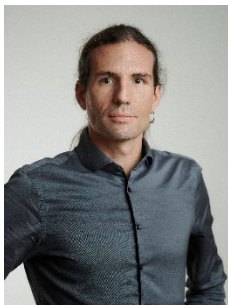


## Chart of the month



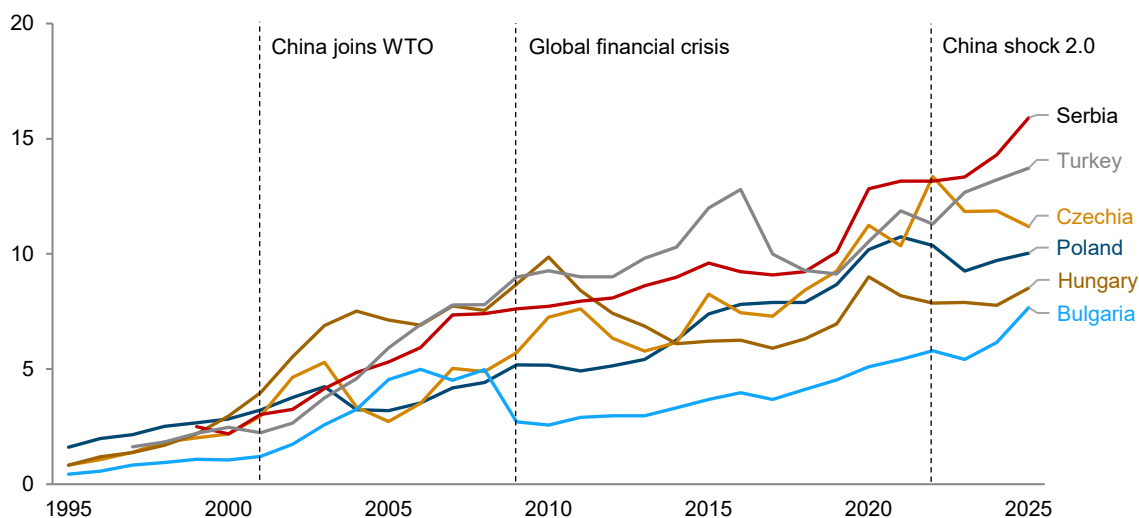
### THE CHINA SHOCK 2.0 ARRIVES IN CESEE

by David Zenz, wiiw Data Scientist and Statistician

*China's export boom to the CESEE countries is no longer just about consumer goods: increasingly, the new 'China shock 2.0' is making itself felt through industrial imports – from machinery and chemicals, to batteries and electric vehicles, in sectors that form the backbone of the region's growth model. Chinese suppliers are increasingly replacing European ones within Europe's own supply chain.*

The 'China shock 2.0', as it is referred to by commentators, European industry and the European Commission, is receiving increasing attention. Since the pandemic, Chinese exports have risen sharply, while imports have stagnated. Additionally, China has successfully clambered up the value chain: whereas its earlier exports were concentrated in sectors such as apparel and footwear, Chinese firms are now shipping steel, chemicals, machinery, batteries and electric vehicles (EVs) to European markets. For CESEE, which hosts most of the EU's automotive and electronics assembly, the shock is being felt both on the shelves of shops and, increasingly, within industrial supply chains.

