SHOCK ABSORBERS

Energy efficiency and fuel diversification help cushion the oil shock

OIL PRICES have risen sharply with the latest war in the Middle East, reviving memories of the 1970s. The effective closure of the Strait of Hormuz, a route for about a quarter of seaborne oil trade, represents a major global supply shock. The damage will depend largely on how long the disruption lasts. Oil markets were well supplied heading into the disruption, strategic stock releases added barrels, and buoyant financial markets helped limit broader tightening in financial conditions.

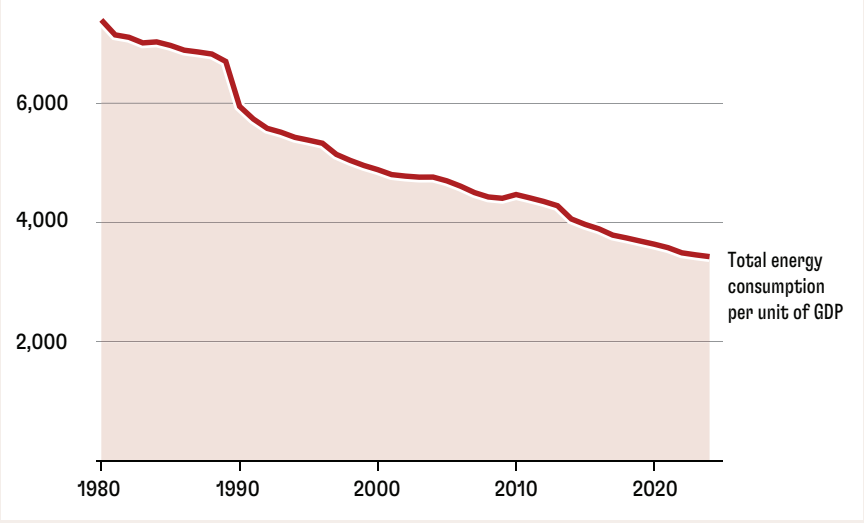
Beyond these immediate buffers, two structural factors have also cushioned the blow. First, the world economy is far more energy efficient than it was 50 years ago. Each dollar of output now requires roughly half as much energy as it did in 1980. Second, the energy system is more diversified. Oil's share of the mix has fallen from about half in 1973 to less than a third today. Oil remains the world's leading fuel, but it no longer dominates.

Even so, these cushions do not protect countries from pain evenly. Ultimately, the severity of the shock at the country level depends on two things: how much oil an economy imports and how much policy space its government has to respond. More than 80 percent of countries are net oil importers, and the most vulnerable entered this episode with limited room in public budgets to shield households and businesses. That is why the same global shock can become a much harsher national one where import dependence is high and policy space is thin. F&D

ANDREW STANLEY *is on the staff of* Finance & Development. *This article draws on an April 9, 2026, speech by IMF Managing Director Kristalina Georgieva.*

Growth needs less energy

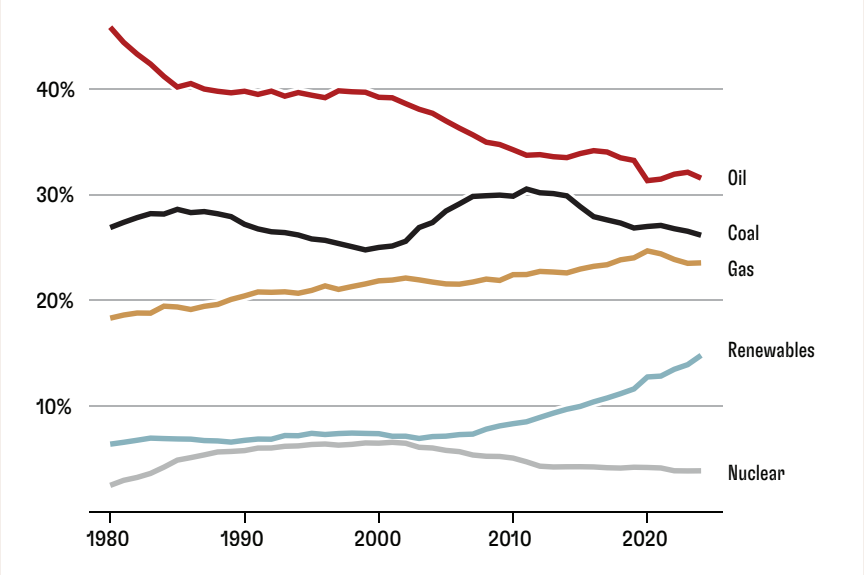
Global energy intensity has roughly halved since 1980.



SOURCES: US Energy Information Administration; and IMF. **NOTE:** Measured in British thermal units per unit of GDP.

Oil's shrinking share

Oil remains the top fuel but no longer dominates the energy mix.

