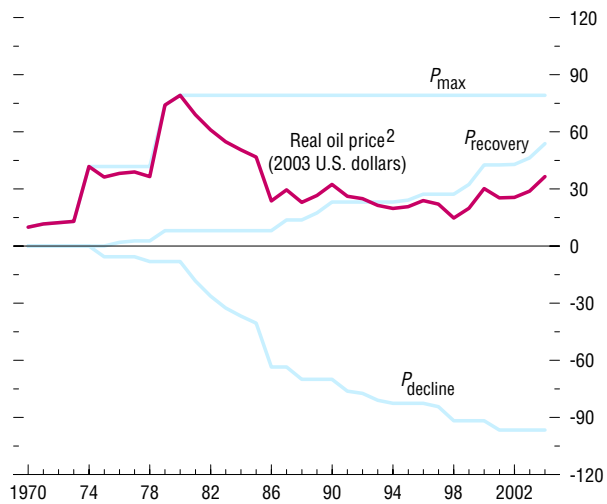


Figure 4.11. Decomposition of Oil Price Movements
(1970–2004)

Movements in the real price of oil can be decomposed into three components: historical maximum (P_{\max}), cumulative increases (P_{recovery}), and cumulative decreases (P_{decline}).¹



Source: IMF staff calculations.

¹Current oil price P_t equals the sum of $P_{\max,t}$, $P_{\text{decline},t}$ and $P_{\text{recovery},t}$.

²Simple average of West Texas Intermediate, Brent, and Dubai oil prices.