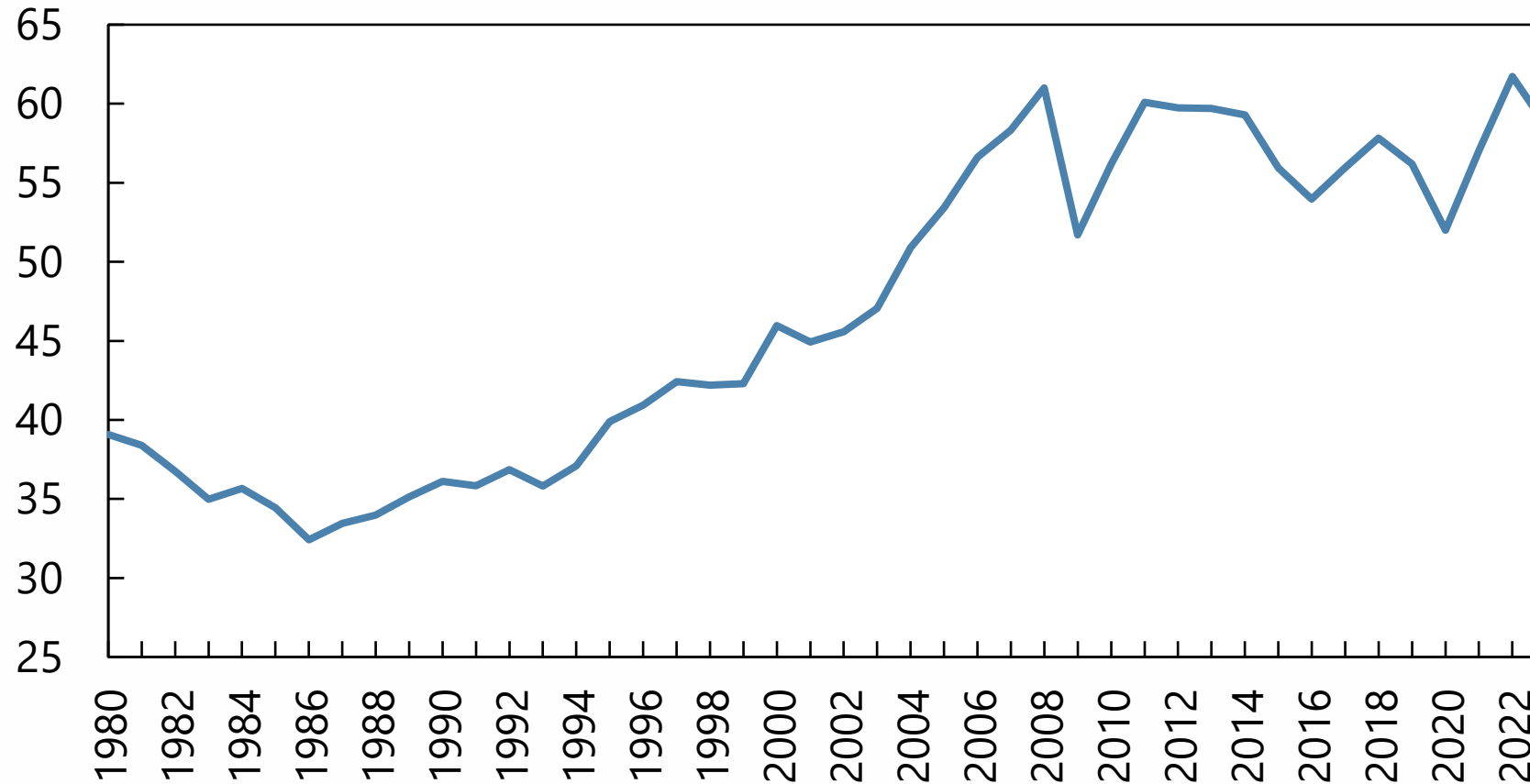


# World trade remains broadly stable...

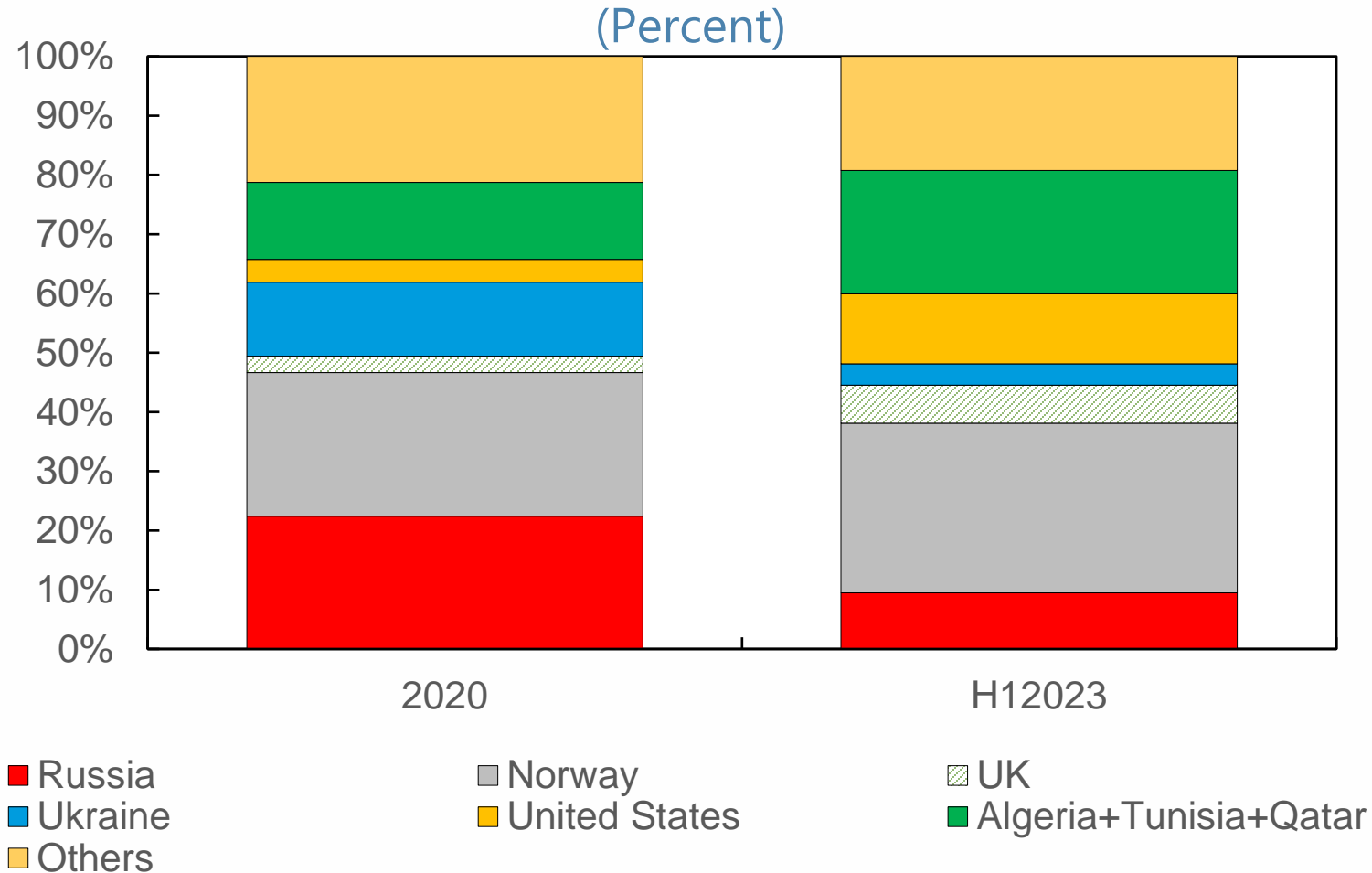
## World Trade in Goods and Services (Sum of exports and imports in percent of World GDP)



