



# The macroeconomic impact of lower oil prices

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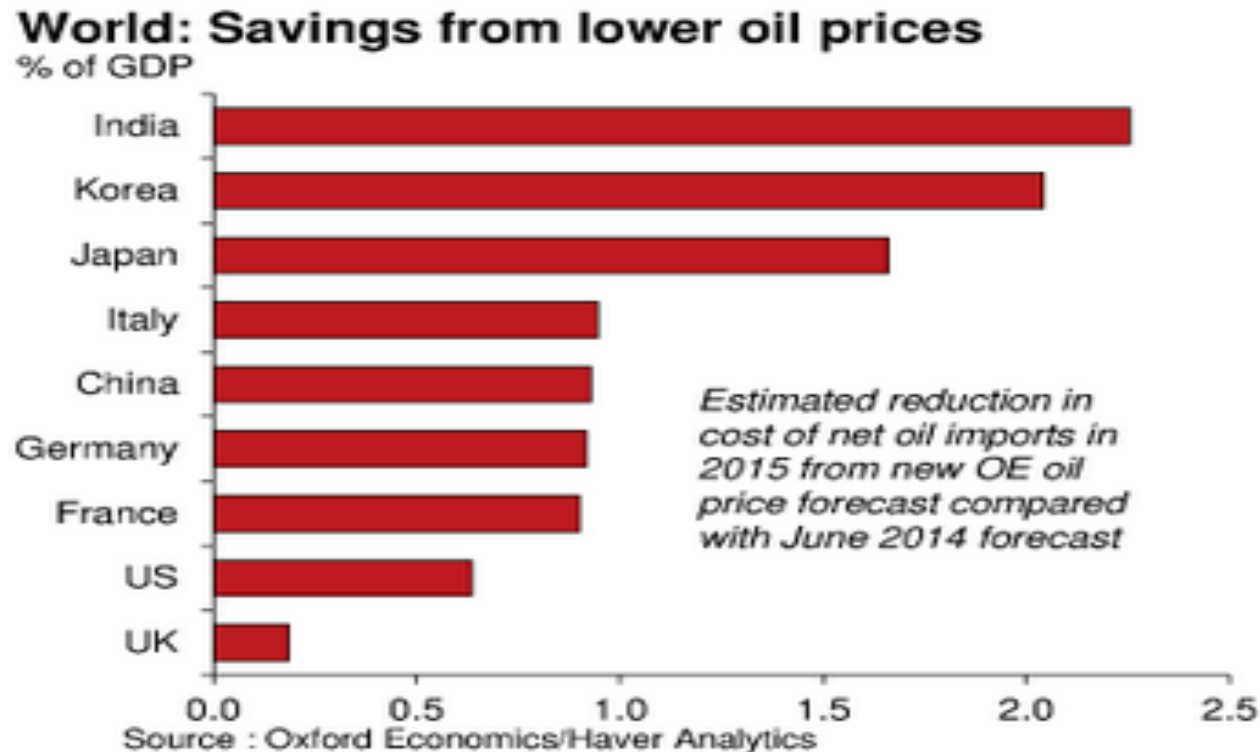
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**June 2015**

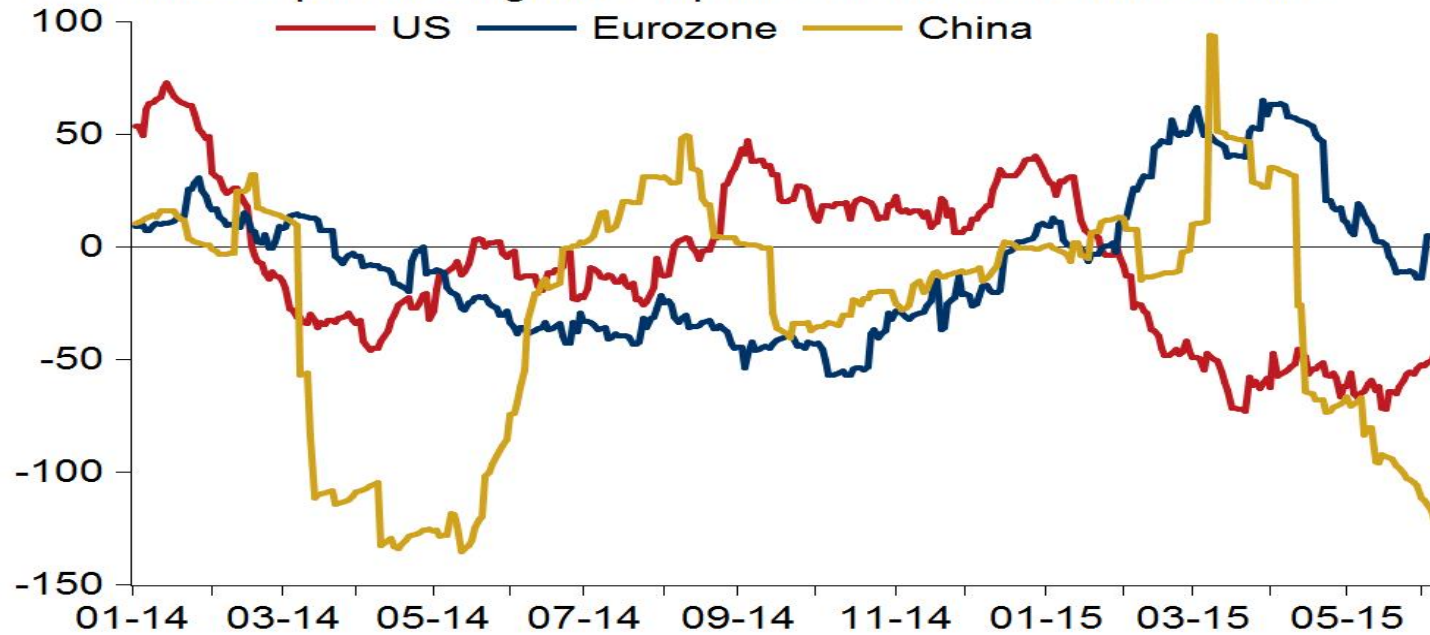
## Lower oil prices big boost for the global economy...



