

Discussion of
**“From Importer to Exporter:
Oil Shocks and the U.S. Economy”**

by
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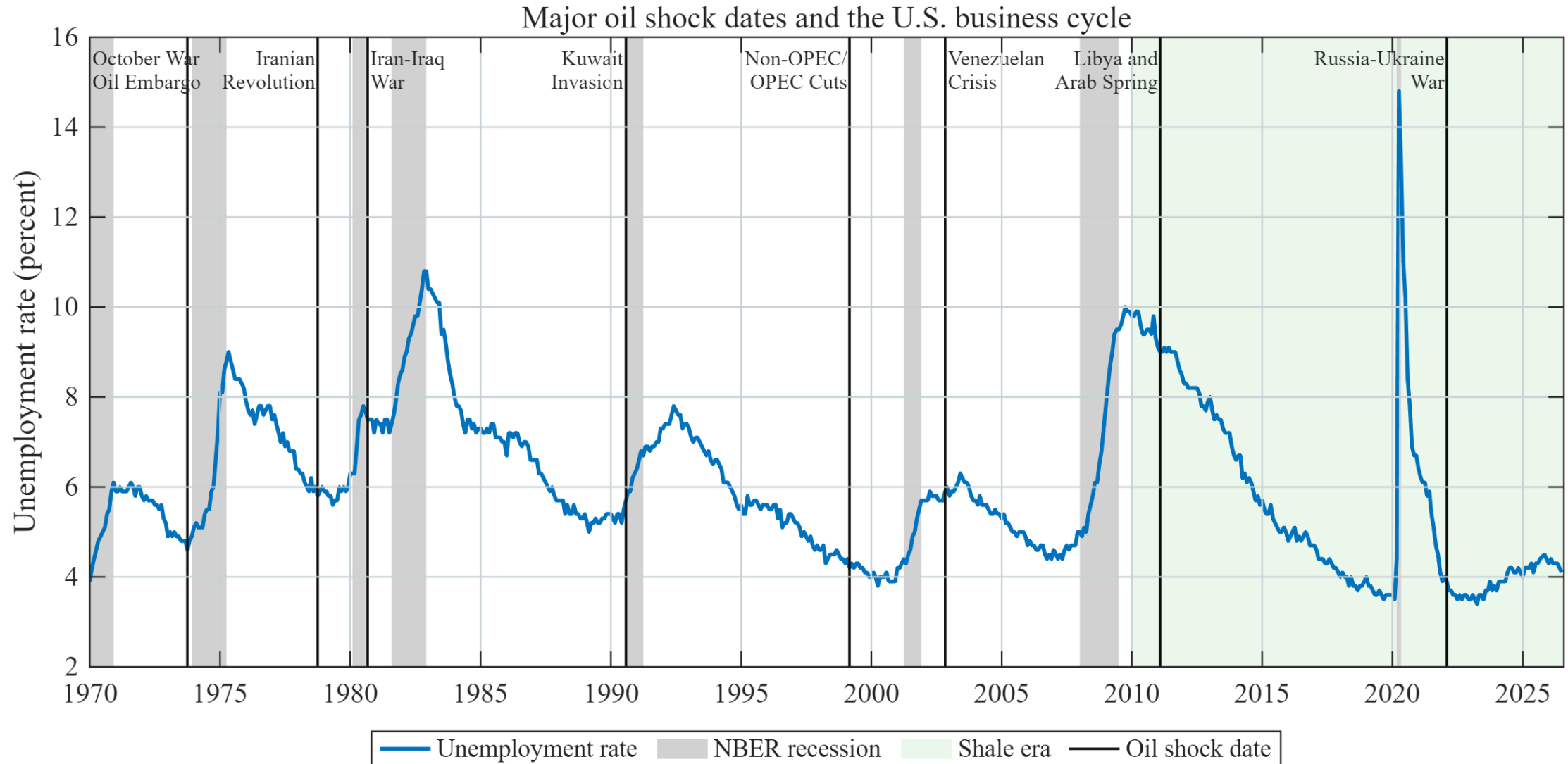
University of Notre Dame

