EIA

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Oil Shocks and External Adjustment

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Discussion

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Paper Contribution

- DGE analysis of international transmission of oil shocks
- Alternative assumptions on trade elasticities
- Alternative assumptions on international financial market integration
- Alternative sources of oil shocks
- Alternative assumptions on good price rigidity

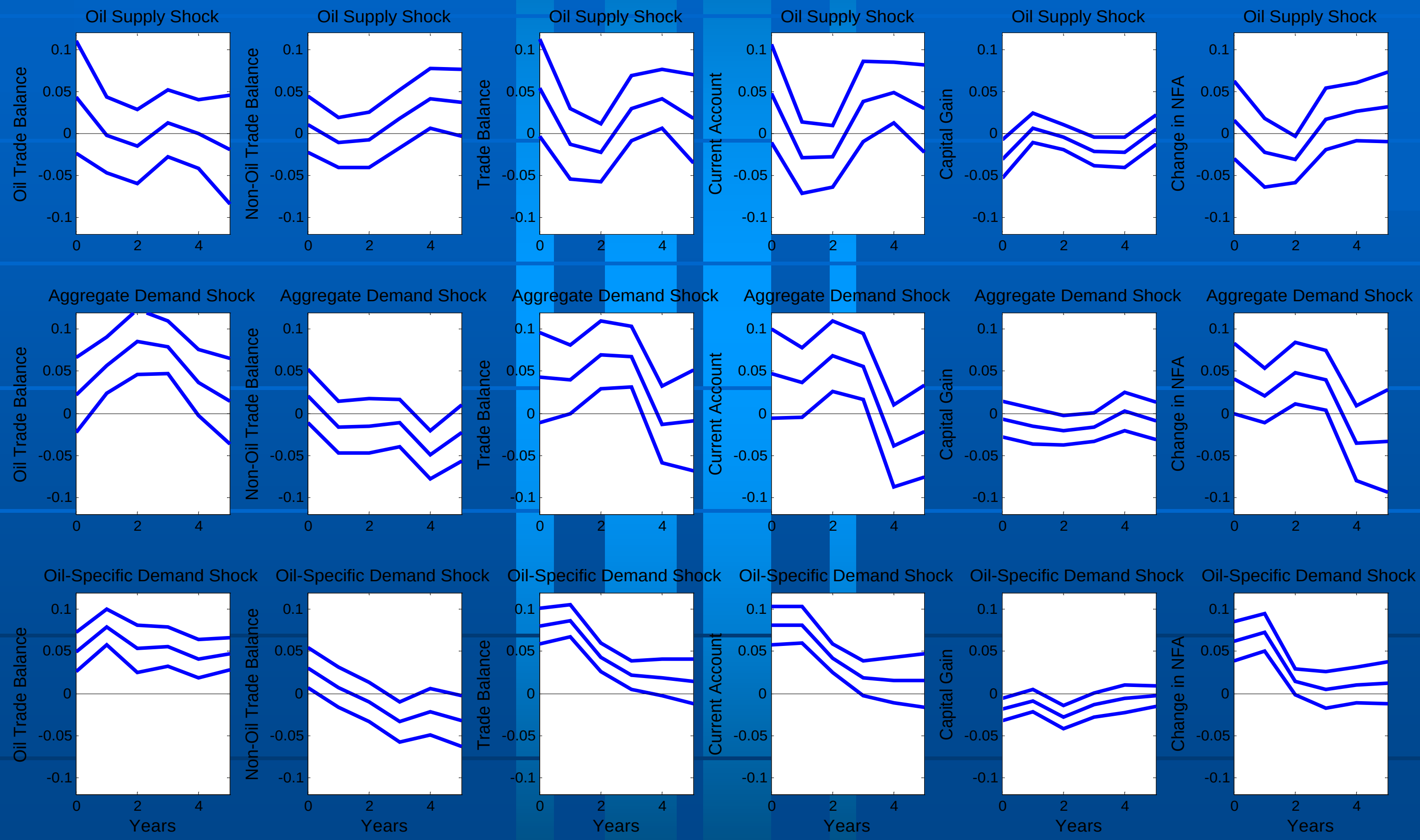
Main Results

- Overall TB response depends on the response of non-oil TB with low
- Incomplete markets are crucial
- Source of the oil shock does not matter
- Price rigidity does not matter much

