Figure 2.4. Model Simulations: Macroeconomic Effects of a Commodity Boom

(Percent deviation, unless noted otherwise; years on x-axis)

The IMF’s Global Economy Model predicts that a commodity price boom should induce higher investment, consumption, output, and labor effort in commodity-exporting economies. The gains in output and labor effort have cyclical and structural components. The model also predicts that these economies’ factors of production will shift toward the nontradables and commodities sectors and that the currency will appreciate in real terms.

Response of Income and Output to a Commodity Boom

1. Commodity Price Index
2. Real GDP and Income
3. Real Consumption and Investment
4. Labor

Commodity Booms and Sectoral Reallocation

5. Relative Prices
6. Investment by Sector
7. Labor by Sector
8. Real Value Added by Sector

Source: IMF staff estimates.
Note: Potential output is given by the path of output under flexible prices. All variables except shares in real value added are shown in percentage deviations from their paths in the absence of a commodity boom. Commod. = commodities; CPI = consumer price index; REER = real effective exchange rate.