**Figure 1 / China's share of CESEE imports in 1995-2025, in %**

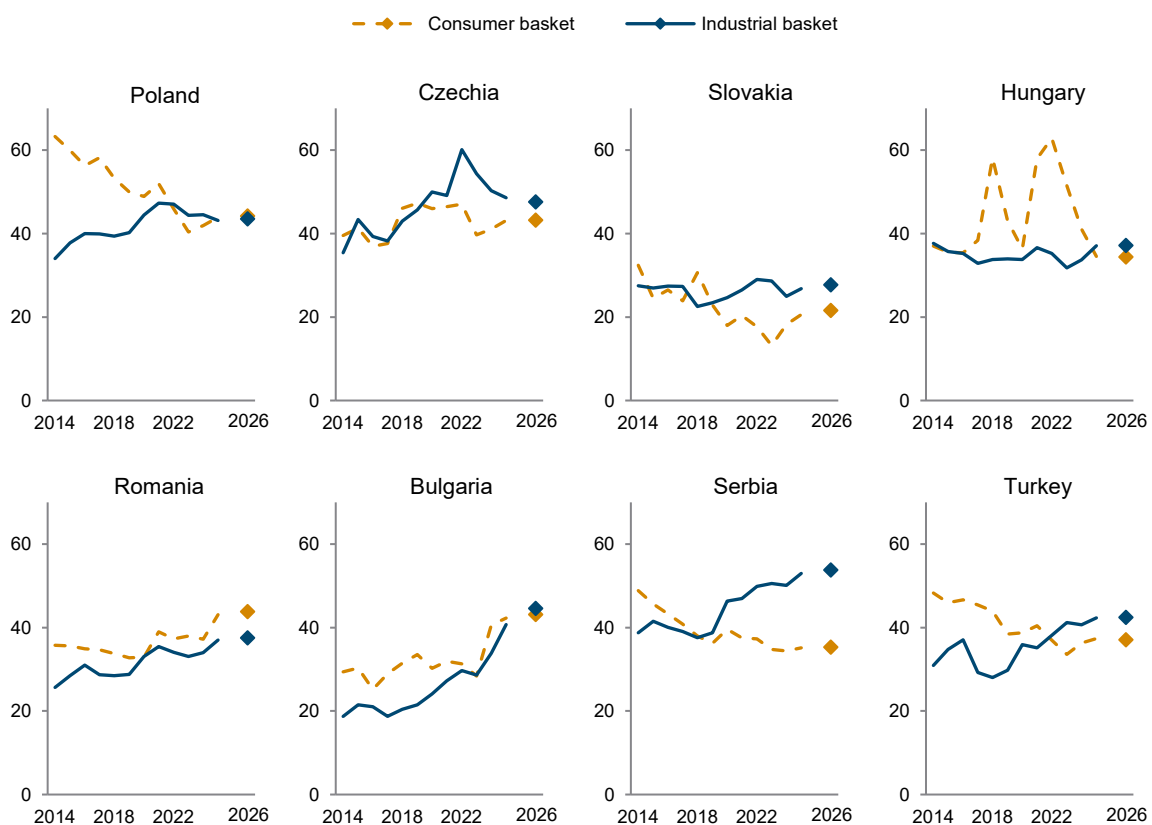


Source: wiiw Annual database.

China's share of CESEE imports has risen from under 1% in the mid-1990s to reach double digits across most of the region – and as much as 11.2% in Czechia, 13.7% in Turkey and 15.9% in Serbia. All three countries run large trade deficits with China alongside considerable Chinese investment activity.

The prevailing image of China flooding the European markets solely with cheap consumer goods is clearly outdated. In CESEE, China has also become a major supplier of industrial goods. When we split China's imports into categories, it becomes much clearer where the shock is occurring. We have categorised China's imports into two baskets: an industrial basket (comprising machinery, electrical goods, vehicles, chemicals and steel) and a consumer basket (comprising apparel, footwear, and toys, games and sports goods). Figure 2 shows that the share of imports from China in the industrial basket has been generally rising ahead of the share in the consumer basket. In many CESEE countries, including Czechia, Serbia, Turkey and Slovakia, imports in the industrial basket now clearly exceed those in the consumer basket, with Bulgaria and Hungary now appearing to be moving in the same direction. The largest increase is in Bulgaria, where the share of industrial imports has more than doubled – from 19% of extra-EU imports in 2014 to 46% in 2025.

