

## The Importance Of Oil Prices

**eResearch Corporation** is pleased to provide an article by Scott Grannis for his Blog, "Calafia Beach Pundit".

In this article, Mr. Grannis explains the importance that the price of oil has on the economy, in terms of factory orders.

The article is reproduced below, beginning on the next page, or you can go to this specific Blog at the following link: [The importance of oil prices](#)

You can also visit Scott Grannis' Home Page for his Blog at the link below:  
<http://scottgrannis.blogspot.ca/>



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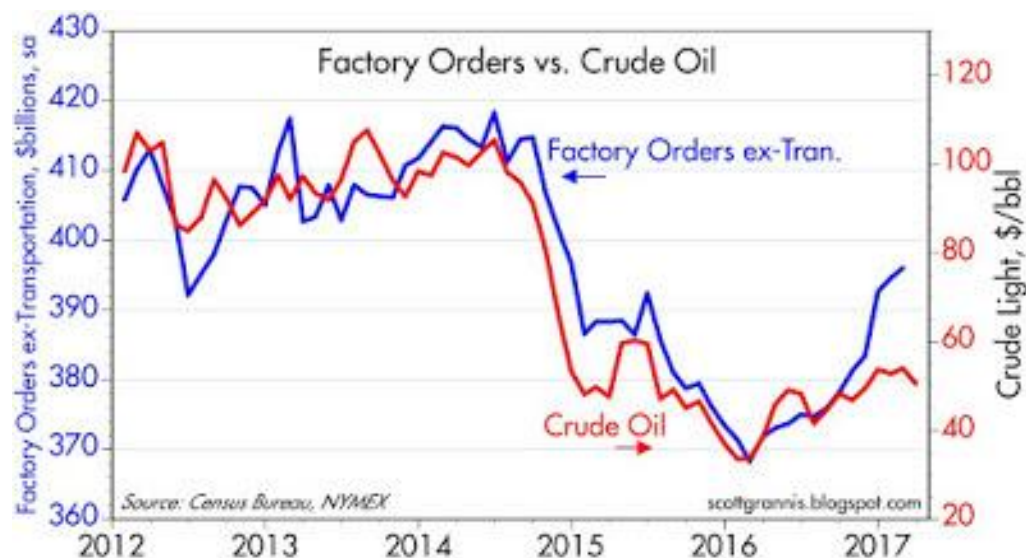


Tuesday, April 4, 2017

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In several recent posts—most recently [here](#)—I have noted that the collapse of oil prices, which began in mid-2014, and their subsequent rebound, which began about a year ago, have had a significant impact on corporate profits, industrial production, and the economy in general.

I present here a chart that puts some meat on that argument:



Note that changes in crude prices tend to lead factory orders (ex- the volatile transportation sector) by about one month. Crude prices bottomed about a year ago and, since then, factory orders have risen almost 8%.

In the six months ending February, factory orders are up at an annualized rate of almost 11%. That is significant. The positive effects of cheaper oil prices on demand (if you spend less on energy you can spend more on everything else) are now far out-weighing the negative effects of lower oil prices on drilling and manufacturing activity.

The problems of the oil patch have faded away and the economy is now enjoying a new spurt of growth thanks to cheaper energy.

**BW: See ABOUT THE AUTHOR on the following page.**



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## ABOUT THE AUTHOR



Scott Grannis was Chief Economist from 1979-2007 at Western Asset Management, a Pasadena-based, global manager of fixed-income portfolios for institutional clients.

He now enjoys keeping up on economics, markets, and politics from his condo overlooking Calafia Beach on the southern California coast, where he likes to think that he is immune to Wall Street group-think.

Married for 45 years to his Argentine wife, Norma, he has four children and five grandchildren (four boys and one girl).

He is a believer in supply-side economic theory, as practiced by his mentors, the late Jude Wanniski, Art Laffer, and Larry Kudlow. John Rutledge is another of his mentors, from the days that they worked together at Claremont Economics Institute.

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