NBER and CEPR

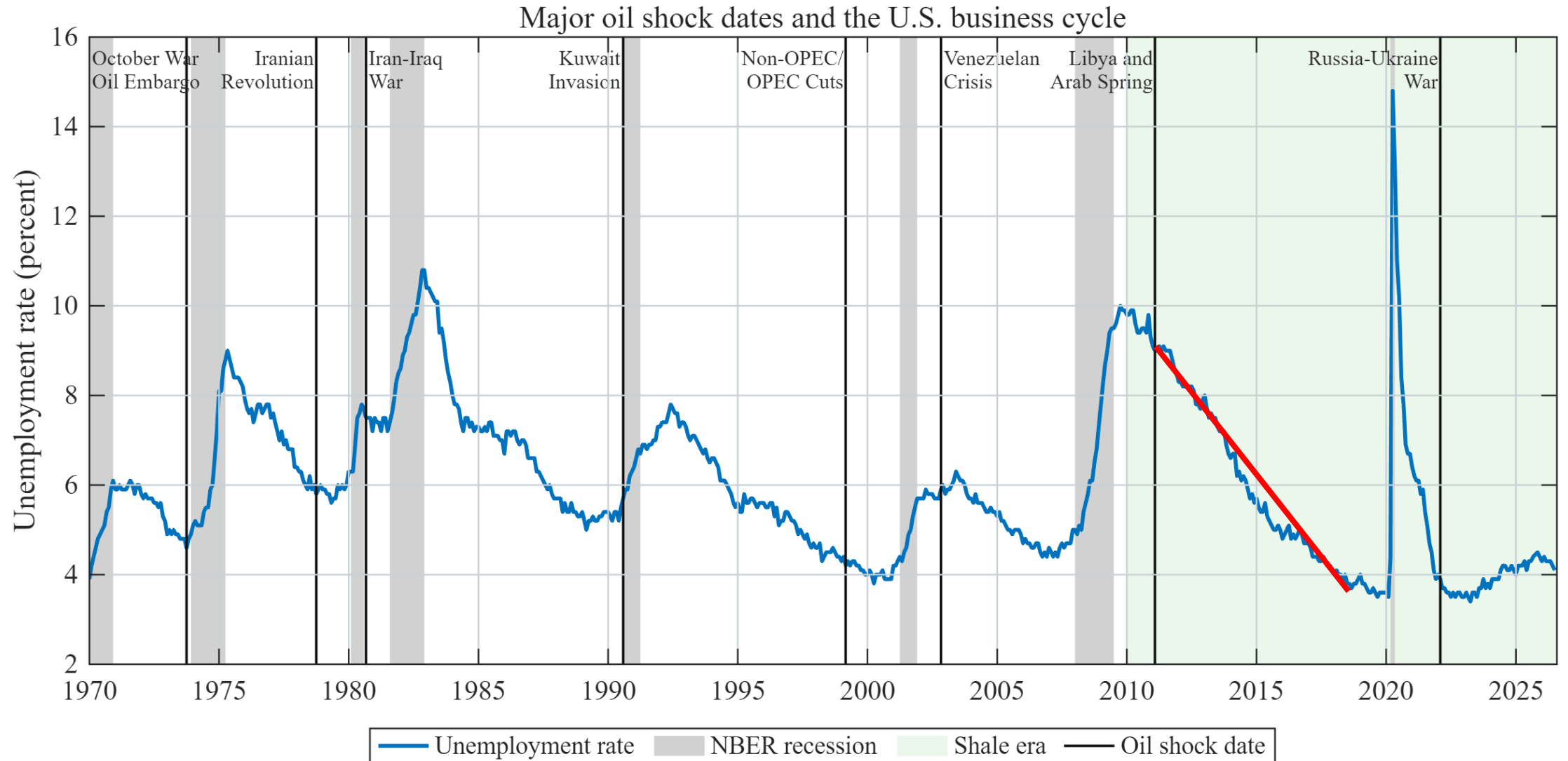
Brookings Papers on Economic Activity