**Figure 2 / China's share of extra-EU imports, by country, in %**



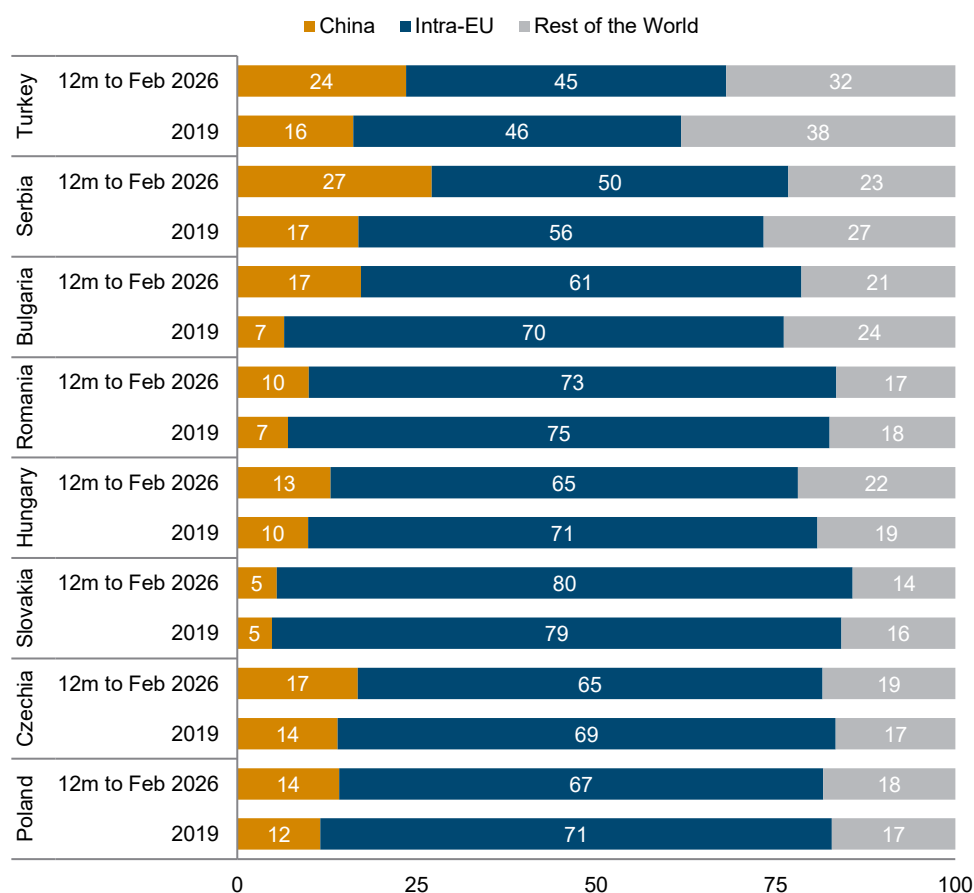
Note: Diamond marker = trailing 12 months up until February 2026.

Source: Eurostat Comext database.

In nominal EUR terms, the largest increase has occurred in Czechia and Poland, where imports from China in the industrial basket have roughly quadrupled over the decade. Not included in this graph, but worth mentioning: Slovenia has seen the steepest recent rise in industrial imports from China in the

CESEE region. The most probable explanation is the transit effect to other countries via the Slovenian port of Koper.