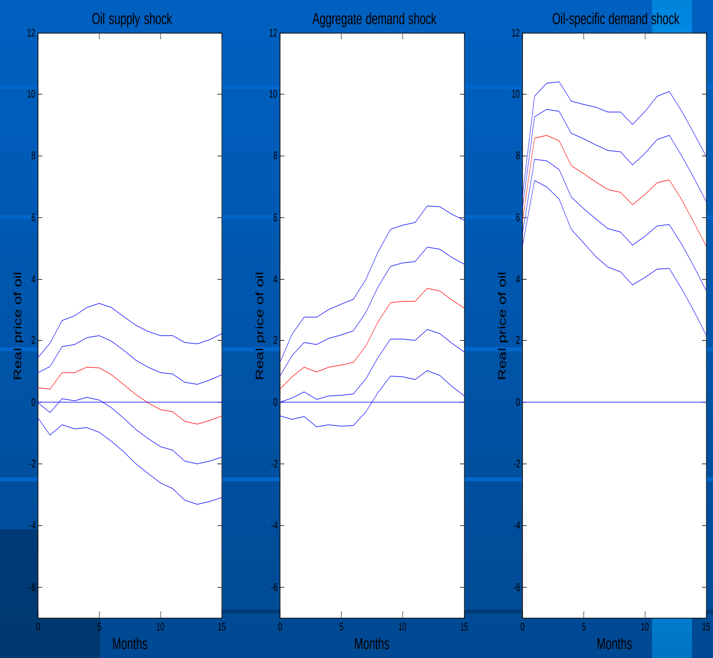
My Comments

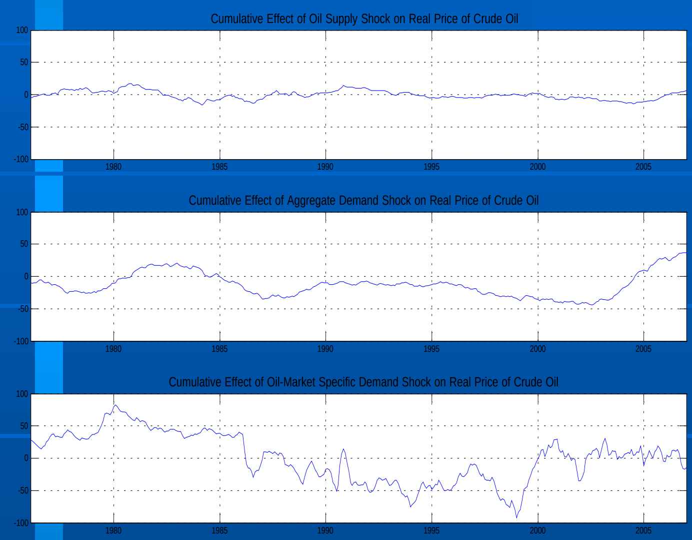
- Excellent paper! DGE Analysis well anchored to data and relevant question
- What does it happen with less smart monetary policy responses?
- Paper focuses on TB, but NFA also relevant from a policy perspective
- Indeed, oil price pattern in response to different sources of shocks is different. In addition, non oil-specific demand shocks may have different transmission

Capital gains are an important channel of transmission



The source of the shock matters





In Sum

- An excellent paper!
- Paper could examine case of non-oil specific demand shock
- Paper could explore role of monetary policy mistakes
- The valuation channel of transmission of oil shocks not modeled yet

Thank You

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