Sources: IMF, WEO, October 2023; and IMF staff estimates.

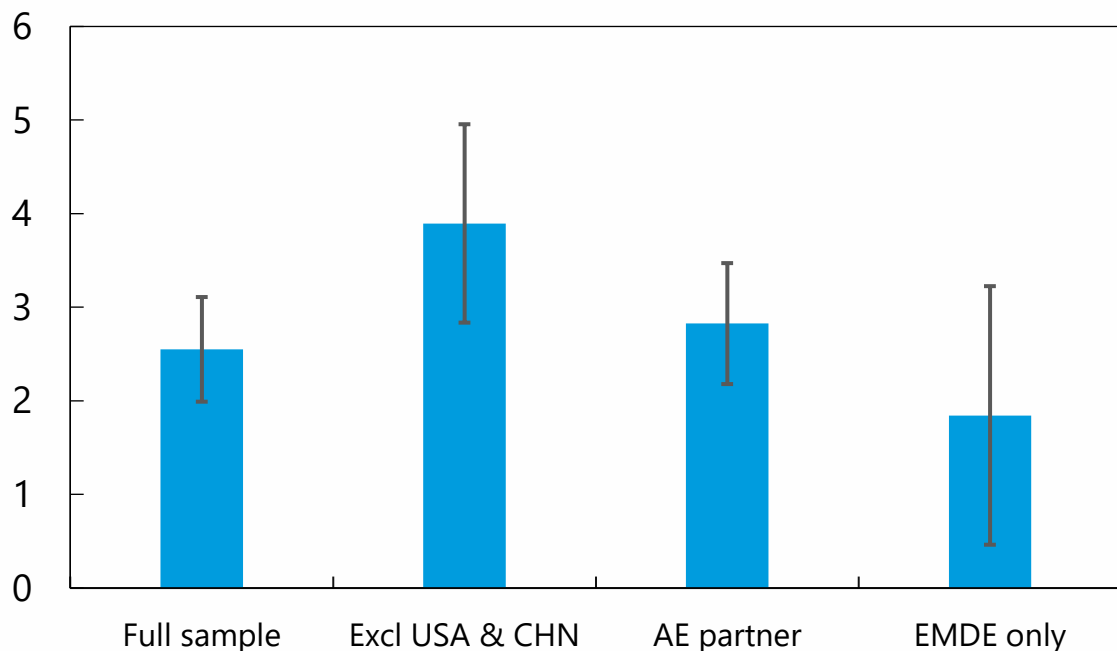
# ...but trade partnerships are shifting, with natural gas being an extreme example