**Figure 3 / Structure of industrial basket imports, in %**



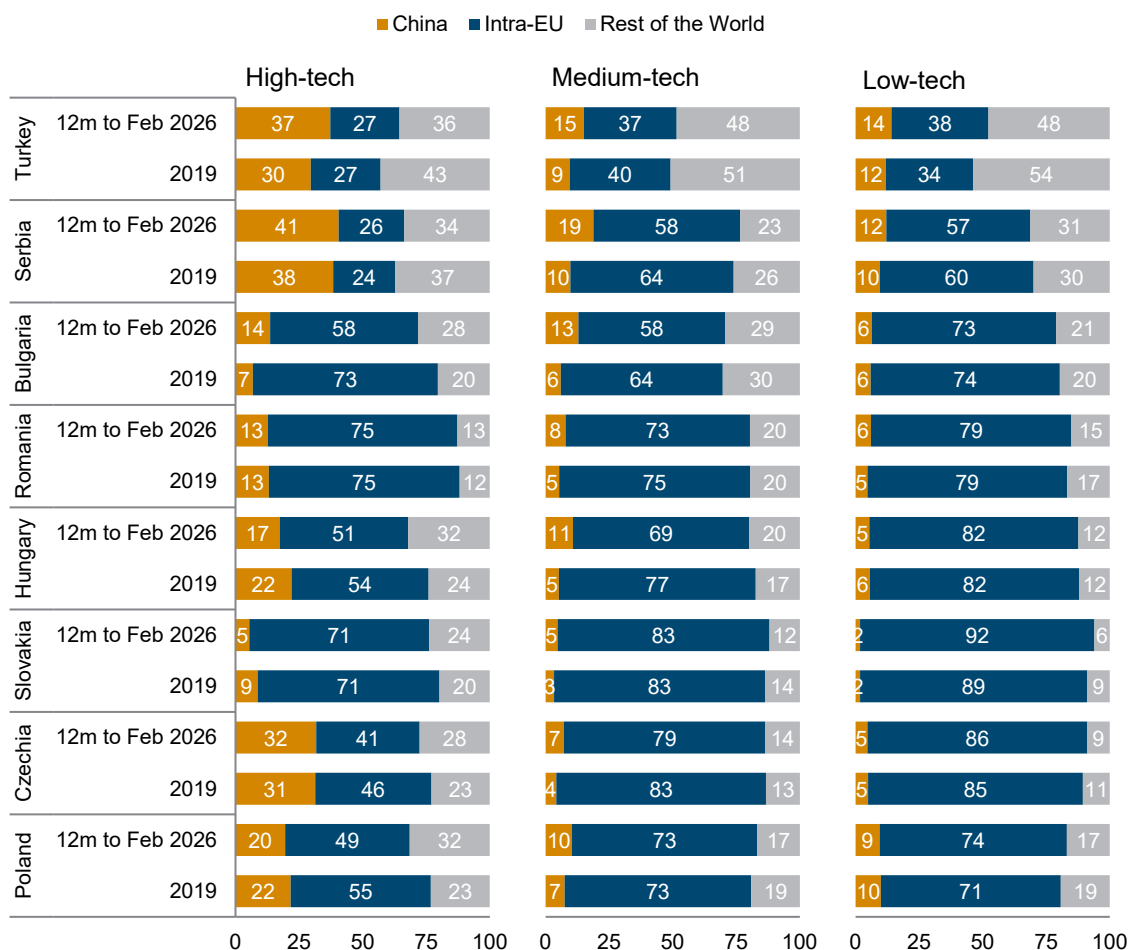
Source: Eurostat Comext database.

Figure 3 illustrates how China has been directly taking the place of intra-EU suppliers. Since 2019, it has increased its share of total industrial-basket imports across the importing CESEE economies by 3-4 percentage points (to 14.2% in Poland, 16.8% in the Czech Republic and 13% in Hungary), while EU suppliers have lost almost the same amount across the board, with a reduction by 4.5 percentage points on average. Bulgaria is an extreme case: China's share has increased from 6.5% to 17.2%, while the share of other EU countries has fallen from 70% to 61%. By contrast, in Turkey, whose industrial imports were dominated less by other EU suppliers, the reorientation towards China has been primarily at the expense of the rest of the world, rather than the EU. Serbia also had a less EU-centred import structure, but the reorientation there was more mixed.

A closer look at imports by technology group reveals a more nuanced picture of the impact of the China shock. Figure 4 shows that China has gained import share mainly in medium- and low-tech, whereas goods in the high-tech sectors (excluding pharmaceuticals) of countries such as Poland, Slovakia and Hungary remain less susceptible to Chinese imports. This suggests that Chinese competition is not affecting all sectors of CESEE industry equally, with the greatest impact being felt in the middle of the

value chain. For firms and their shareholders, this could strengthen the case for shifting towards more technology-intensive industrial activities and away from production segments where competition is increasingly cost-driven.

**Figure 4 / Structure of imports by tech-groups, in %**



Source: Eurostat Comext database.

This has important implications for businesses, policy makers and financial institutions. China’s rise as an industrial supplier increases the pressure on the low-cost manufacturing model of many CESEE manufacturers. It is becoming increasingly difficult to compete mainly on price, and this will likely accelerate the shift towards higher-value manufacturing, which may prove more resilient in the medium and long term. At the same time, some manufacturers are profiting from cheaper inputs, and consumers may benefit from lower prices. Cheaper batteries, solar panels and other technology could accelerate the green transition, which is becoming increasingly linked not only to European climate policy, but also to European energy security. For policy makers, the China shock 2.0 makes it even harder to balance the trade-off between protecting European industry through tariffs and other measures, preserving access to cheap inputs, supporting the green transition and reducing strategic dependence on external suppliers (including China), a vulnerability exposed during the COVID-19 pandemic.