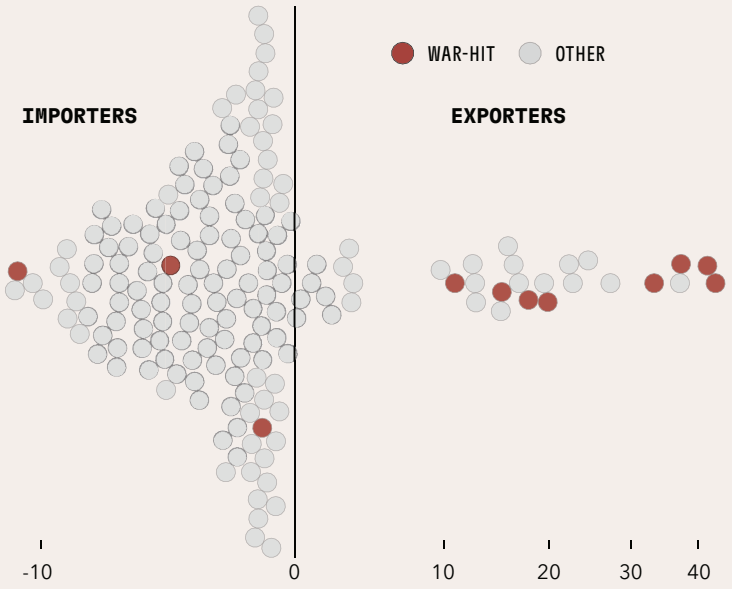


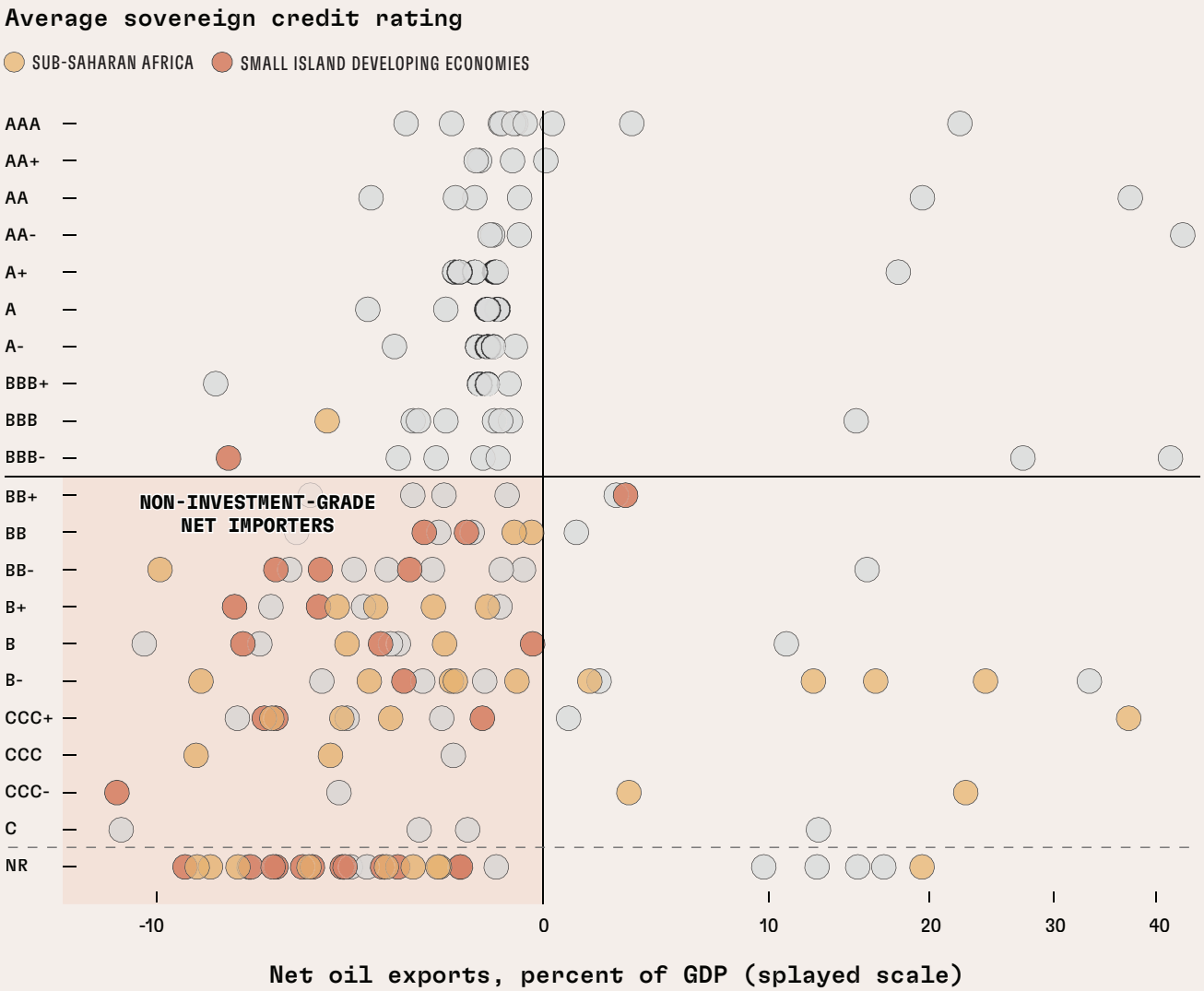
SOURCE: Energy Institute. **NOTE:** Global energy consumption by source. Renewables include hydropower, wind, solar, biofuels, geothermal, biomass, and waste energy.

Uneven impact

The beeswarm plot on the right separates net oil importers from net oil exporters, with over 80 percent of countries sitting on the import side. Highlighted in red are those directly hit by the war, showing how the damage has fallen disproportionately on major oil exporters. These economies depend heavily on these export flows.

The scatterplot below takes the same data and adds a vertical axis: sovereign credit ratings, used here as a proxy for policy space. The bottom-left quadrant is where the vulnerable oil importers sit, largely filled by sub-Saharan African and small island developing economies.





SOURCES: Fitch; IMF; Moody's; and S&P Global. **NOTE:** Net oil exports are for 2024 (includes crude and refined products). Credit ratings are latest available. Average ratings are the mean of available agency ratings, rounded to the nearest notch. NR = no rating. Sub-Saharan Africa excludes small island developing economies, shown separately.