## EU27's Extra-EU Natural Gas Imports



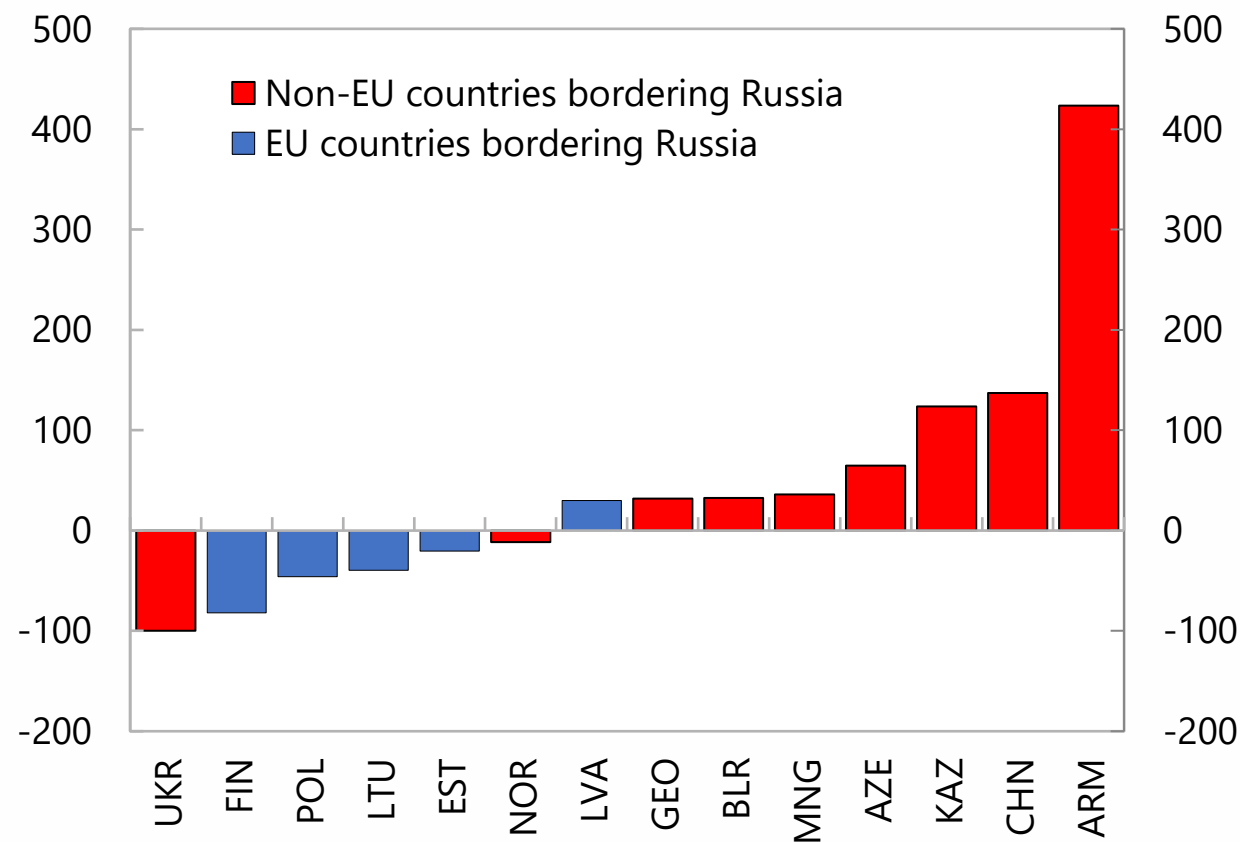
# More broadly, there are signs that goods trade is reconfiguring around geopolitical fault lines...

**Trade Growth Within Blocs Minus Trade Growth Between Blocs Post War**  
(Percentage points, normalized by pre-war difference)



Sources: Trade data monitor; and IMF staff calculations.  
 Note: Based on regressions of quarterly growth rate of bilateral trade on an indicator of whether the countries are in different geopolitical blocs interacted with an indicator for post-2022q2, time indicators and country-pair fixed effects. Regressions are weighted by the value of total trade. The bars and whiskers are the coefficients and the 90 percent confidence intervals on the interaction term. Blocs are defined based on the 2022 UNGA vote on the war in Ukraine. The estimation period is 2018Q1-2023Q2.

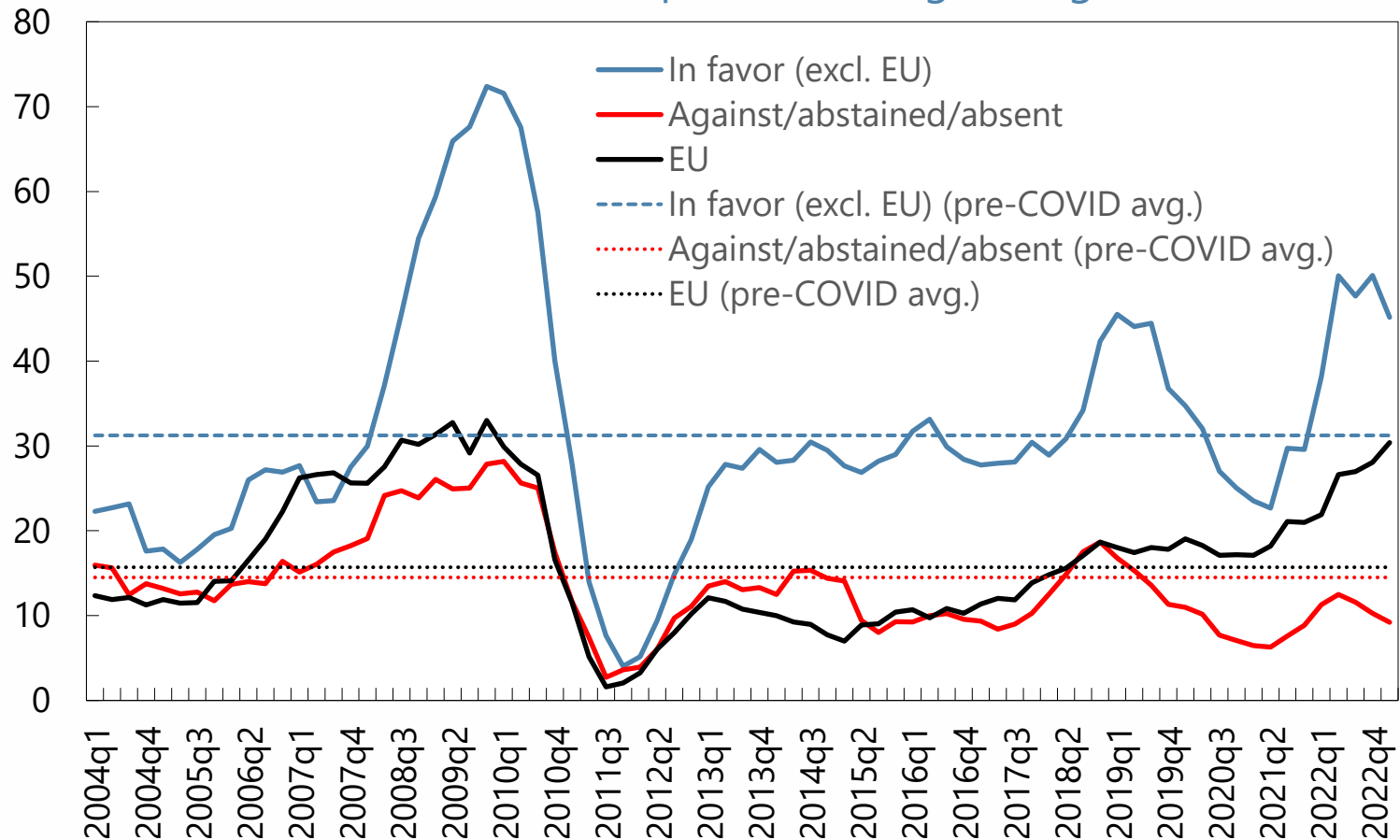
**Growth of Exports to Russia**  
(2019H1-2023H1, percent)