## ...but global economic news has been disappointing

### World: Citigroup economic surprise indices

% balance of positive/negative surprises in economic data releases

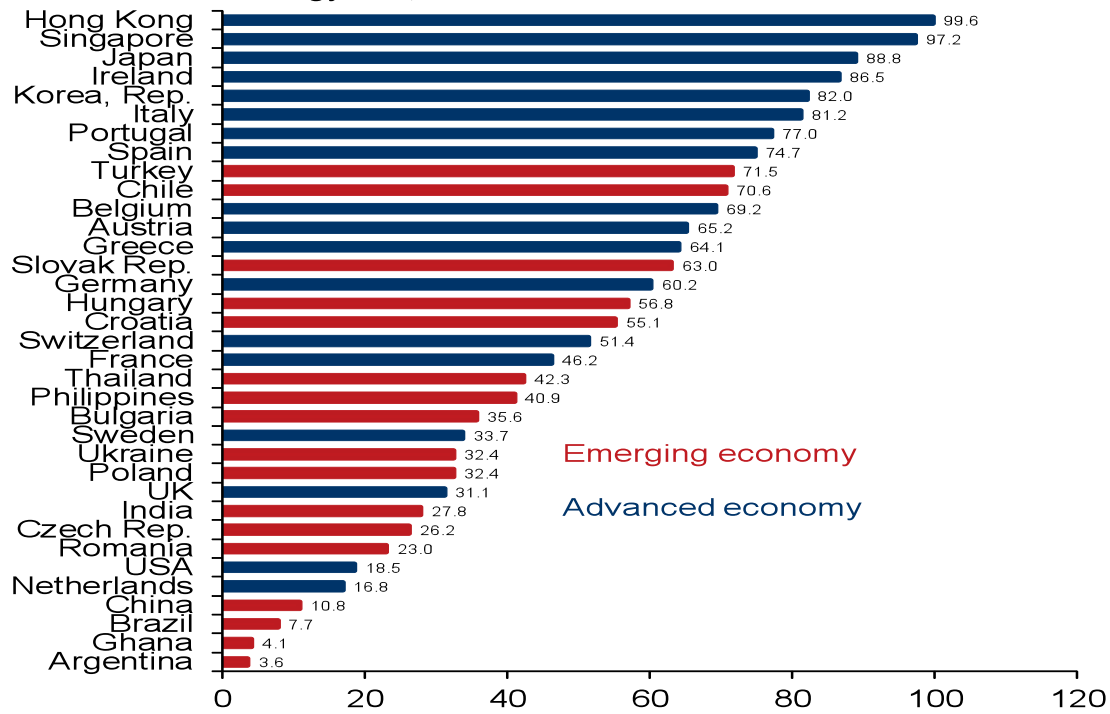


Source: Oxford Economics/Haver Analytics

# Who should be the winners?

## Net energy imports (net importers)

% of domestic energy use, 2011

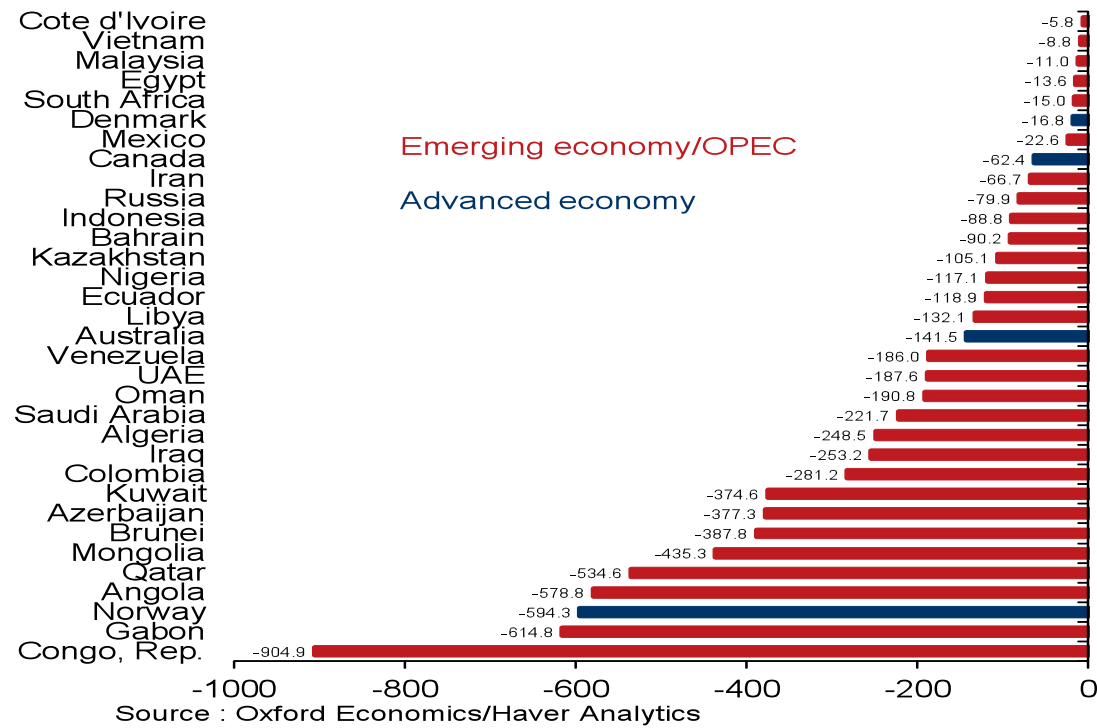


Source : Oxford Economics/Haver Analytics

