EUR million	Gross value added (GVA) in German companies as a % of total
Južnobanatski Administrative District	741	279	38%
Toplički Administrative District	175	44	25%
Severnobački Administrative District	846	157	19%
Rasinski Administrative District	576	89	15%
Sremski Administrative District	1,612	246	15%
Srednjobanatski Administrative District	521	68	13%
Nišavski Administrative District	1,069	107	10%
Raški Administrative District	597	56	9%
Jablanički Administrative District	362	29	8%
Braničevski Administrative District	276	12	5%
City of Belgrade	22,384	847	4%
Moravički Administrative District	836	28	3%
Šumadijski Administrative District	1,074	36	3%
Pomoravski Administrative District	497	11	2%
Južnobački Administrative District	5,267	107	2%
Podunavski Administrative District	393	6	1%
Kolubarski Administrative District	556	8	1%
Zlatiborski Administrative District	787	9	1%
Severnobanatski Administrative District	421	4	1%
Zapadnobački Administrative District	459	3	1%
Zaječarski Administrative District	169	1	0%
Mačvanski Administrative District	840	2	0%
Borski Administrative District	1,607	1	0%
Pirotski Administrative District	283	0	0%
Pčinjski Administrative District	305	0	0%
Total	42,653	2,148	5%

Source: Business Register Agency

The GVA per employee in German companies highlights their important role in driving productivity and creating economic value across Serbian regions. The highest levels of productivity are observed in districts such as Južnobanatski, Rasinski, Severnobački, Sremski, and the City of Belgrade, reflecting the strong presence of Ger-

man firms in high-value sectors (Table 12). In the Sremski District, for instance, IGB Automotive in Indija enhances local production capacities in the automotive supply chain, illustrating the strategic role of German companies in driving industrial performance in key sectors.

Table 12. Gross Value Added (GVA) per employee in German companies vs. regional averages by Administrative Districts (2023)

Administrative Districts - 2023	GVA per employee - total (EUR million)	GVA per employee in German companies (EUR million)	GVA per employee in German companies as a % of total
Južnobański Administrative District	18,934	39,972	211%
Rasinski Administrative District	17,597	33,981	193%
Severnobački Administrative District	21,497	32,246	150%
Sremski Administrative District	24,898	33,729	135%
City of Belgrade	32,113	42,602	133%
Braničevski Administrative District	15,941	19,538	123%
Pomoravski Administrative District	16,254	18,511	114%
Podunavski Administrative District	16,103	18,057	112%
Moravički Administrative District	20,546	22,135	108%
Srednjobanatski Administrative District	17,209	17,042	99%
Šumadijski Administrative District	19,571	18,411	94%
Raški Administrative District	14,726	13,246	90%
Toplički Administrative District	14,655	12,759	87%
Južnobački Administrative District	31,461	27,168	86%
Jablanički Administrative District	13,677	11,281	82%
Severnobanatski Administrative District	20,314	16,555	81%
Nišavski Administrative District	18,300	14,345	78%
Mačvanski Administrative District	19,540	15,307	78%
Zapadnobački Administrative District	17,791	13,344	75%
Zlatiborski Administrative District	18,896	12,302	65%
Kolubarski Administrative District	19,003	10,312	54%
Zaječarski Administrative District	15,057	7,161	48%
Borski Administrative District	71,569	9,807	14%

Source: Business Register Agency

In terms of salaries, German companies pay above-average wages in 18 out of the 23 districts where they operate, highlighting their contribution to improving income levels across Serbia. As shown in Table 13, this wage premium is especially pronounced in Južnobački, Severnobački, City of Belgrade, and Južnobański Administrative District, where average salaries in German firms are 60% to 87% higher than the district average. In Vršac (Južnobański), for instance, German companies

account for more than half of total employment, over 60% of business revenues, and more than 70% of value added—largely driven by the presence of Hemofarm (Box 8). Similar trends are visible in Zaječarski and Braničevski districts, reinforcing the positive impact of German investments on employee welfare and regional development. This contribution reflects a strong commitment to attracting and retaining skilled labour while raising living standards in the communities where they operate.