Sources: DOTS; IMF staff calculation

# ...and FDI might be segmenting as well, including by the EU

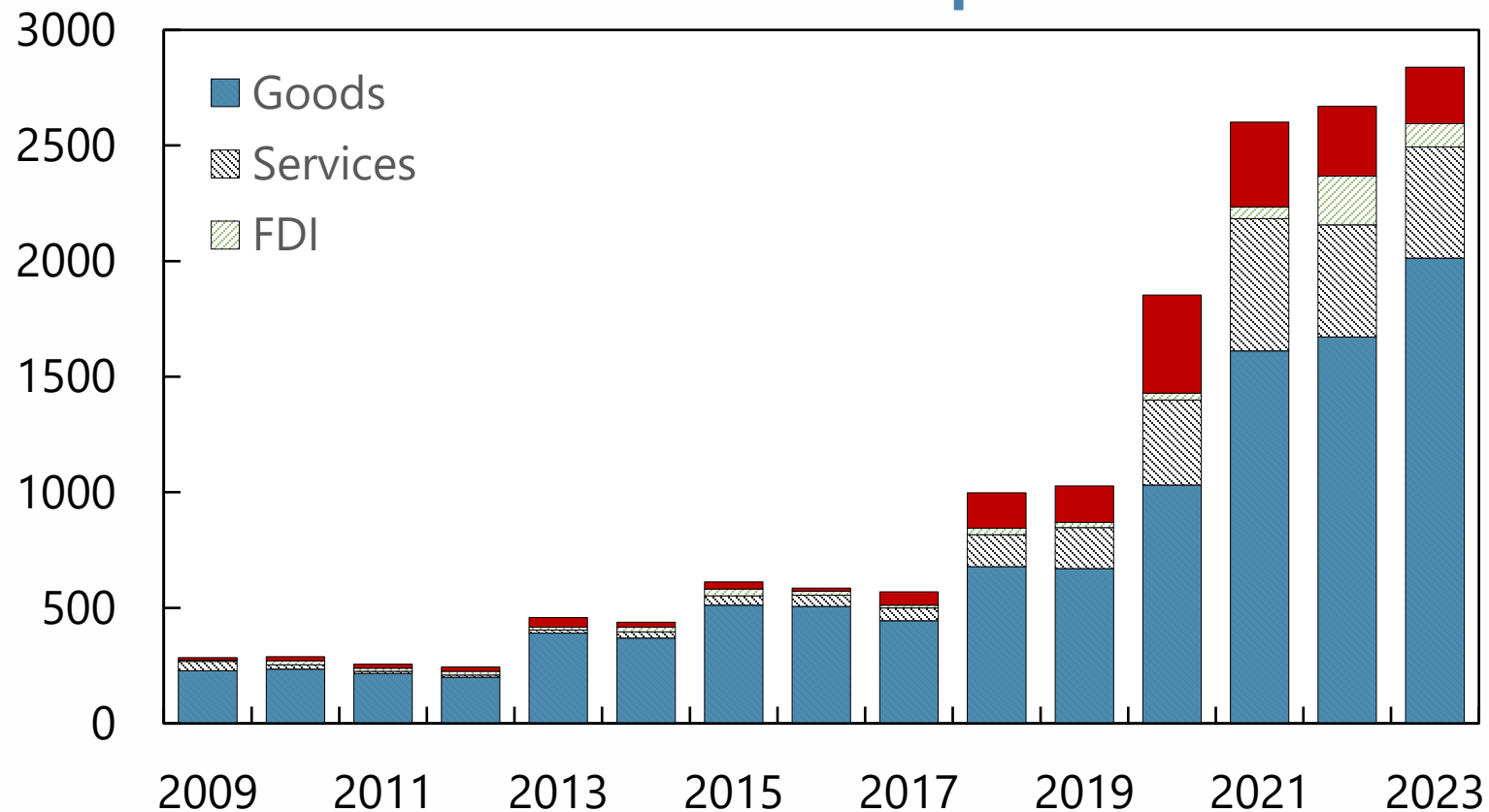
**EU's Outward FDI by Region**  
(Billion USD, 4-quarter moving average)



Sources: fDi Markets and IMF staff calculations.