## ...and losers?

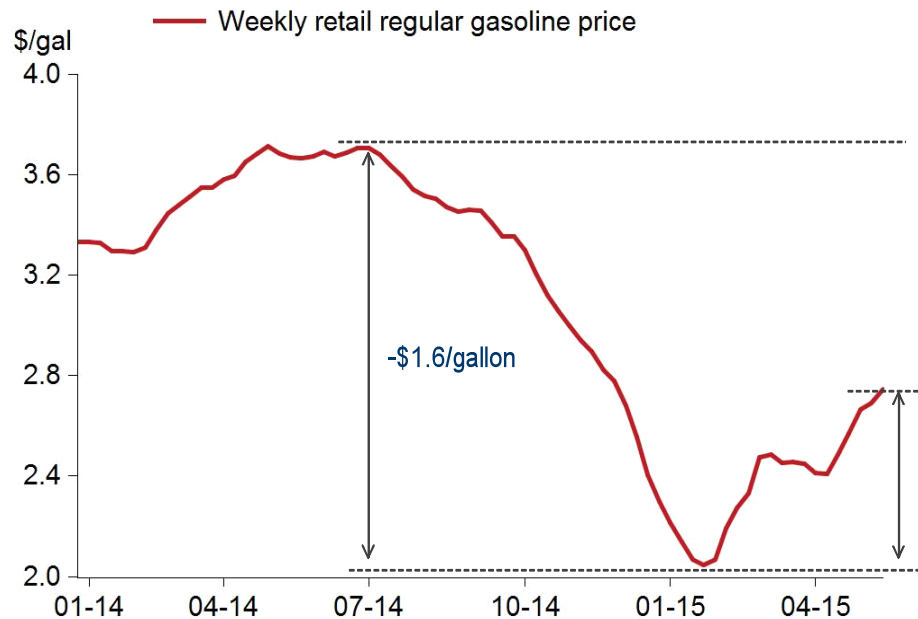
### Net energy imports (net exporters)

% of domestic energy use, 2011



# Fall in oil prices give US households extra \$1,000

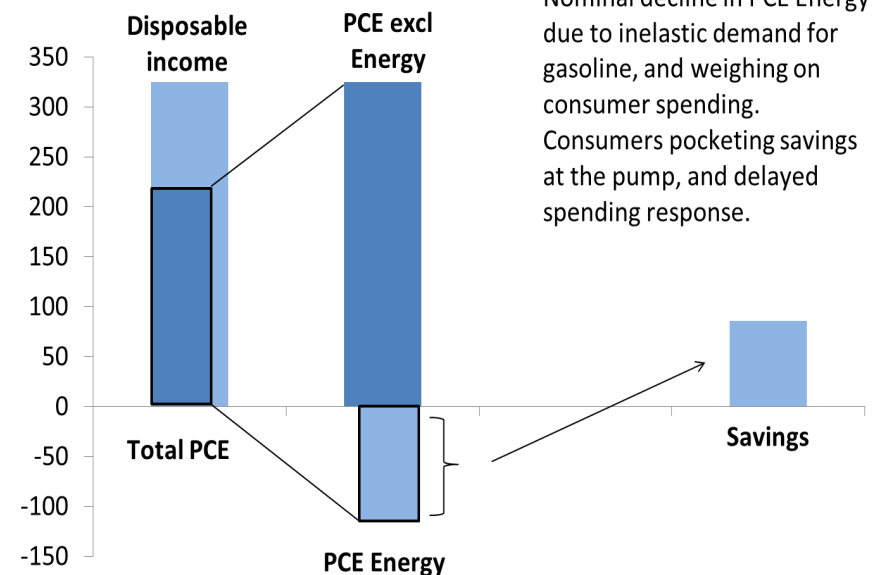
## US: Falling gas prices a boon for consumers



Source: Oxford Economics/Haver Analytics

## US: Consumers pocket big chunk of gas savings

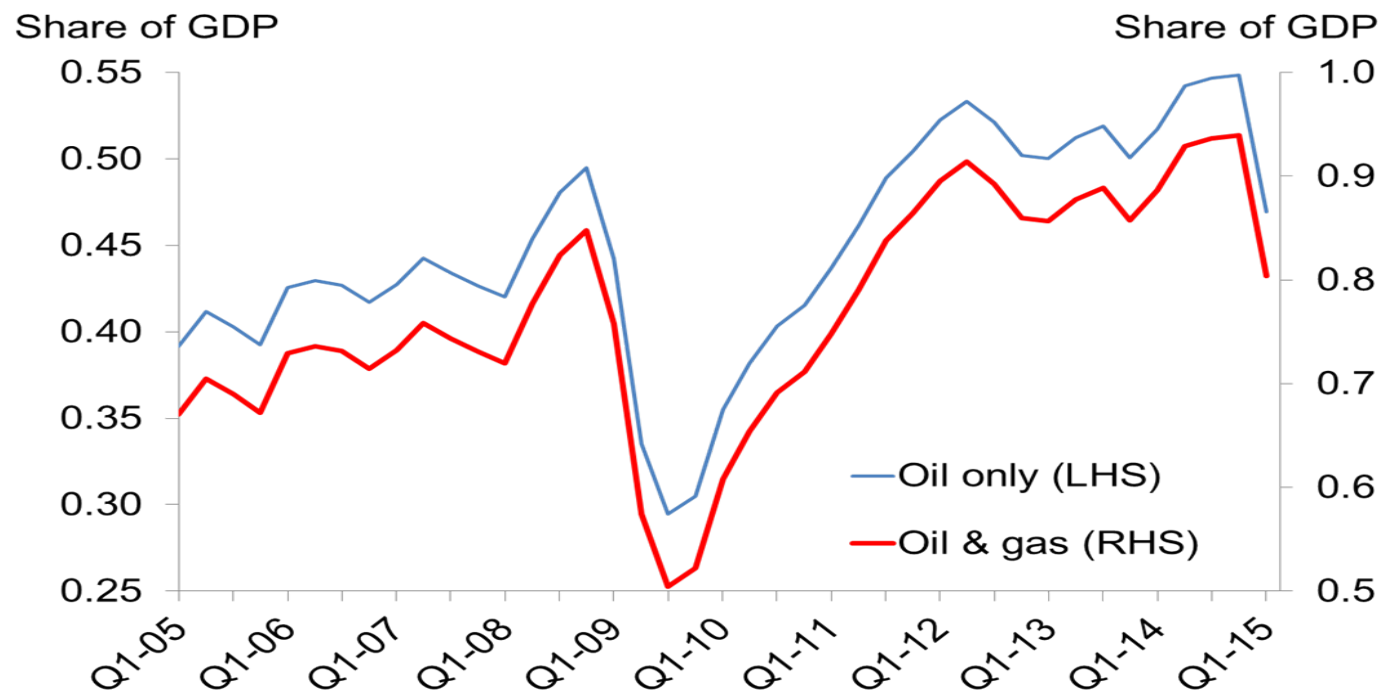
Change since July 2014 (\$,bil)