September 24, 2026

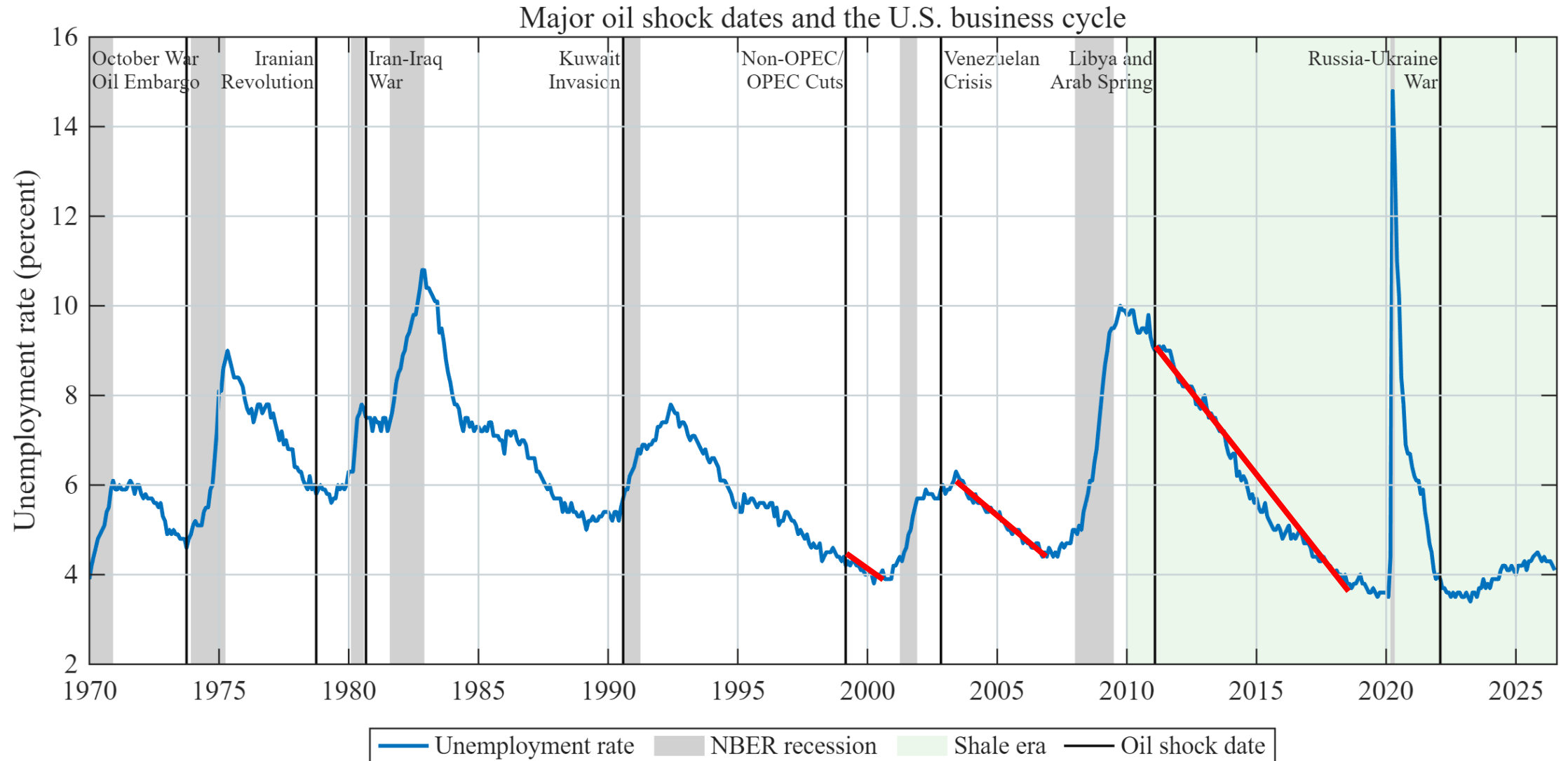
Motivation: Oil Shocks Preceded US Recessions