# Shifting trade patterns, in part, reflect a surge in new trade restrictions

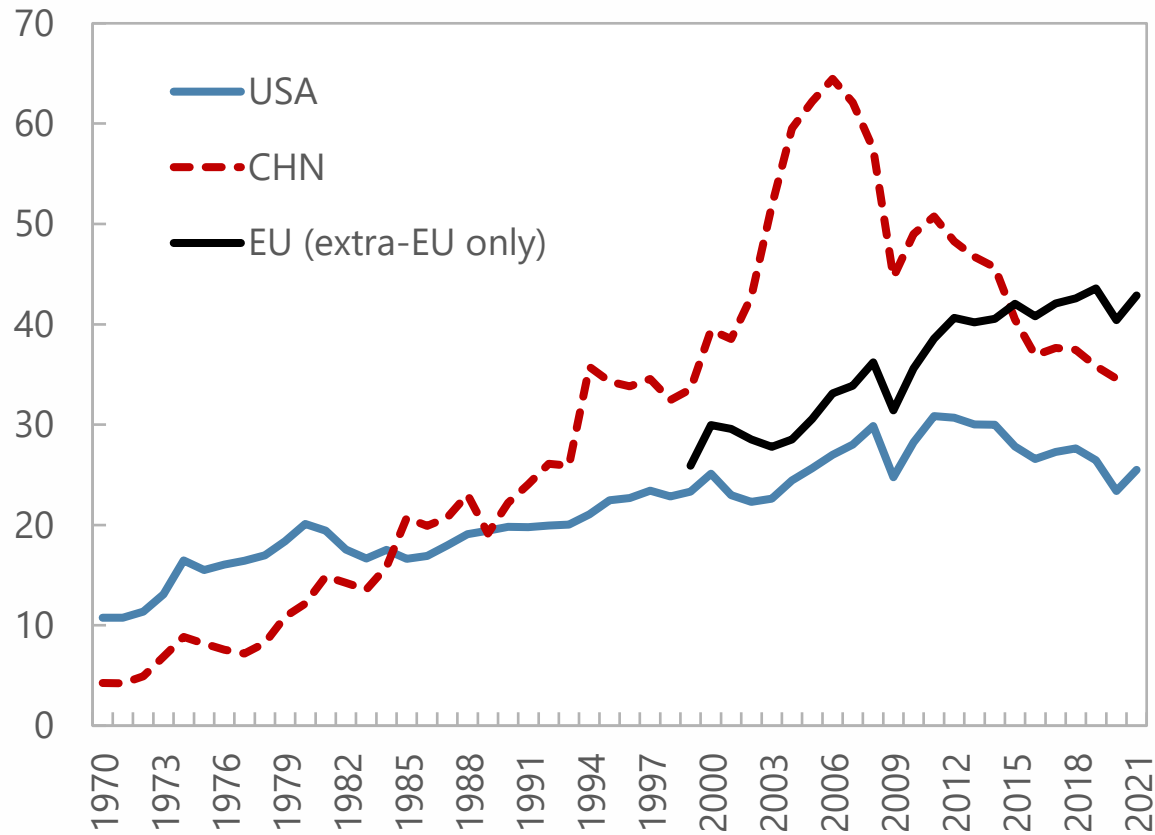
## Number of New Harmful Trade and FDI Restrictions Implemented



Sources: Global Trade Alert and IMF staff calculations.

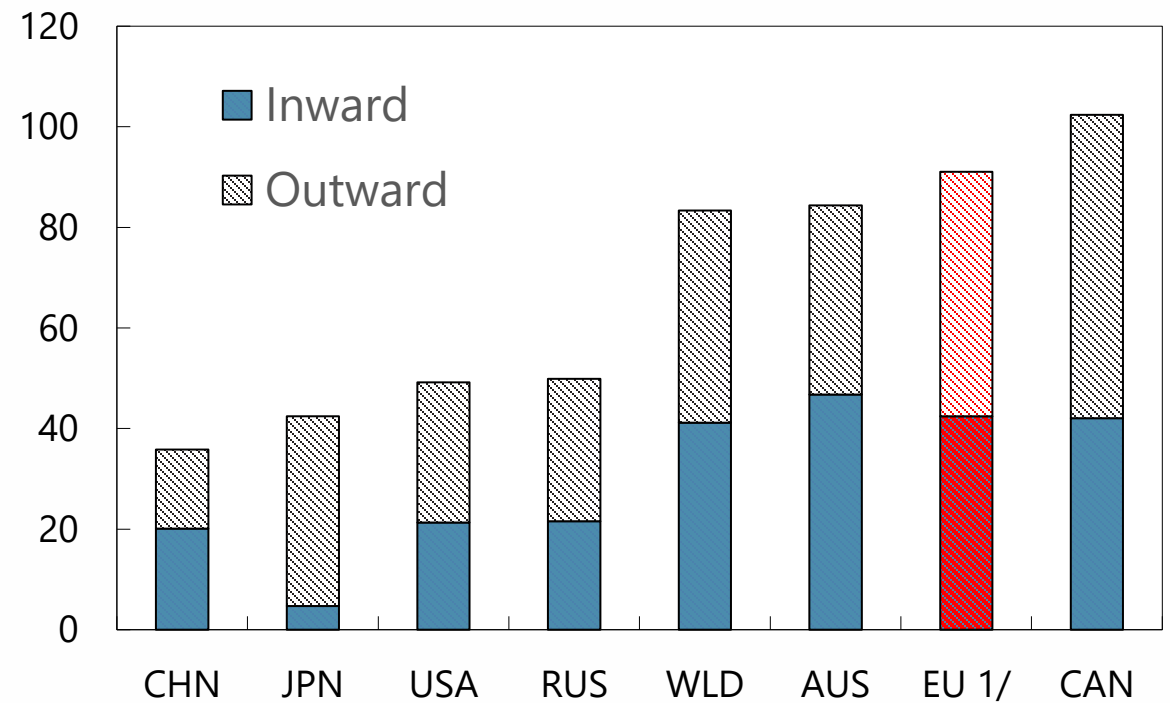
# The EU is most open to trade and FDI

**Trade Openness, Goods and Services**  
(Sum of exports and imports as a percent of GDP)



Sources: Eurostat, OECD, and IMF staff calculations.

