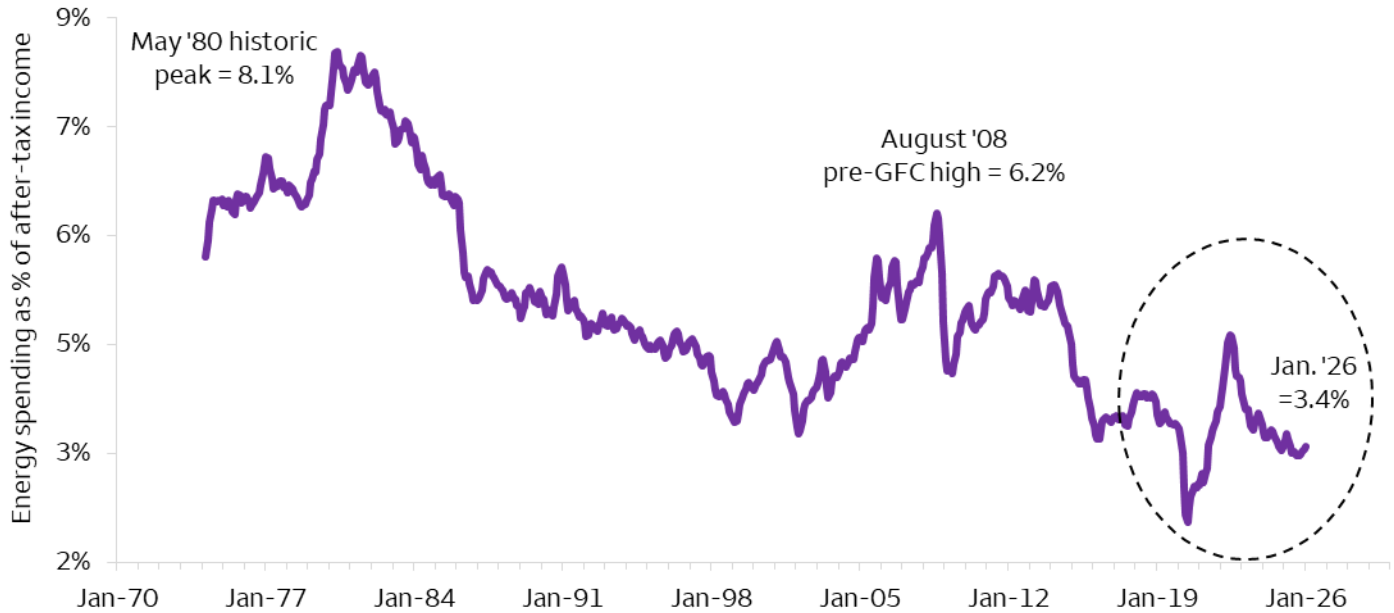


# Chart of the Week

Weekly analysis of key themes in markets

March 31, 2026

## How vulnerable is the U.S. economy to an oil shock?



Sources: Wells Fargo Investment Institute and U.S. Department of Commerce. Data as of March 13, 2026. Data represents three-month moving average. GFC = Global Financial Crisis.

### Energy accounting for historically small share of household budgets before Iran war

War in the Middle East has stirred up worries over an energy-price shock tipping the economy into a downturn and undermining market performance. However, we believe the U.S. economy is better positioned to contend with economic disruptions from war with Iran compared to past oil shocks due to mitigating factors that have not previously been present to this degree.

One such support is demonstrated in the chart above, which shows household energy spending as a percentage of after-tax income since 1970. By this measure, U.S. households were spending a historically low 3.4% of their disposable income on energy just before the outbreak of the Iran war, lessening the threat of severe, recession-inducing financial stress from a given increase in fuel costs.

#### What it may mean for investors

Other key supports that we expect to cushion the impact of higher energy prices include the service sector's growing importance; the U.S. shift to a net exporter of fossil fuels; well-contained inflation heading into the Iran war; unusually large tax refunds and other fiscal stimulus; and the absorption of artificial intelligence. For further perspective on the U.S. economy's resilience, see our Investment Strategy report, "The U.S. economy is no underdog in 'March Madness'."

Jennifer Timmerman, Investment Strategy Analyst

Excerpted from Investment Strategy report (March 23)

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