Box 9. Hemofarm in Vršac: A pillar of Serbia’s pharmaceutical industry

Hemofarm, a prominent former state-owned company and a member of the German STADA Group since 2006, plays a key role in driving economic activity in the Vojvodina City of Vršac. As one of the largest pharmaceutical producers in the region, Hemofarm contributes significantly to local employment, revenues, and value added. In 2023, the company reached a production milestone of 347 million packages, totalling 7.8 billion units, highlighting its importance in the regional market. Beyond production, Hemofarm is widely recognized for its sustainable development practices. The company has invested substantially in energy-efficient technologies, such as heat and cooling pumps, solar power plants, LED lighting, and solar tubes, resulting in notable energy savings and a reduced environmental footprint. Additionally, Hemofarm actively engages in initiatives that promote health-care awareness, environmental sustainability, and education. For instance, it supports campaigns like “The Most Important Call in Life,” which raises awareness about organ donation in partnership with the Hemofarm Foundation and the Ministry of Health.



Table 13. Average salaries in Serbian sectors: German companies’ contributions (2023)

Administrative Districts - 2023	Average salary - total (EUR)	Average salary - German companies (EUR)	Avg salaries in German companies as a % of total
Južnobački Administrative District	859	1,604	187%
Severnobački Administrative District	713	1,173	165%
City of Belgrade	955	1,570	164%
Južnobanatski Administrative District	723	1,170	162%
Zaječarski Administrative District	507	811	160%
Braničevski Administrative District	537	784	146%
Rasinski Administrative District	561	789	141%
Šumadijski Administrative District	685	931	136%
Podunavski Administrative District	549	732	133%
Kolubarski Administrative District	593	751	127%
Sremski Administrative District	724	900	124%
Pomoravski Administrative District	565	672	119%
Mačvanski Administrative District	582	675	116%
Jablanički Administrative District	466	523	112%
Srednjobanatski Administrative District	633	701	111%
Moravički Administrative District	647	705	109%
Raški Administrative District	525	570	109%
Toplički Administrative District	540	564	104%
Severnobanatski Administrative District	654	657	100%
Nišavski Administrative District	623	597	96%
Zapadnobački Administrative District	610	535	88%
Zlatiborski Administrative District	603	446	74%
Borski Administrative District	793	369	47%

Source: Business Register Agency

Finally, German companies play a key role in Serbia’s export performance, particularly in districts such as Južnobanatski, Toplički, Rasinski, and Severnobački Administrative District, where they account for a substantial share of total exports. As shown in Table 14, this strong export orientation reflects the integration

of German firms into global value chains and their contribution to enhancing Serbia’s competitiveness in international markets. By focusing on high-quality, export-driven production, German companies not only support Serbia’s trade balance but also help strengthen its presence in the global economy.

Table 14. Exports by Administrative Districts: Contribution of German companies to regional trade (2023)

Administrative Districts - 2023	Exports - total (EUR million)	Exports in German companies (EUR million)	Exports in German companies as a % of total exports
Južnobanatski Administrative District	1,559	1,070	69%
Toplički Administrative District	224	128	57%
Rasinski Administrative District	752	370	49%
Severnobački Administrative District	996	461	46%
Raški Administrative District	388	157	40%
Južnobački Administrative District	3,353	815	24%
Nišavski Administrative District	1,310	294	22%
Moravički Administrative District	699	146	21%
Srednjobanatski Administrative District	490	97	20%
Jablanički Administrative District	406	62	15%
Šumadijski Administrative District	1,326	186	14%
City of Belgrade	7,047	706	10%
Pomoravski Administrative District	321	32	10%
Sremski Administrative District	2,191	188	9%
Podunavski Administrative District	371	23	6%
Kolubarski Administrative District	617	34	6%
Zlatiborski Administrative District	800	30	4%
Zaječarski Administrative District	126	4	3%
Zapadnobački Administrative District	599	16	3%
Severnobanatski Administrative District	476	8	2%
Mačvanski Administrative District	1,223	8	1%
Braničevski Administrative District	81	0	0%
Borski Administrative District	2,115	0	0%
Pirotski Administrative District	491	0	0%
Pčinjski Administrative District	267	0	0%
Total	28,227	4,834	17%

Source: Business Register Agency

9 Conclusion

The economic relationship between Germany and Serbia has emerged as a powerful engine of growth, transformation, and resilience in a challenging global environment. This report has shown that, despite headwinds such as a global trade contraction, recessionary trends in Germany, and geopolitical instability, the partnership between the two countries has deepened and diversified, driven by robust trade dynamics, high-impact foreign direct investment, and increasing integration into European value chains.

Trade between Germany and Serbia has defied global trends. While world trade fell by 4.5% in 2023 and Germany's total trade declined, bilateral trade volumes with Serbia grew by 11.1% to reach EUR 9.37 billion in 2023, with momentum continuing into 2024. Germany remains Serbia's single most important trading partner both as the main destination of exports from Serbia and the biggest player on Serbia's import market. The structure of exports from Serbia to Germany is dominated by the mobility sector, which alone expanded 300% between 2015 and 2023, driven by the integration of Serbian and German companies in Serbia into complex value chains. Electrical components, insulated wire sets, and mobility parts have become key export items from Serbia, underpinned by German investment and know-how. At the same time, German exports to Serbia, ranging from vehicles and machinery to chemicals and consumer goods remain essential inputs for Serbian industry and consumers, reinforcing the interdependence of the two economies.