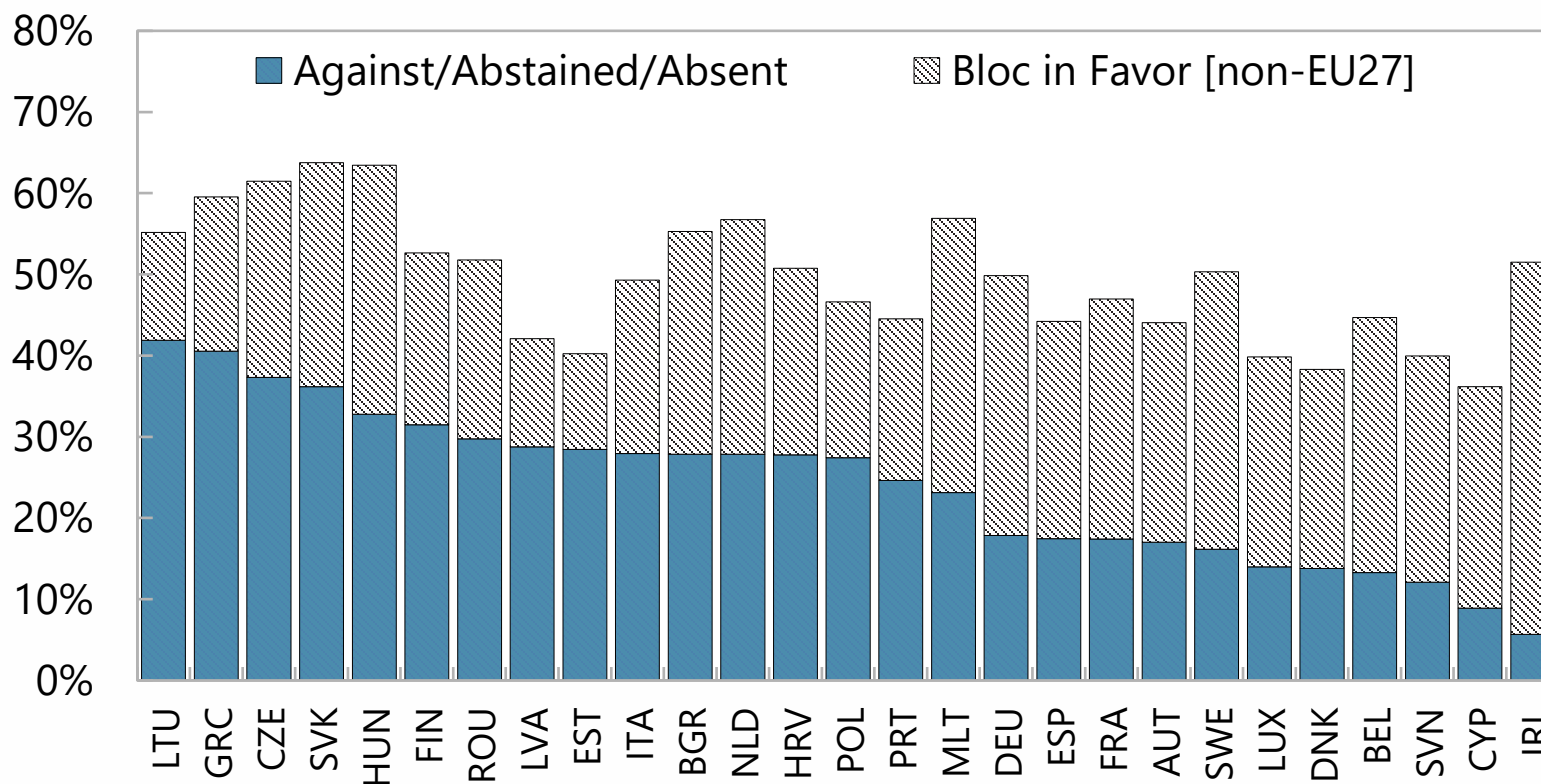
**Stock of Foreign Direct Investment, 2021**  
(Percent of GDP)



Sources: IMF Coordinated Direct Investment Survey, WEO, and IMF staff calculations.  
1/ Including extra-EU FDI only. Excluding Romania for which data on outward FDI are missing.

# Many EU imports come from “geopolitically-distant” countries and would be hard to replace

**EU27: Imports of Intermediate Goods of Fragile Supply**  
(Share of total extra-EU imports, average 2017-19)

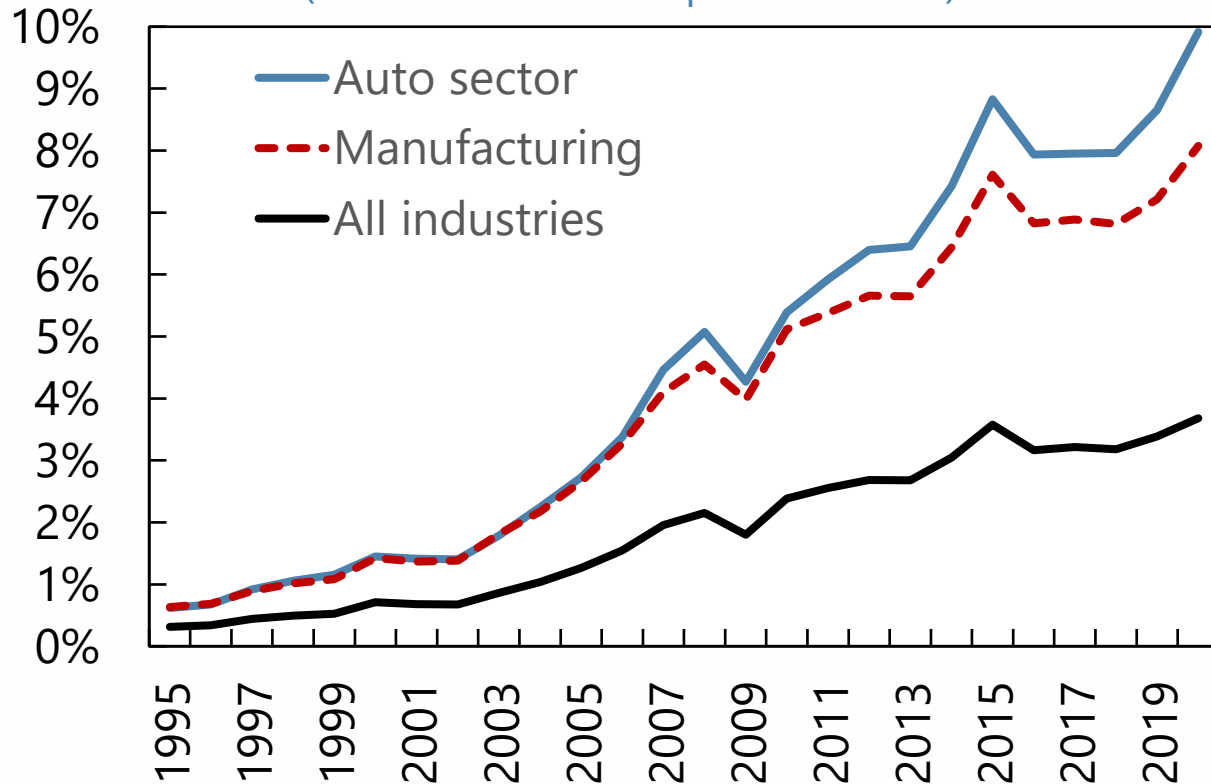


Sources: IMF staff calculations.

