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Oil-exporters' contribution to global imbalances

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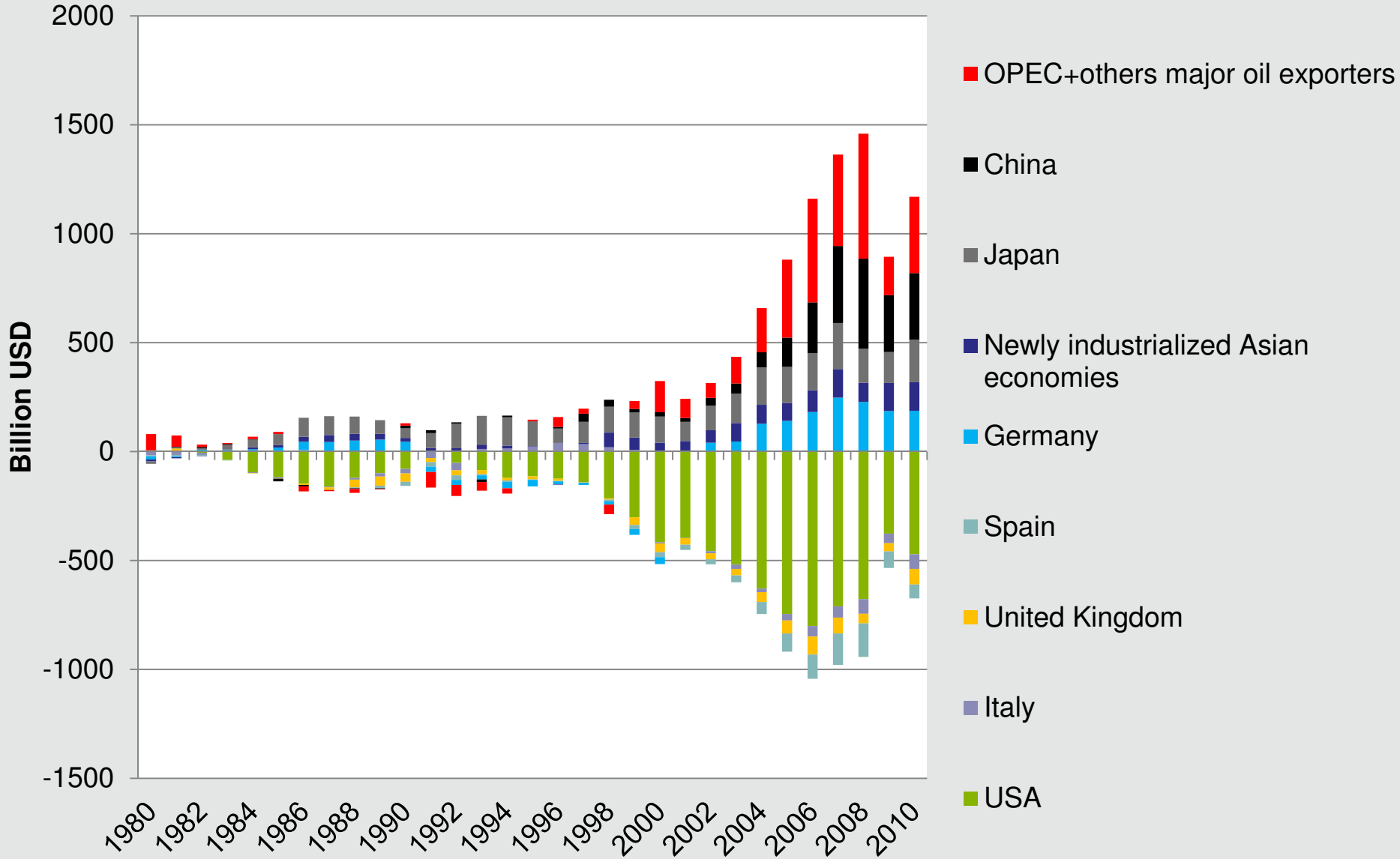
Oil-exporting countries' contribution to global imbalances