The constant expansion and diversification of traded products, alongside the steady rise in Serbia's share of the German import market, underscore the competitiveness gains and upward mobility of Serbian industry. Despite setbacks in sectors such as foodstuffs and base metals in 2023, the overall structure of bilateral trade remains well-balanced and poised for future growth.

German FDI has played an important role in Serbia's economic development. Accounting for around 10% of total FDI stock and employing more than 80,000 workers, German companies have set benchmarks in productivity, export orientation, and wage levels. Between 2012 and 2023, employment, revenue, and export growth in German-owned firms far outpaced the Serbian average, especially in sectors like automotive, chemicals, and ICT. German investment has anchored Serbia in European supply chains, supported the development of local SMEs, and fostered innovation and technology transfer.

In addition, German companies have also contributed to inclusive regional development. They are present in nearly all Serbian districts, driving higher productivity and incomes even in less-developed regions. Wages in German firms are consistently above local averages—sometimes by more than 60%—helping to narrow income disparities. The presence of anchor investors, such as Hemo-farm, Continental, and Leoni, has had multiplier effects, stimulating local supply chains and social development.

Inflows of German FDI declined sharply after 2021, turning negative in early 2024 due to global uncertainties, structural shifts in the automotive sector, and local labour shortages signalling potential challenges ahead. While new investments continue, such as those by Hansgrohe and Bizerba, several established German firms are restructuring or relocating, underscoring the need for Serbia to address skill gaps, strengthen its business environment, and diversify its industrial base.

The German-Serbian economic partnership is built on strong foundations: Serbia's industrial heritage, strategic location, skilled and competitively priced workforce, and consistent government support have created a favourable environment for German trade and investment. Proximity to EU markets and the drive for resilient supply chains

(nearshoring) have further strengthened these ties. This collaboration has not only transformed sectors like mobility and pharmaceuticals but also accelerated Serbia's integration with the EU and global economy.

Looking ahead, the German-Serbian economic partnership is well positioned to remain a cornerstone of Serbia's growth and transformation, provided current challenges are managed proactively. The priorities for the future include: Further Diversification: Expanding beyond mo-

bility and automotive into knowledge-intensive, green, and digital sectors; Workforce Development: Investing in skills and education to sustain competitiveness and support higher-value activities; Resilience and Sustainability: Enhancing supply chain resilience, supporting innovation, and advancing environmental and social responsibility; Balanced Regional Growth: Ensuring that the benefits of trade and FDI continue to reach all parts of Serbia, narrowing regional gaps and fostering social inclusion.

Annex 1: Methodology

For the data collection in this trade analysis, we primarily relied on the UN Comtrade database, which is widely recognized for its official and comprehensive trade statistics. This trade statistics covers only the trade in goods. In our study, we designated Germany as the reporting country and Serbia as the partner country, reflecting the trade relationship between the two nations. Our dataset encompassed information on imports to Germany from the entire world, allowing us to conduct a robust Constant Market Share Analysis. To ensure a thorough examination of trade dynamics and minimize the influence of yearly fluctuations, we adopted a specific approach. We calculated averages for two distinct periods: the years 2015 and 2016, and the years 2021 and 2022. This averaging process served to smoothen out variations and provide a more stable basis for analysis. Furthermore, all monetary values were converted from US Dollars to Euros using the yearly average exchange rates between the two currencies, ensuring currency fluctuations did not impact our results. Additionally, in parallel with the analysis conducted on HS 2-digit classification (HS2 codes), we also carried out a more granular analysis using HS 4-digit classification (HS4 codes). This allowed us to delve deeper into product categories and gain further insights into trade performance. However, it's essential to note that the analysis presented in this report primar-

ily focuses on the HS2 codes, providing a broader overview of Serbia's exports to Germany."

In this study, we conducted a Constant Market Share Analysis for this approach aimed to mitigate abrupt variations and provide a clearer understanding of trade dynamics. The data source for this research was UN Comtrade, and we applied the methodology developed by the Trade Centre for the calculation of Trade Performance Indicators. To assess changes in Serbia's market share, we employed a decomposition framework that considers three key effects: Competitive, Structural, and Adaptation effects. The formulas used in our analysis are outlined below.