Note: Fragile intermediates are those for which the network of global suppliers is centralized and the potential for alternative suppliers is limited. The “In favor” bloc refers to non-EU countries that voted in favor of the March 2022 UN Resolution on Ukraine, while the other bloc includes those that voted against the Resolution, abstained from voting, or were absent.

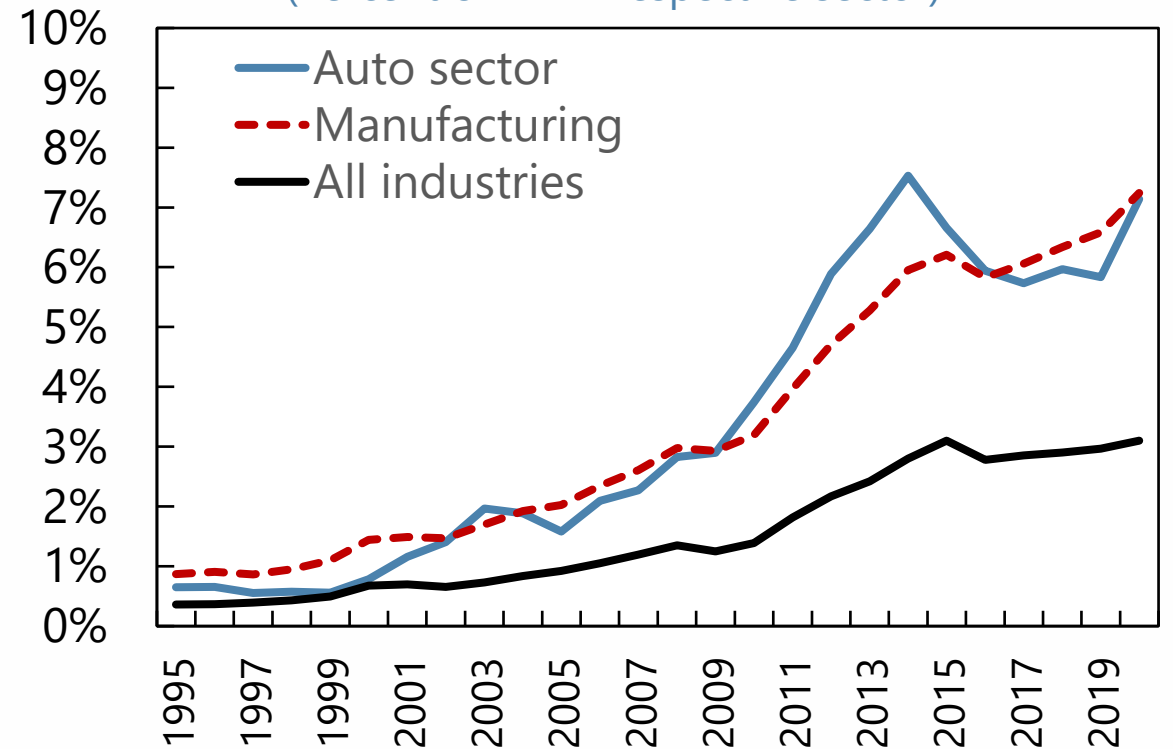
# The EU's total trade dependence (counting direct & indirect exposure) on China is sizable

## EU27: Input Reliance on China (Percent of VA in respective sector)



Sources: OECD Inter-Country Input-Output Tables and IMF staff calculations.