Source: Oxford Economics

## But investment down sharply...

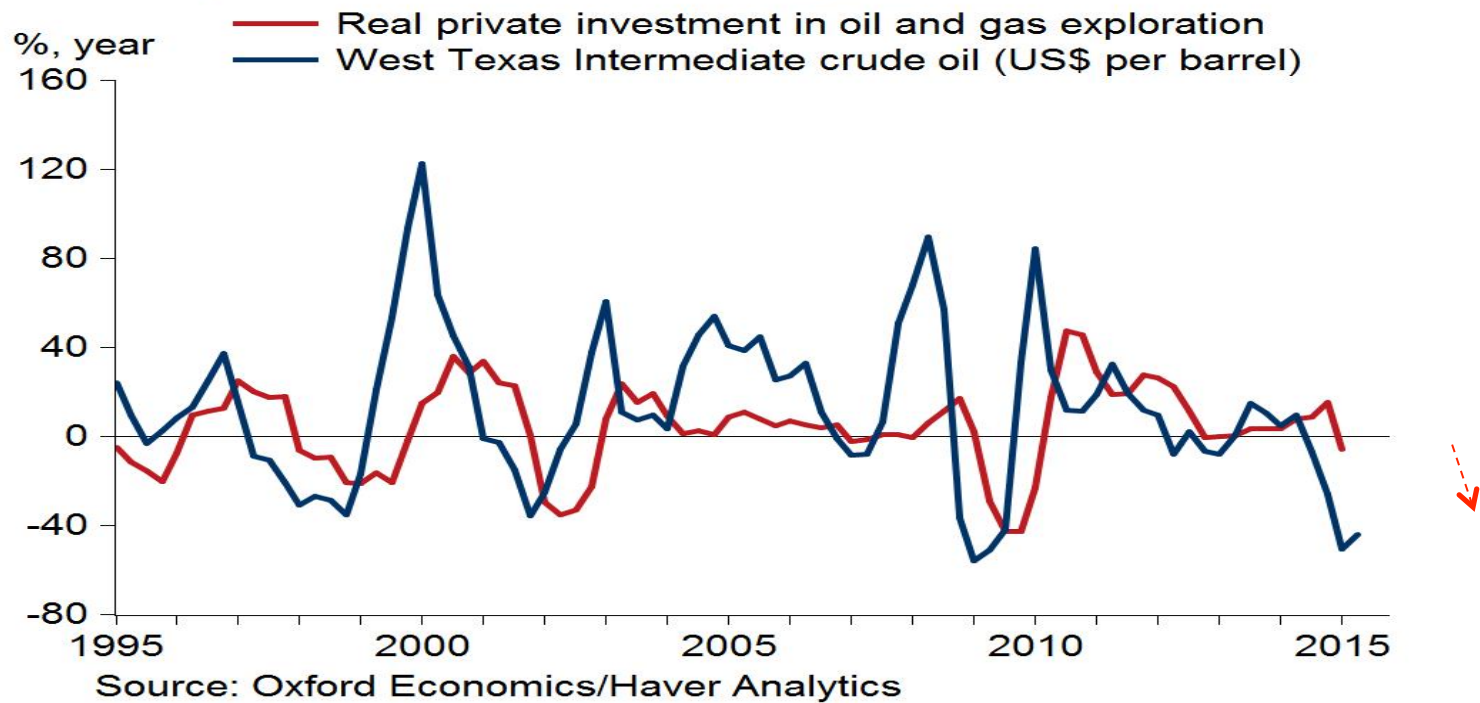
### US: Investment structures and machinery