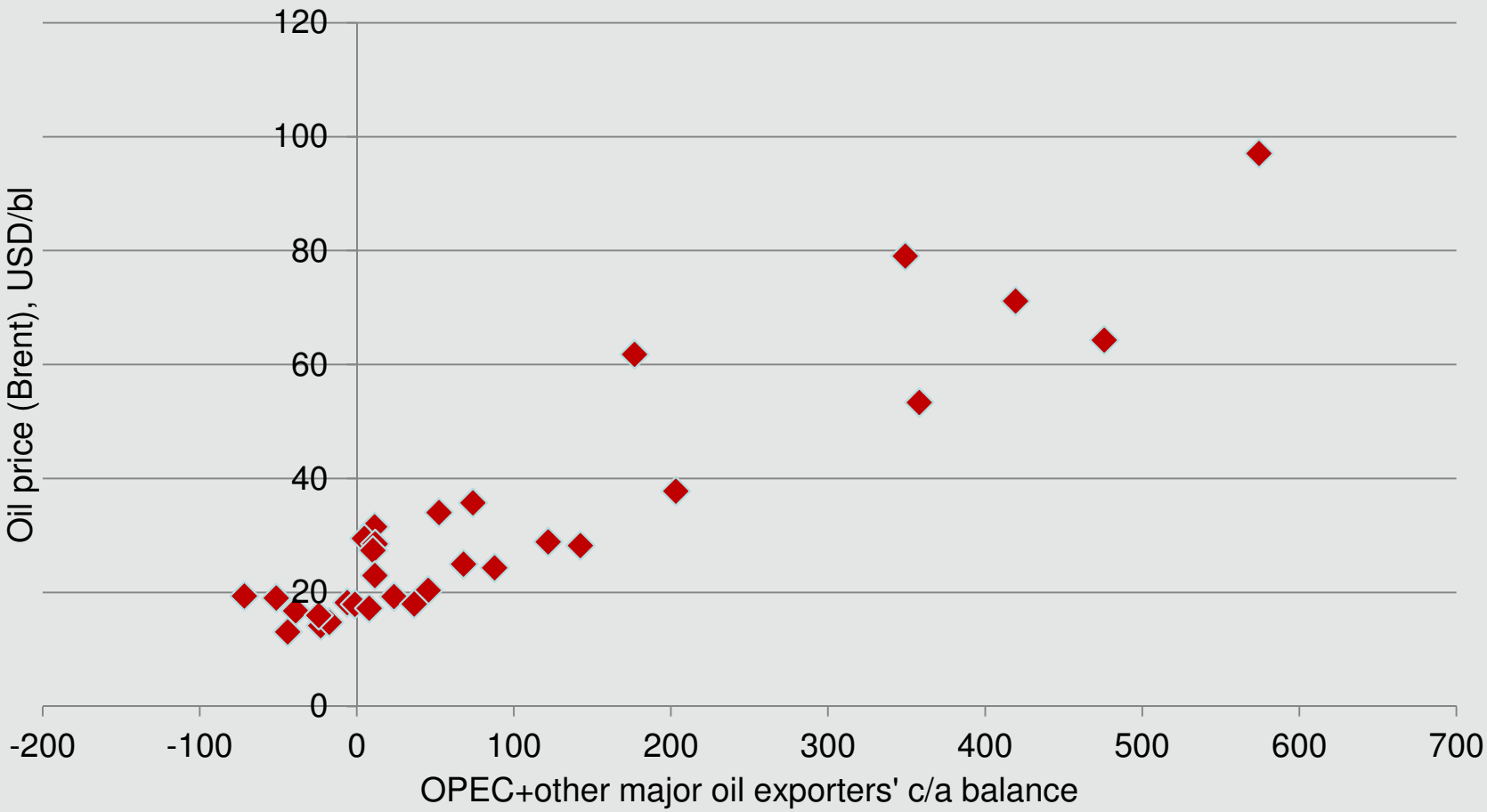
- In recent years much of the discussion on global imbalances has centered around China, with occasional nods to Germany and Japan
- However, in the early 80s much of the discussion concerned the role of large oil-exporting countries' current account surpluses and the consequent recycling of 'petro-dollars' e.g. into Latin America
- I will briefly assess how oil-exporters have contributed to the global imbalances and their adjustment in the recent years, and venture to speculate what might happen if the price of oil changed significantly in the near future