## EU27: Market Reliance on China (Percent of VA in respective sector)

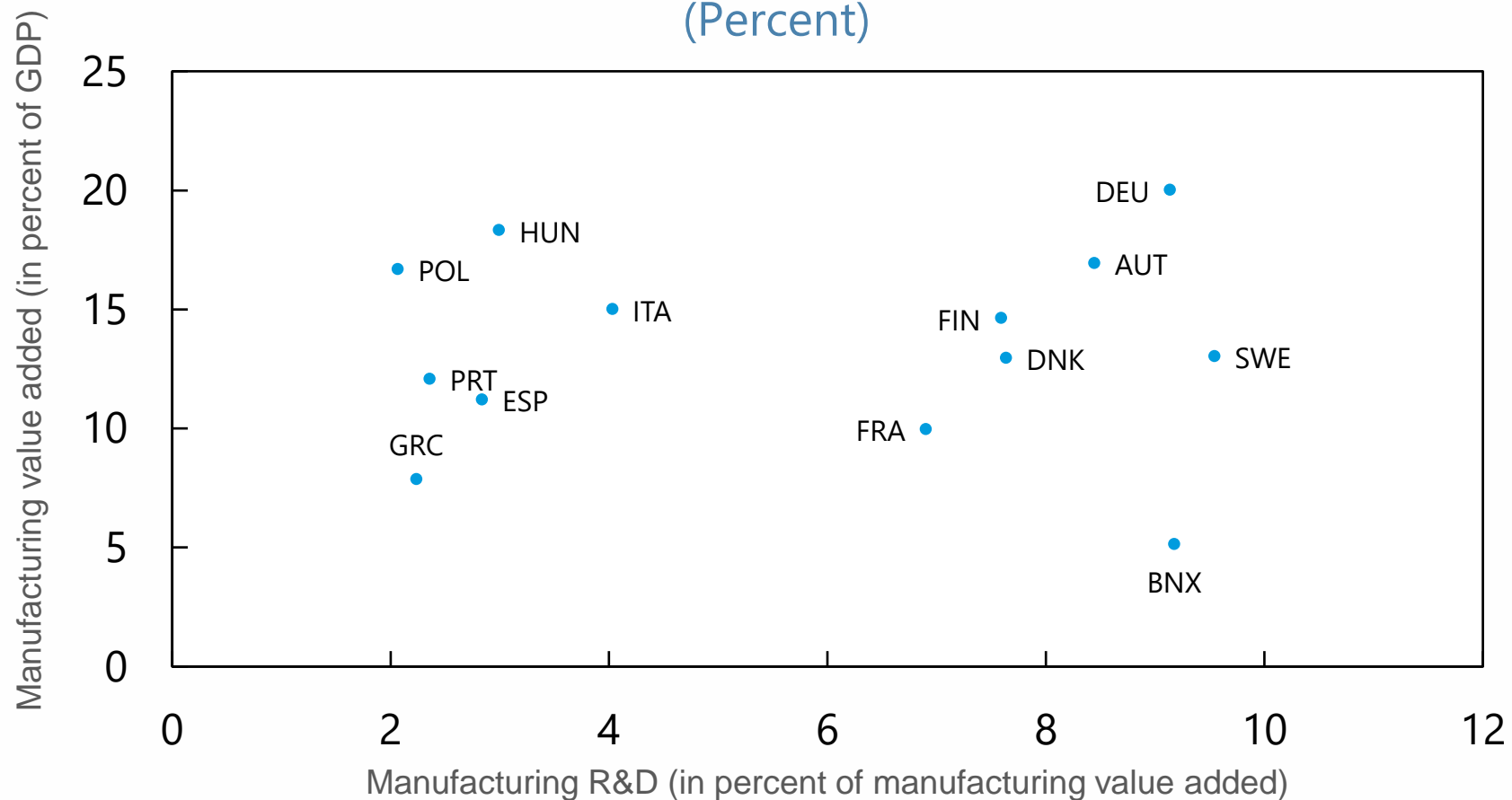


Sources: OECD Inter-Country Input-Output Tables and IMF staff calculations.



# The EU is a heterogeneous mix of innovators and manufacturers

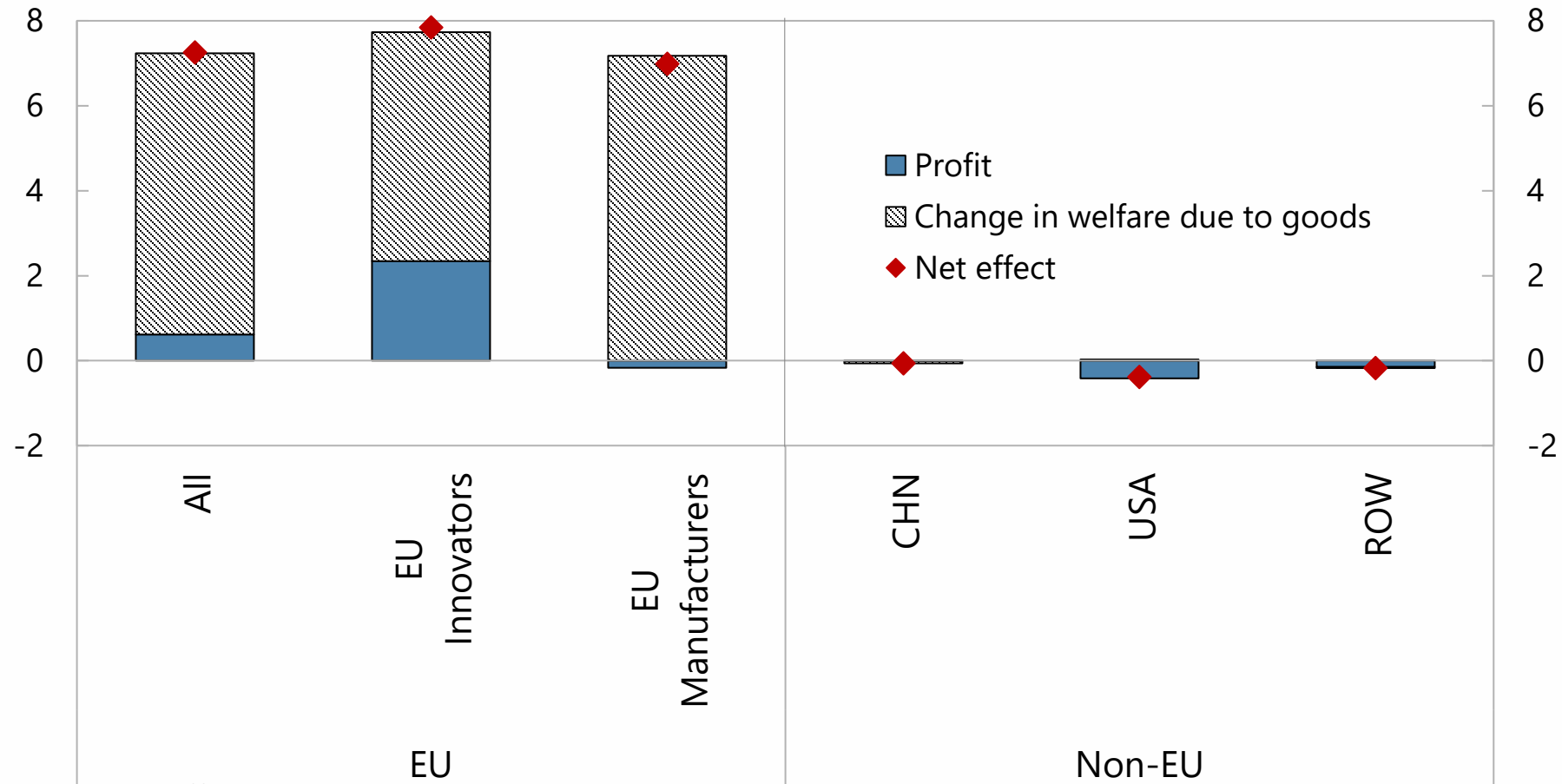
## Innovation and Manufacturing in the EU (Percent)



Sources: OECD; and IMF staff calculations.

# Large benefits from deepening the Single Market

Impact of Reducing Cost of Trade and Multinational Production within the EU by 10 Percent (percent of GDP)



Source: IMF staff calculations.

Notes: Membership in each group is based on individual countries' manufacturing R&D shares.