Source: Oxford Economics calculations

## ...and further falls likely

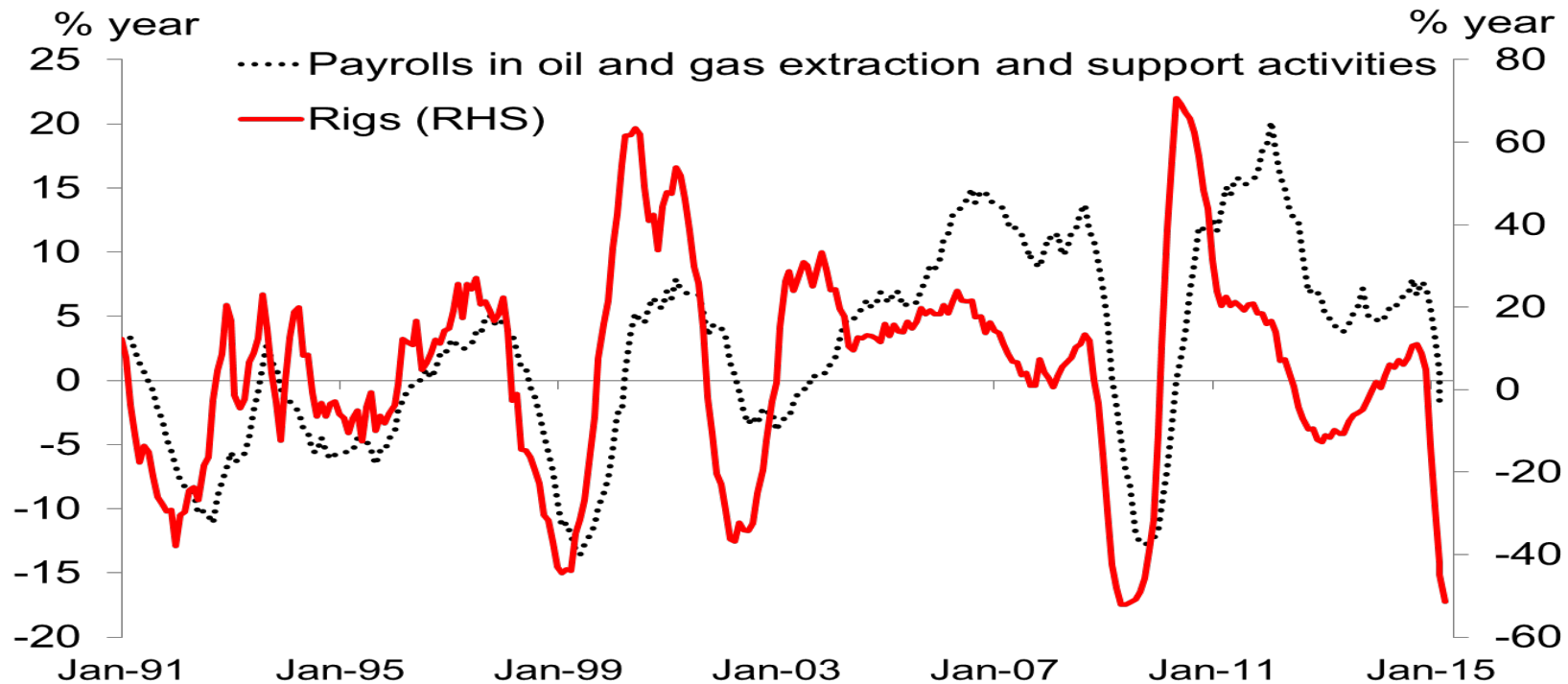
### US: Oil price moves lead energy sector investment





