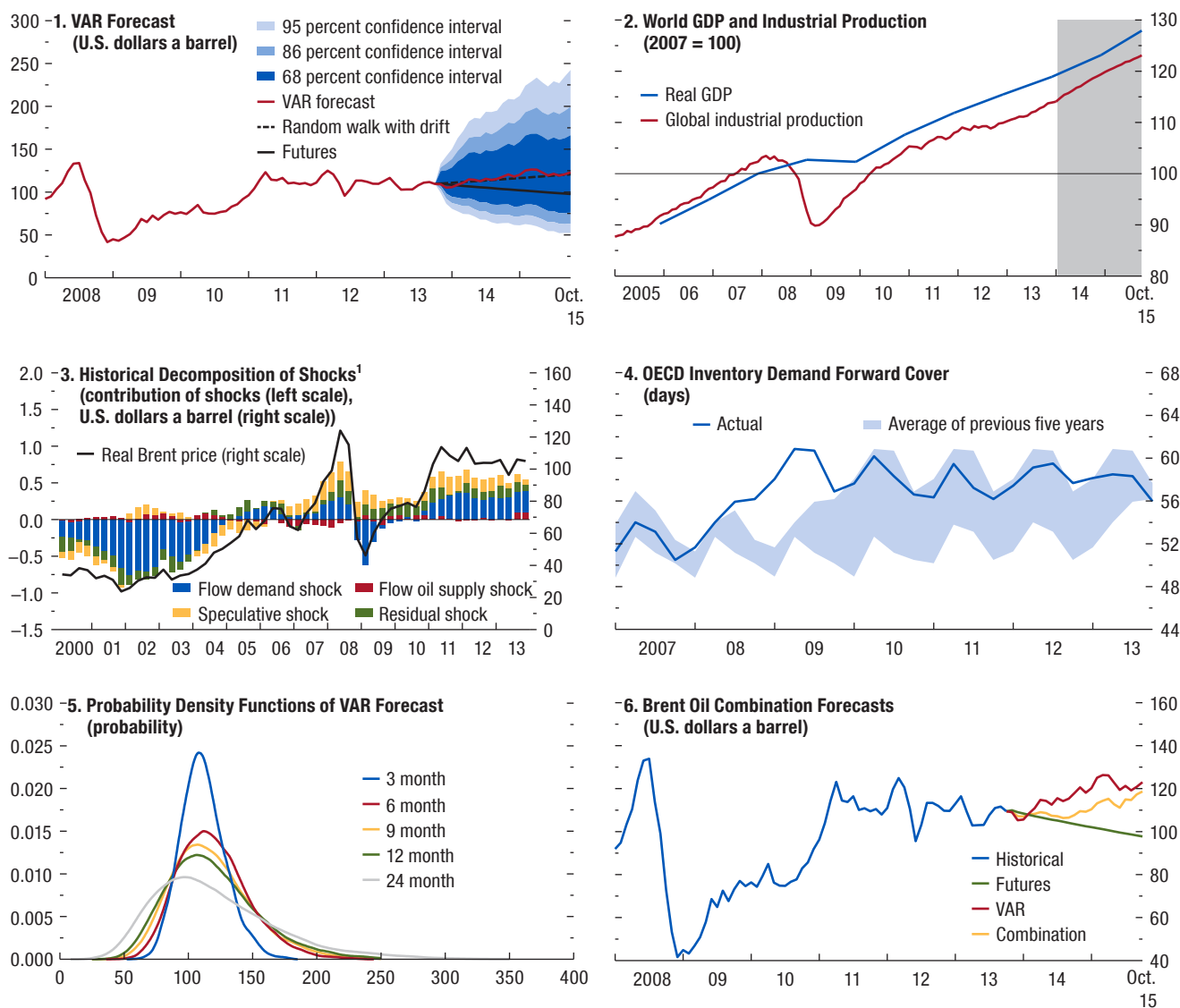


**Figure 1.SF.3. Vector Autoregression and Combination Forecasts**

A model-based forecast, based on strengthening global demand, continued small OPEC supply shocks, and a drawdown of oil inventories, suggests higher oil prices and upside risks over the forecast horizon. However, there is merit in a combination of forecasts from this model and futures, which points to flat prices this year, rising gradually thereafter.



Sources: Bloomberg, L.P.; IMF, Primary Commodity Price System; Organization for Economic Cooperation and Development (OECD); and IMF staff estimates.

Note: OPEC = Organization of the Petroleum Exporting Countries; VAR = vector autoregression.

<sup>1</sup>See Beidas-Strom and Pescatori (forthcoming) for more details on the chosen identification.