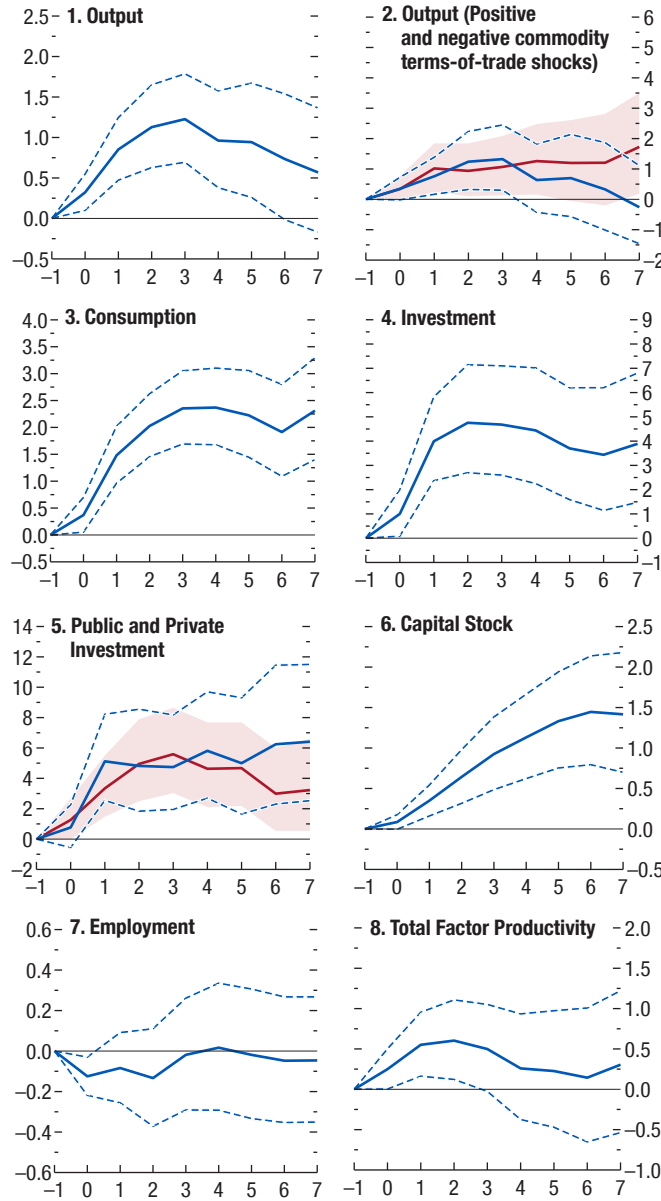


Figure 2.11. Macroeconomic Variables in the Aftermath of Commodity Terms-of-Trade Shocks
(Percentage points; years on x-axis)

Terms-of-trade shocks have positive, fairly long-lasting, and symmetric effects on output. Consumption and investment respond positively to an increase in the terms of trade. On the production side, capital accumulation rises, whereas the responses of labor supply and total factor productivity are muted.



Source: IMF staff estimates.

Note: $t = 0$ is year of the shock; dashed lines and shaded areas denote 90 percent confidence bands. In panels 1 and 3–8, solid lines represent the response of the variable to an exogenous 10 percentage point increase in the commodity terms of trade. In panel 2, the blue (red) solid line denotes the response to an exogenous positive (negative) 10 percentage point change in the commodity terms of trade. In panel 5, the blue (red) solid line denotes the response of public (private) investment. See Annex 2.4 for the estimation methodology.