Current account balances

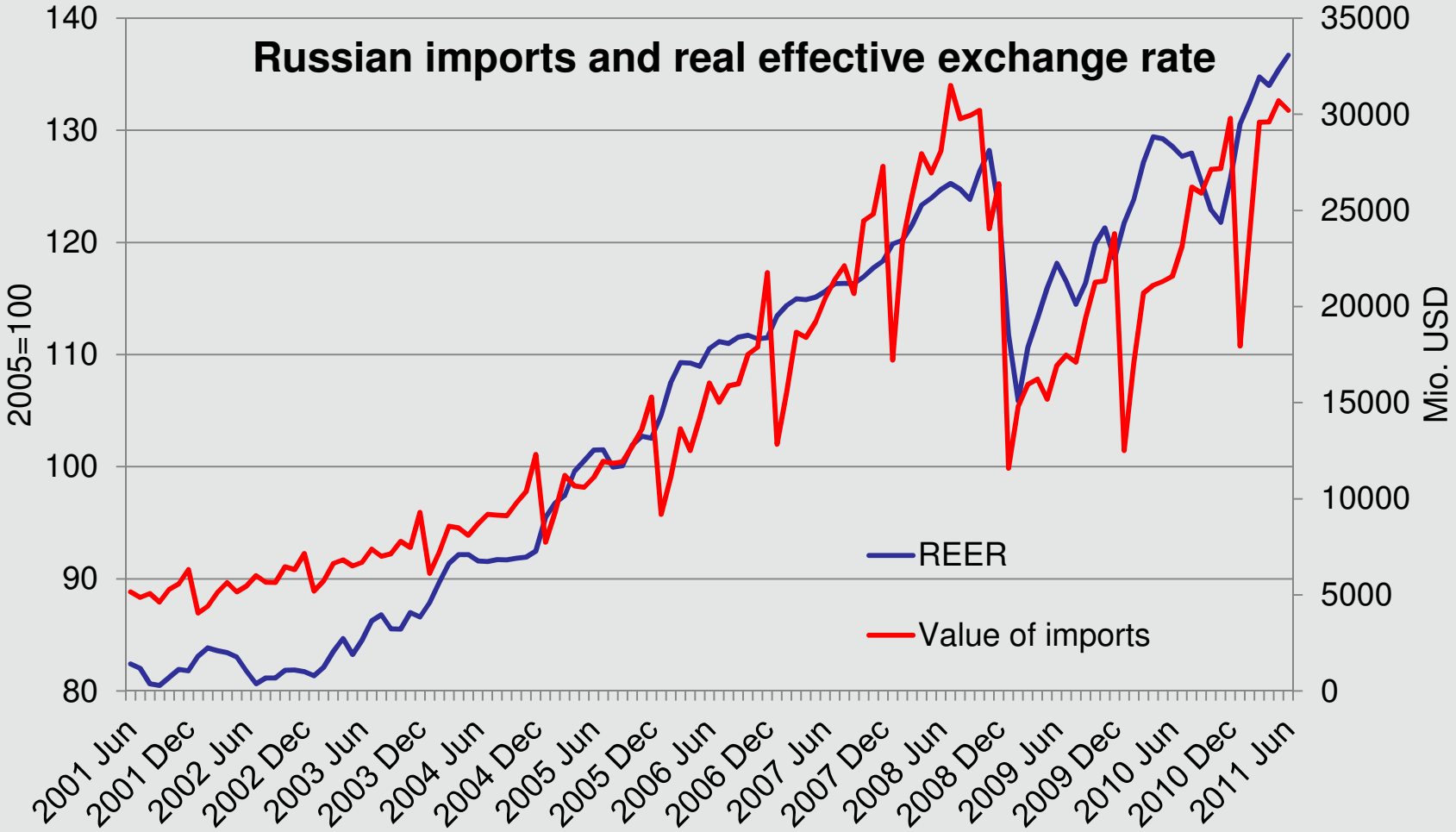


Source: IMF WEO Database

Not very surprising correlation between oil price and oil-exporters' current account



However, terms of trade shocks have effects on real exchange rate, which in turn affects imports..



Source: IMF IFS

What next?

- Oil prices and oil-exporters' current account surpluses are correlated; not very surprising
- However, high oil revenues seem to spark off import booms with some lag
- If oil prices drop somewhat, oil-exporters' current account surpluses will adjust
- On the other, can one expect large oil-exporters to have large current-account *deficits*?
- If oil prices increase, there will initial period of larger global imbalances, but the adjustment mechanism works to keep surpluses in check