# Extraction sector employment also hit hard

## US: Rig count is leading indicator for payrolls

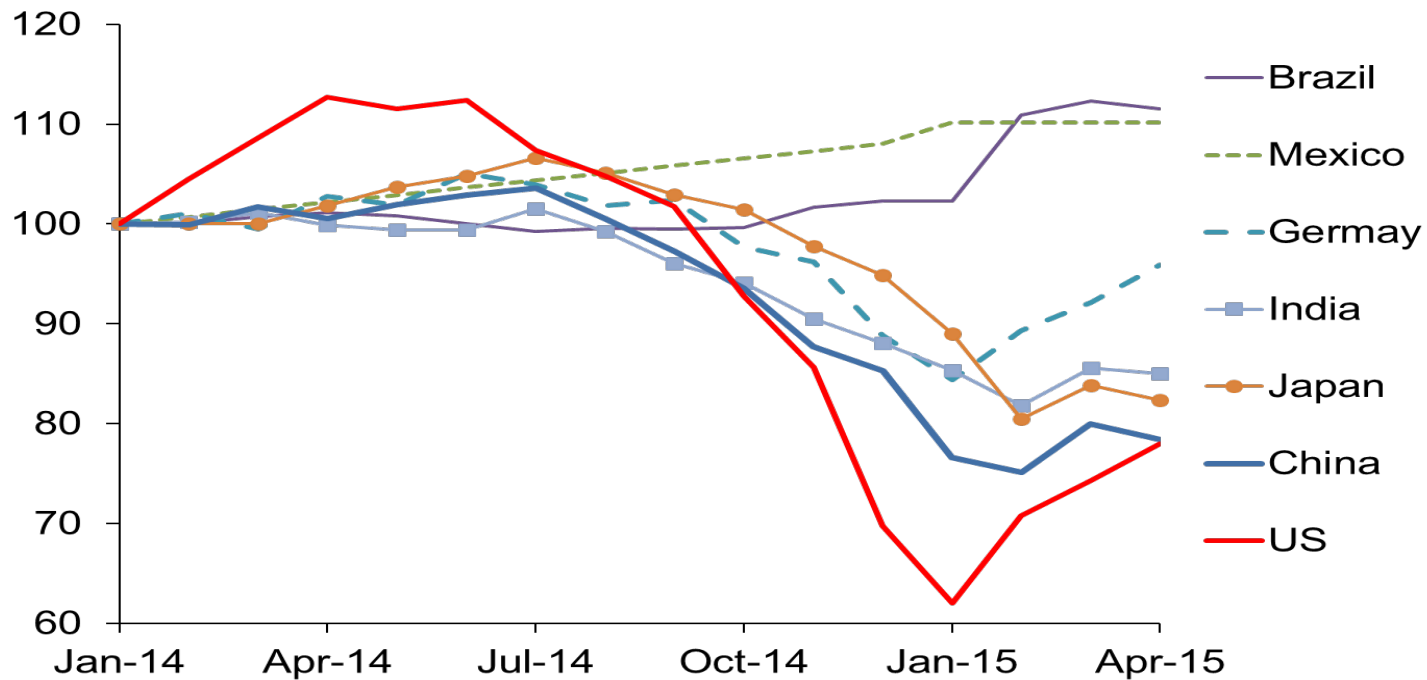


Source: Oxford Economics

## But not all countries have seen lower gas prices

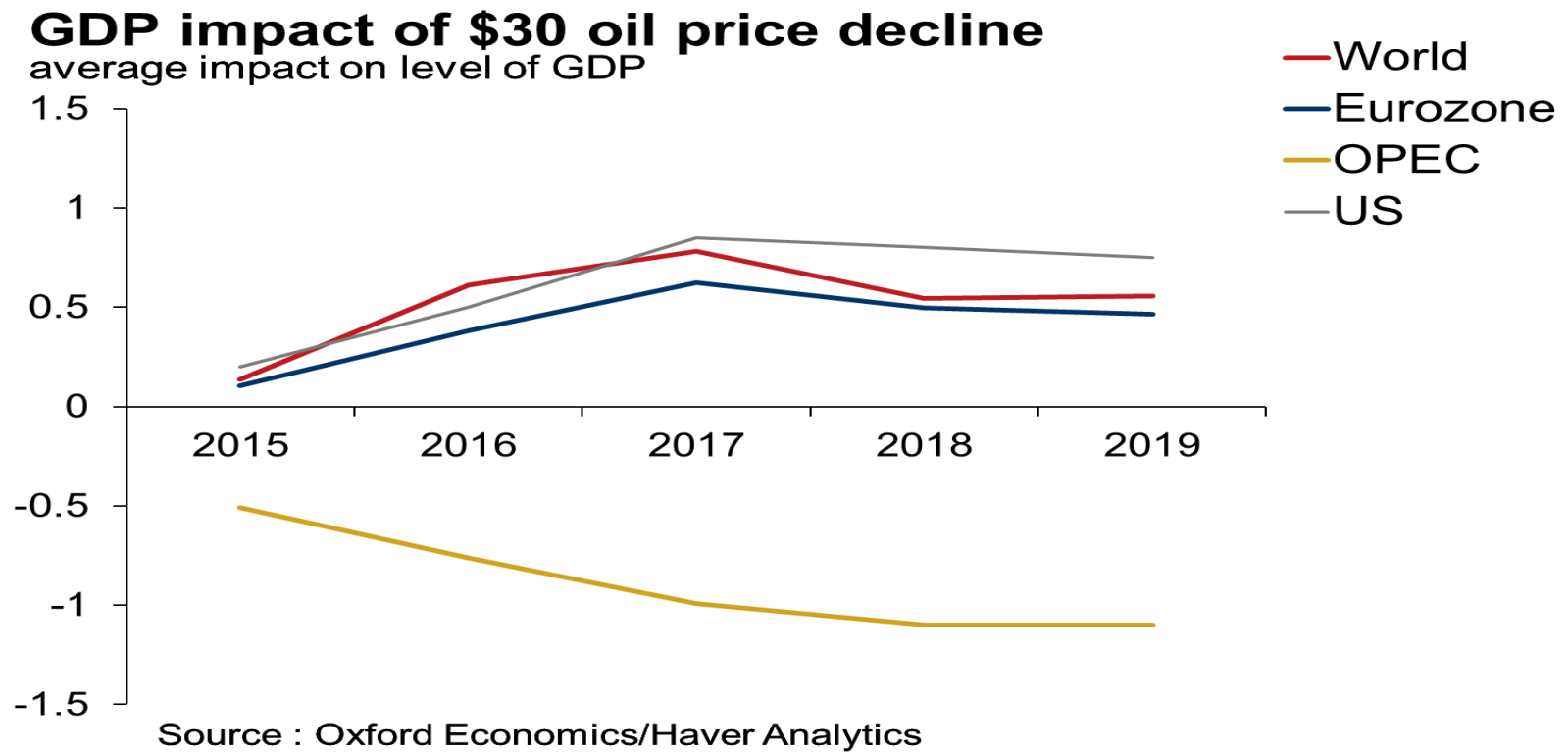
### World: Gasoline prices

Index, Jan 2014=100



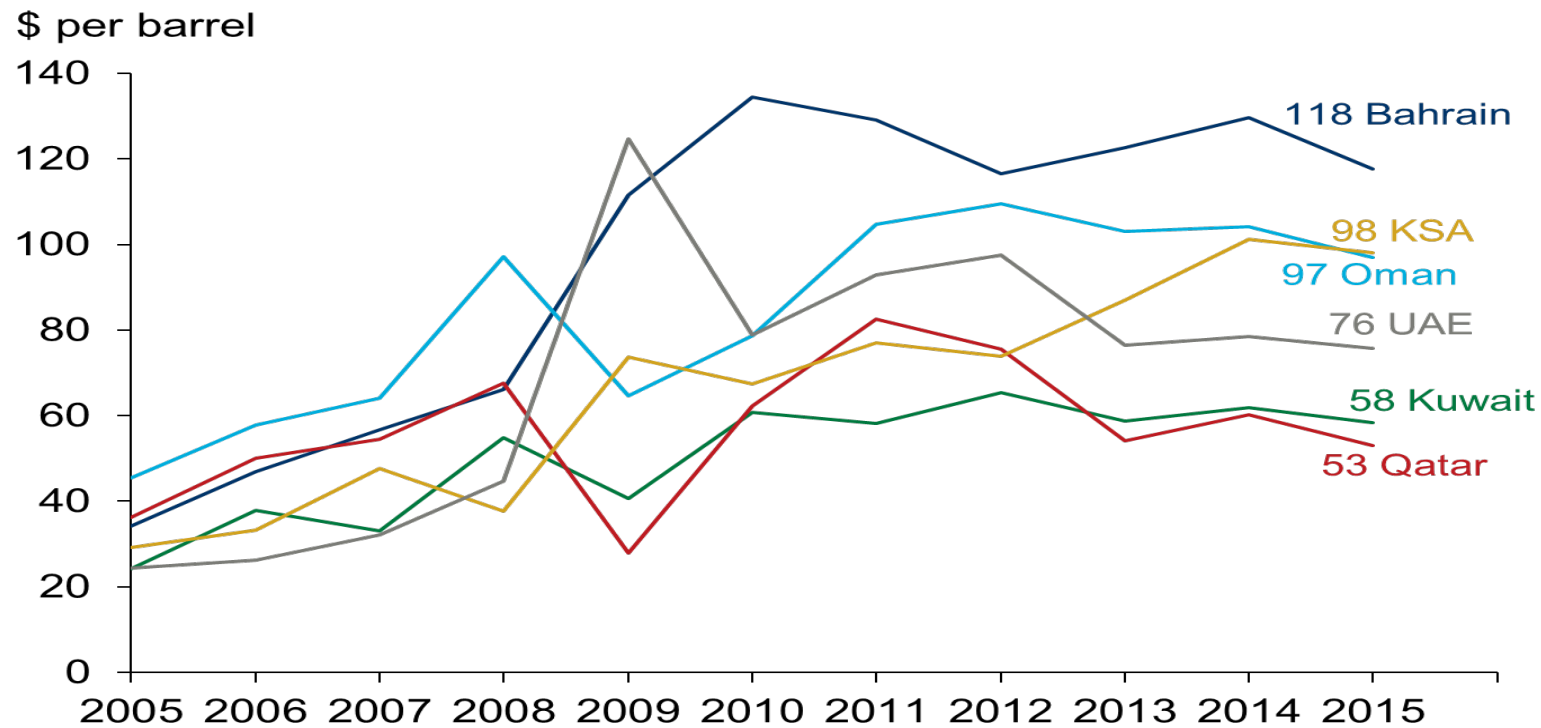
Source: Oxford Economics

# Contrasting impacts internationally



## And fiscal challenges for many oil producers

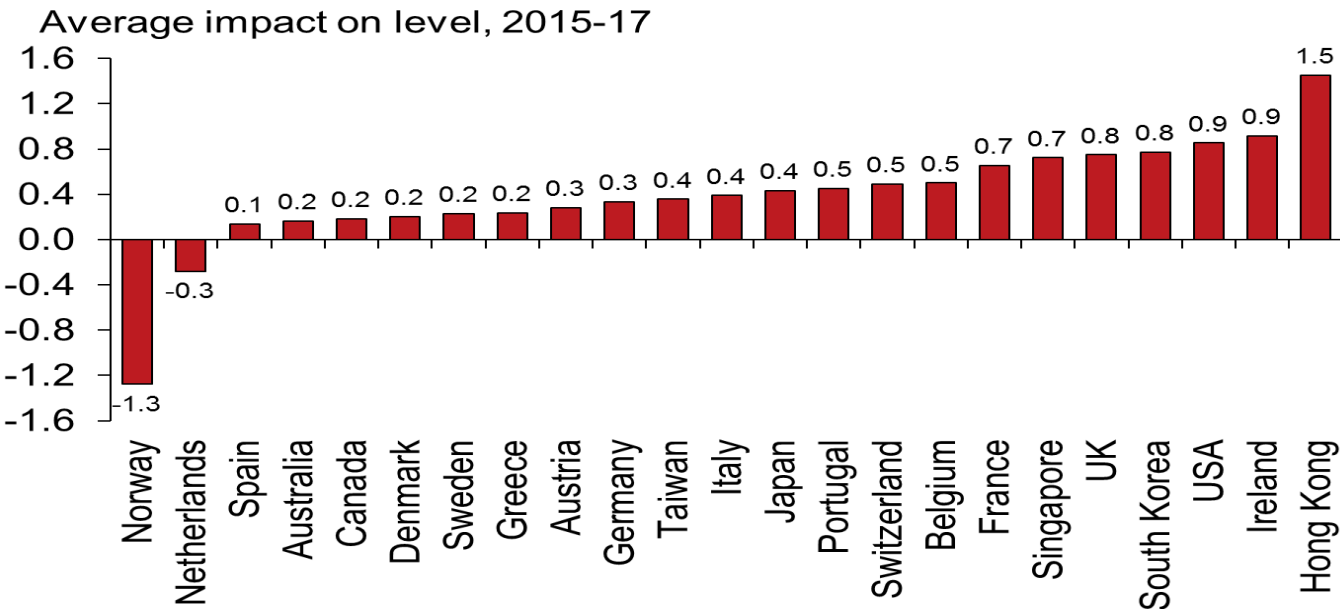
### Budget breakeven oil prices



Source: Oxford Economics

