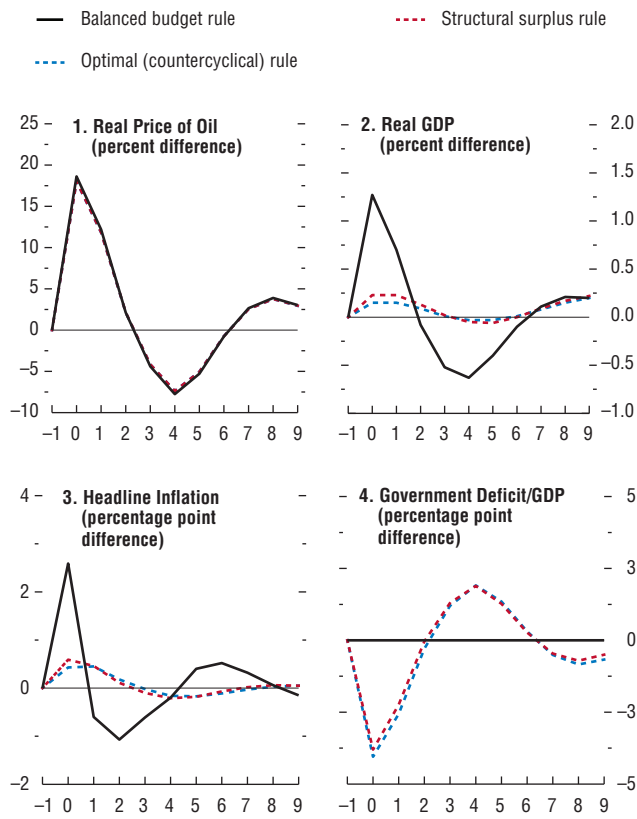


Figure 4.10. Dynamic Effects of a Temporary Increase in Liquidity in the Rest of the World on a Small, Open Oil Exporter

Domestic economic volatility induced by a global demand-driven oil price increase is even greater than that of a global supply-driven increase. In either case, a countercyclical fiscal policy dominates the balanced budget policy in terms of minimizing the 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.