

Chart of the Week

The EU's Export Markets Are Shifting

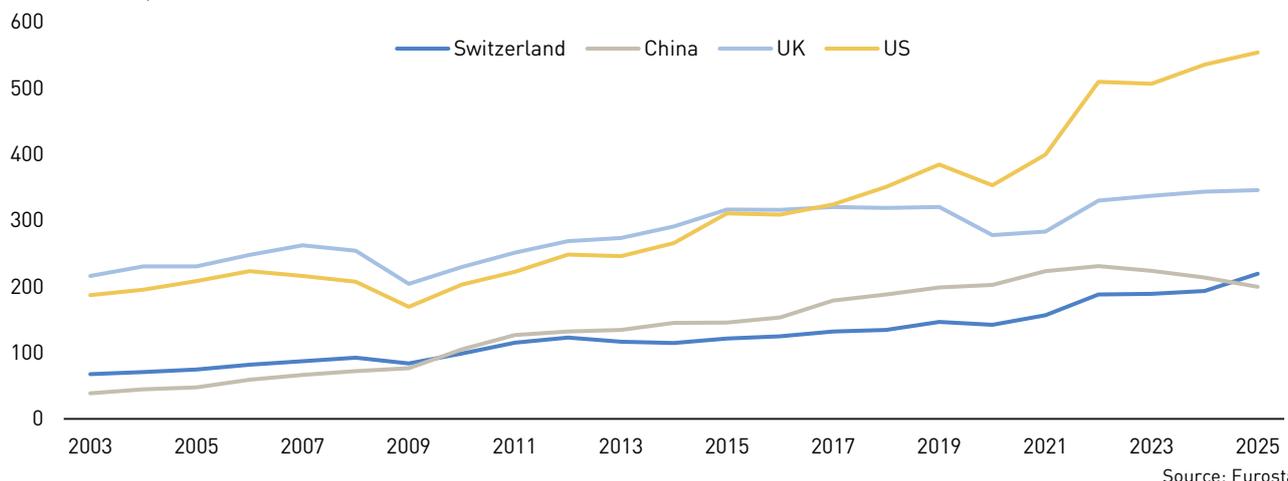
Foreign exchange developments as an important driver of demand

From a European trade policy perspective, 2025 was clearly dominated by the tariff dispute with the United States. Yet this is hardly visible at first glance in the year's trade data. What is more striking is the development in relations with China: after three years of declining exports, EU exports fell by a further 6.5% in 2025, while exports to the U.S. continued to grow despite the tariff increases. Since peaking in 2022, European exports to China have therefore declined by almost 14 %, while China's nominal GDP (in yuan) has increased by a similar percentage share over the same period. It is also noteworthy that Switzerland – despite having a population equivalent to only around 0.6% of China's – overtook China as the EU's third-largest export market last year after more than 15 years in that position.

Switzerland replaced China as the EU's third-largest market in 2025

EU exports of goods to the top four trading partners in 2025

In billion euros, 2003-2025



Source: Eurostat.

One important driver is diverging exchange rate dynamics: the Swiss franc is trading at record levels, thereby supporting Swiss import demand, while the Chinese yuan is significantly undervalued. Unlike most currencies, the yuan does not float freely but is managed by the state. To cushion the pressure for appreciation, state-controlled banks have reportedly intervened in the foreign-exchange market with around USD 100 billion in purchases within a single month. Together with weak domestic demand and efforts to achieve self-sufficiency in strategic technologies, this policy-induced undervaluation is a key factor behind China's record trade surplus with the EU of just under EUR 360 billion in 2025.

Take: While China is becoming less important as a sales market and transatlantic relations are marked by uncertainty, the industrial and trade policy benefits of deeper cooperation with other like-minded partners are coming into sharper focus. Switzerland, with which the EU is already closely integrated along value chains, offers considerable opportunities in this regard. The package of agreements adopted on March 2 to deepen and expand relations between the EU and Switzerland is therefore an important and timely signal. Accordingly, it is essential that the "Made in Europe" rules being discussed by the European Commission are designed in a way that explicitly takes closely integrated partner countries into account. This demand, together with a comprehensive assessment of the opportunities and operating conditions of so-called European local-content regulations, is set out in the WKÖ position paper on "Made in Europe and Partner Countries".



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