The recent declines in commodity prices have generated sharp changes in disposable income across countries. Domestic demand has tended to strengthen in countries with terms-of-trade gains and weaken in those with losses. The responses of real output have typically been smaller, as net exports have tended to improve in countries with losses and weaken in those with gains, in some cases facilitated by exchange rate adjustments.

Figure 1.11. Terms-of-Trade Windfall Gains and Losses, Domestic Demand, Imports, and Output

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