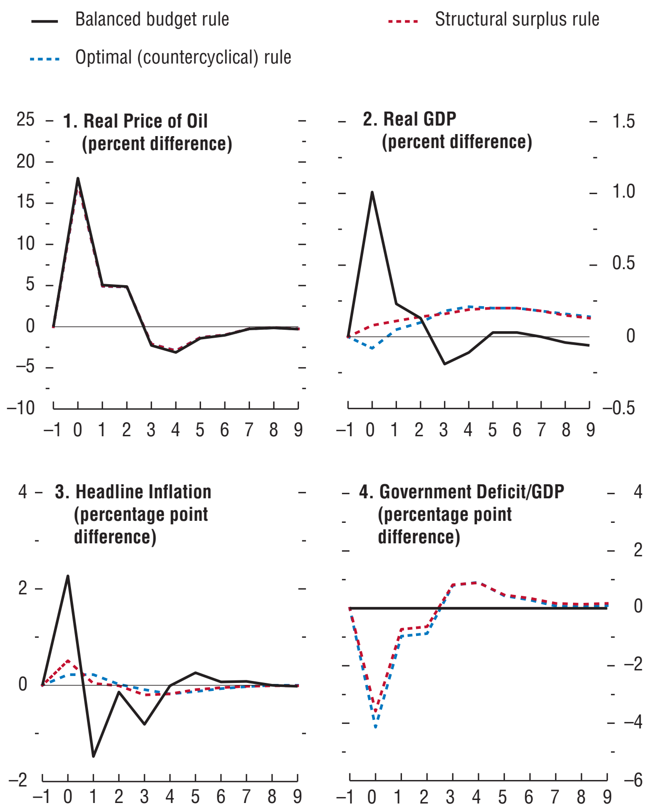
Figure 4.9. Dynamic Effects of a Temporary Reduction in Oil Supply in the Rest of the World on a Small, Open Oil Exporter

A balanced budget fiscal policy in response to a global supply-driven oil price increase elevates domestic macroeconomic volatility in the oil exporter. A countercyclical fiscal response is the best way to reduce this volatility.



Source: IMF Global Integrated Monetary and Fiscal Model.

Note: The *x*-axis shows the number of years elapsed, where time zero is the year that the shock occurs. See Appendix 4.4 for a description of the model.