# What is the GDP impact of lower oil prices?

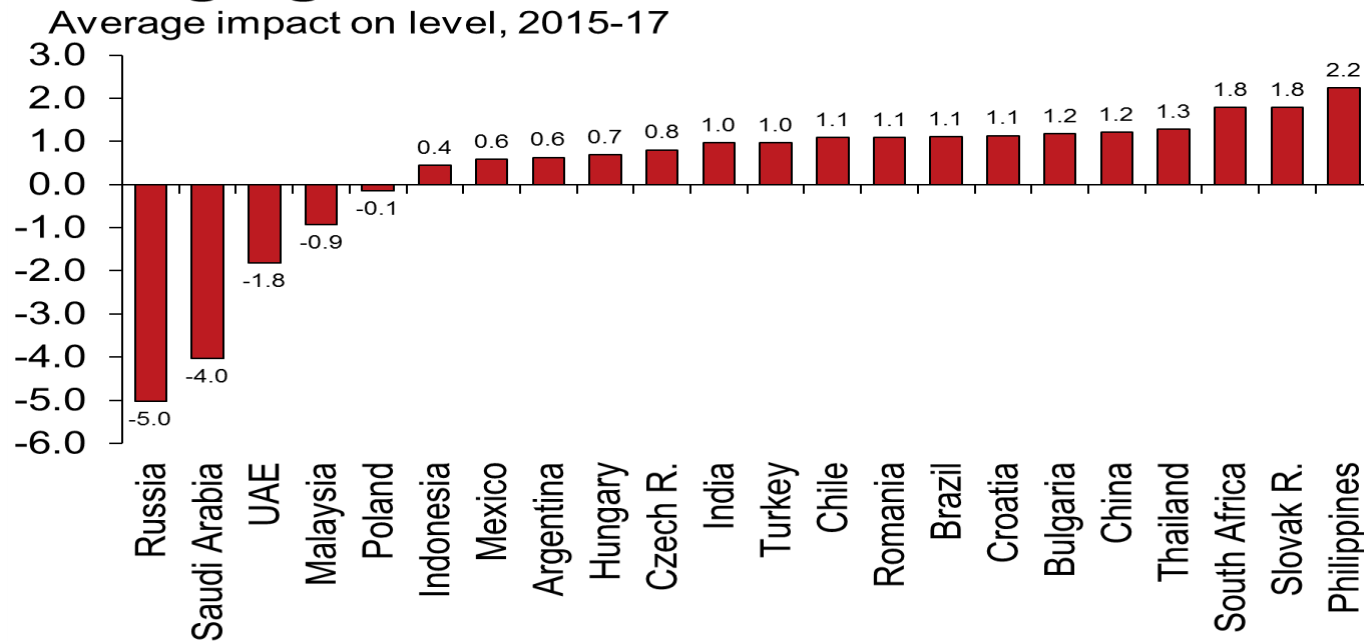
## GDP impact of \$30pb oil price decline, advanced economies



Source : Oxford Economics/Haver Analytics

# What is the GDP impact of lower oil prices?

## GDP impact of \$30pb oil price decline: emerging markets

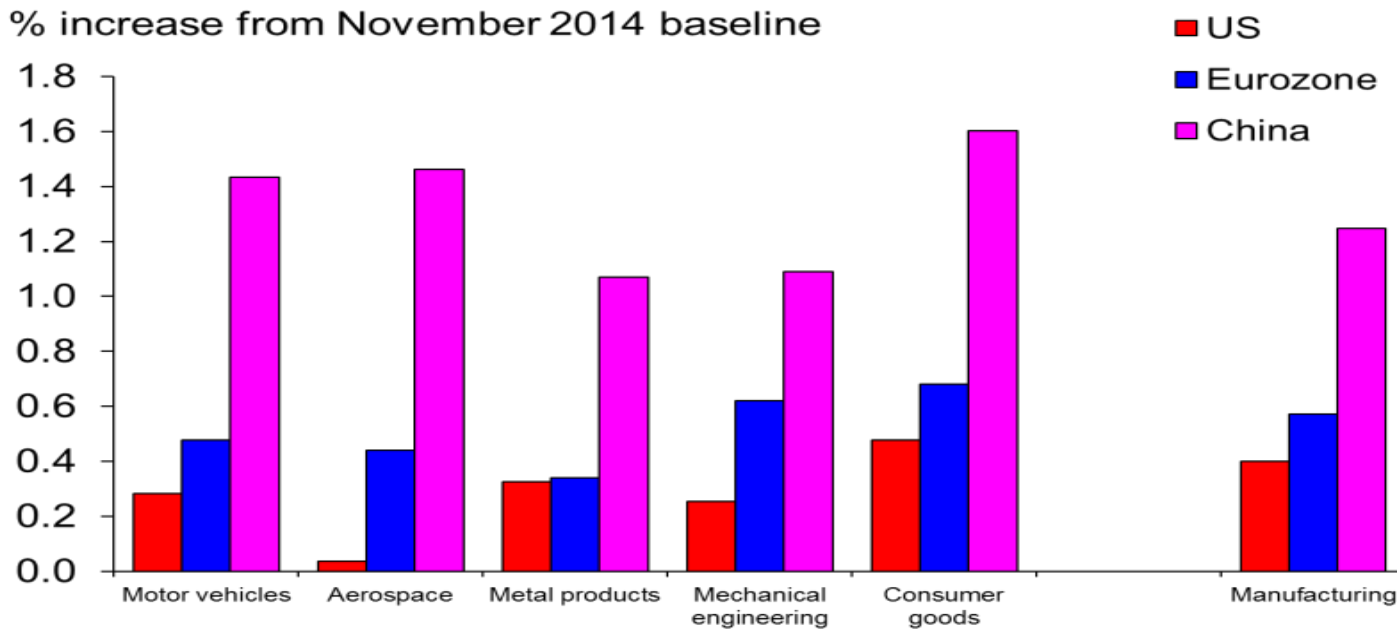


Source : Oxford Economics/Haver Analytics

# Chinese industry should be major gainer

## Sectoral impact of lower oil prices in the US, Eurozone and China in 2015

% increase from November 2014 baseline



Source : Oxford Economics/Haver Analytics

# Conclusions

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- Lower oil prices should give a sizeable boost to world GDP in 2015 and 2016
- But the context of both low inflation and zero bound on interest rates - together with more price-sensitive oil supply - are mitigating some of the benefits
- In addition, global growth is being held back by lingering problems associated with the financial crisis
- Cuts in supply put a floor under oil prices and mean that deflation has been avoided
- Lower oil prices are forcing faster innovation, cost-cutting and a raft of consolidation across the energy sector, which will strengthen the competitiveness of the US industry