

## Macro Roundup Article

**Headline:** [Not That 70's Show](#)

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**Tweet:** Michael Cembalest @jpmorgan argues an energy shock is a lower risk to the American economy than it was in the past. He notes that the oil intensity of the American economy has declined, and that US crude imports are down 75% from their 2005 peak.

**Summary:** Energy risks to the US are generally much lower than in the 1970's. The US is a net energy exporter vs its net import position in the 1970s. The oil intensity of US GDP growth is 65% lower than it was in the 1970's. Annual global oil consumption growth has declined from 8%-10% in the early 1970s to 0%-2% today. Geopolitical benefits to OPEC of an oil embargo would be less clear now: 75% of Saudi oil exports go to Asia, China gets half its oil from the Middle East and the US gets most of its imported oil from Canada, Mexico, and other non-OPEC sources. Saudi Arabia also has spare capacity to bring online if needed. The Biden Administration, in an act of geopolitical malpractice, opted not to refill the Strategic Petroleum Reserve before the conflict erupted; the SPR is down ~50% from its peak and at its lowest level since 1983.

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**Primary Topic:** Business Cycle

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