Absolute Change in Serbian Market Share in Germany

The change (variation over time) in a Serbia share in German market is the difference in the Serbian market share in Germany between time 0 and time t. If it is positive, the country has increased its world market share. The change in a country's German market share can be decomposed and expressed as the sum of the following effects: (1) competitiveness effect; (2) structural effect, and (3) adaptation effect.

$$\left(\frac{X_s^t}{X_g^t}\right) - \left(\frac{X_s^{t0}}{X_g^{t0}}\right) = \sum_j \left[\left(\frac{X_{sj}^t}{X_{gj}^t}\right) \times \left(\frac{X_{gj}^t}{X_g^t}\right) - \left(\frac{X_{sj}^{t0}}{X_{gj}^{t0}}\right) \times \left(\frac{X_{gj}^{t0}}{X_g^{t0}}\right) \right]$$

$\left(\frac{X_s^t}{X_g^t}\right)$ Represents Serbia's share in the German market during the period t

$\left(\frac{X_s^{t0}}{X_g^{t0}}\right)$ Represents Serbia's share in the German market during the period t0

$\left(\frac{X_{sj}^t}{X_{gj}^t}\right)$ Represents Serbia's share in the German market for sector J during the period t

$\left(\frac{X_{gj}^{t0}}{X_g^{t0}}\right)$ Represents the share of the German sector j in the total German imports during the period t

$\left(\frac{X_{sj}^t}{X_{gj}^t}\right)$ Represents Serbia's share in the German market for sector j during the period t₀

$\left(\frac{X_{gj}^{t0}}{X_g^{t0}}\right)$ Represents the share of the German sector j in the total German imports during the period t₀

The Competitiveness Effect

The competitiveness effect can be described as a hypothetical gain or loss of market share that would occur if changes were solely due to variations in a country's market share in the import market, excluding the impact of

changes in the growth or decline of the import market's share in imports to Germany. This eliminates the effect of the import market's growth or decline in German imports. This share should demonstrate how a particular country competes with competitors.

Mathematical definition:

$$\sum_j \left(\frac{X_{sj}^t}{X_{gj}^t} - \frac{X_{sj}^{t0}}{X_{gj}^{t0}} \right) \times \frac{X_{gj}^{t0}}{X_g^{t0}}$$

$\frac{X_{sj}^t}{X_{gj}^t} - \frac{X_{sj}^{t0}}{X_{gj}^{t0}}$ Represents the change in Serbia's market share on the German market for sector j

$\frac{X_{gj}^{t0}}{X_g^{t0}}$ Represents the initial share of sector j in the total German imports

The Structural Effect

The structural effect can be described as a hypothetical gain or loss of market share that would occur due to changes resulting solely from the dynamics of import markets, regardless of any variations in a country's mar-

ket shares on these markets. Formally, the initial market share of a country in the import market (at time 0) is multiplied by the variation in the shares of import markets in Germany imports for a given product. These effects are summed across all import products.

Mathematical definition:

$$\sum_j \left(\frac{X_{gj}^t}{X_g^t} - \frac{X_{gj}^{t0}}{X_g^{t0}} \right) \times \frac{X_{sj}^{t0}}{X_{gj}^{t0}}$$

$\frac{X_{gj}^t}{X_g^t} - \frac{X_{gj}^{t0}}{X_g^{t0}}$ Represents the change in the market share of the sector on the German market

$\frac{X_{sj}^{t0}}{X_{gj}^{t0}}$ Represents the initial market share of Serbia on the German market for sector j

Adaptation Effect

The adaptation effect measures a country's ability to adjust its exports to the constantly changing global demand. It is obtained by multiplying the change in market share in the import market by the variation of the import

market in global trade. The effect is positive when the participation in the export market increases in markets that are gaining share or decreases in markets that are losing share in global trade. The effect is negative when the share increases in markets that are declining or decreases in markets that are growing.

Mathematical definition:

$$\sum_j \left(\frac{X_{sj}^t}{X_{gj}^t} - \frac{X_{sj}^{t0}}{X_{gj}^{t0}} \right) \times \left(\frac{X_{gj}^t}{X_g^t} - \frac{X_{gj}^{t0}}{X_g^{t0}} \right)$$

$\frac{X_{sj}^t}{X_{gj}^t} - \frac{X_{sj}^{t0}}{X_{gj}^{t0}}$ Represents the change in Serbia's market share in the German market for sector j

$\frac{X_{djs}^t}{X_{ws}^t} - \frac{X_{djs}^{t0}}{X_{ws}^{t0}}$ Represents the change in the market share of the import market j in German imports

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