Sources: Duval and others 2016; Organisation for Economic Co-operation and Development–World Trade Organization Trade in Value-Added database; and IMF staff calculations.

Note: Standard gross exports and value-added exports are shown in panel 1, and the ratio of value added to gross exports (VAX ratio) is shown in panel 2. Although both gross and value-added exports are trending upward, their difference (foreign value added in exports) has also been rising. Likewise, the declining VAX ratio highlights the decline in domestic value added (Johnson and Noguera 2014). As inputs pass through these global supply chains, they typically cross borders multiple times, which implies that commonly used gross trade data can be misleading. Using value-added measures of exports mitigates this bias and helps illustrate the growing prominence of global supply chains.