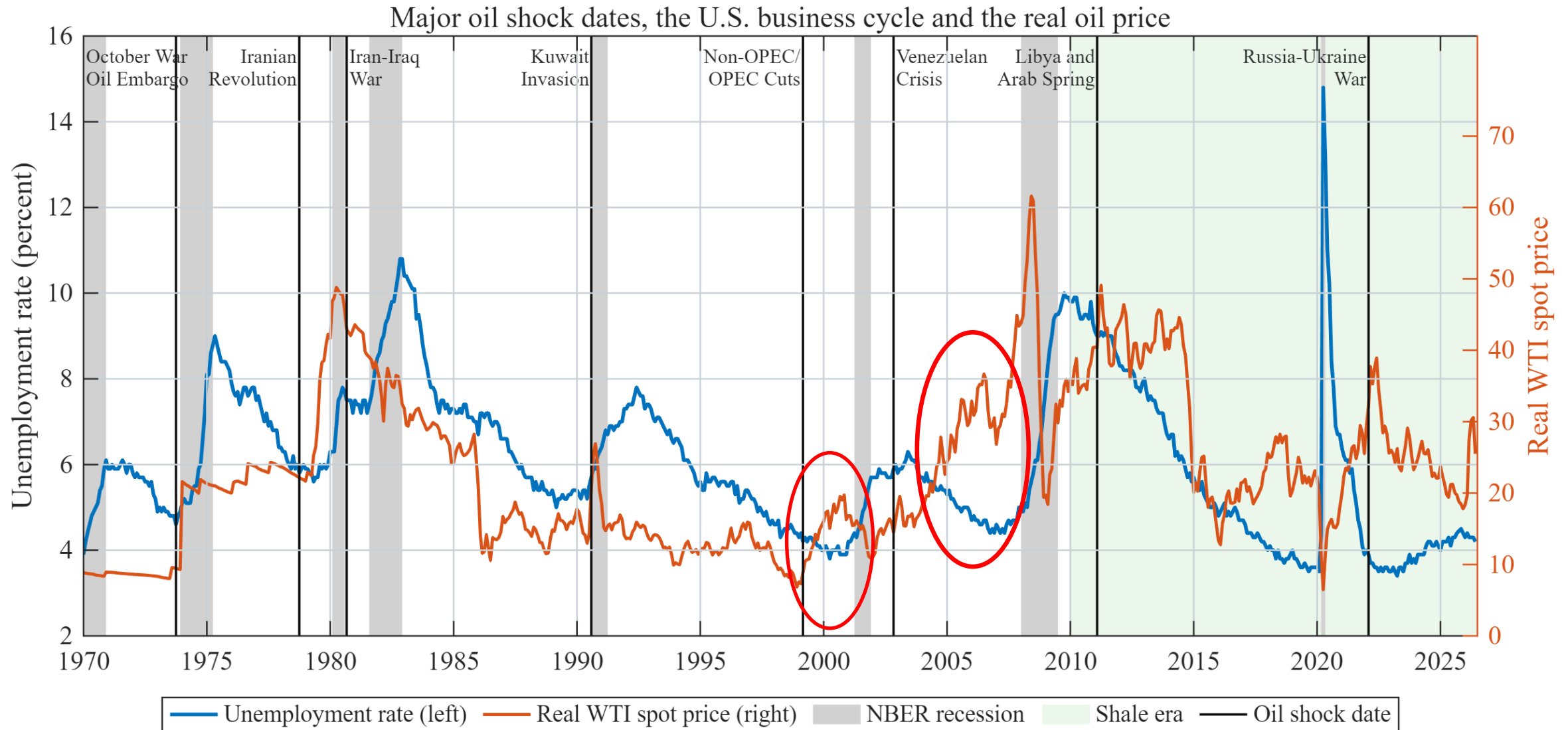
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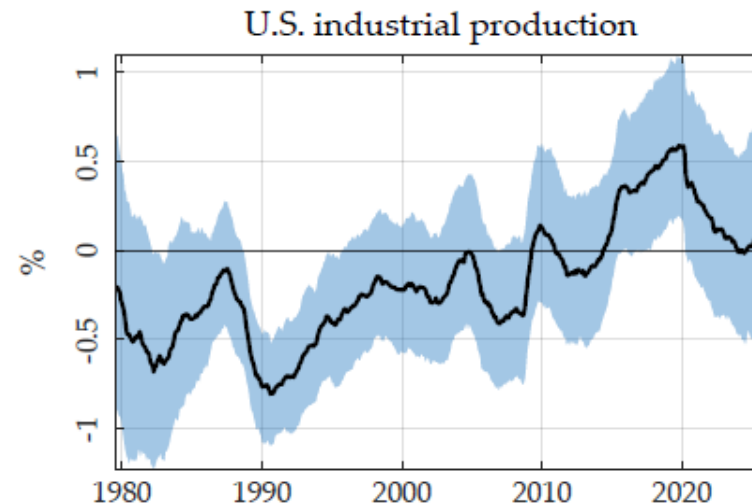


Motivation: Oil Shocks Preceded US Recessions



The Paper in a Nutshell

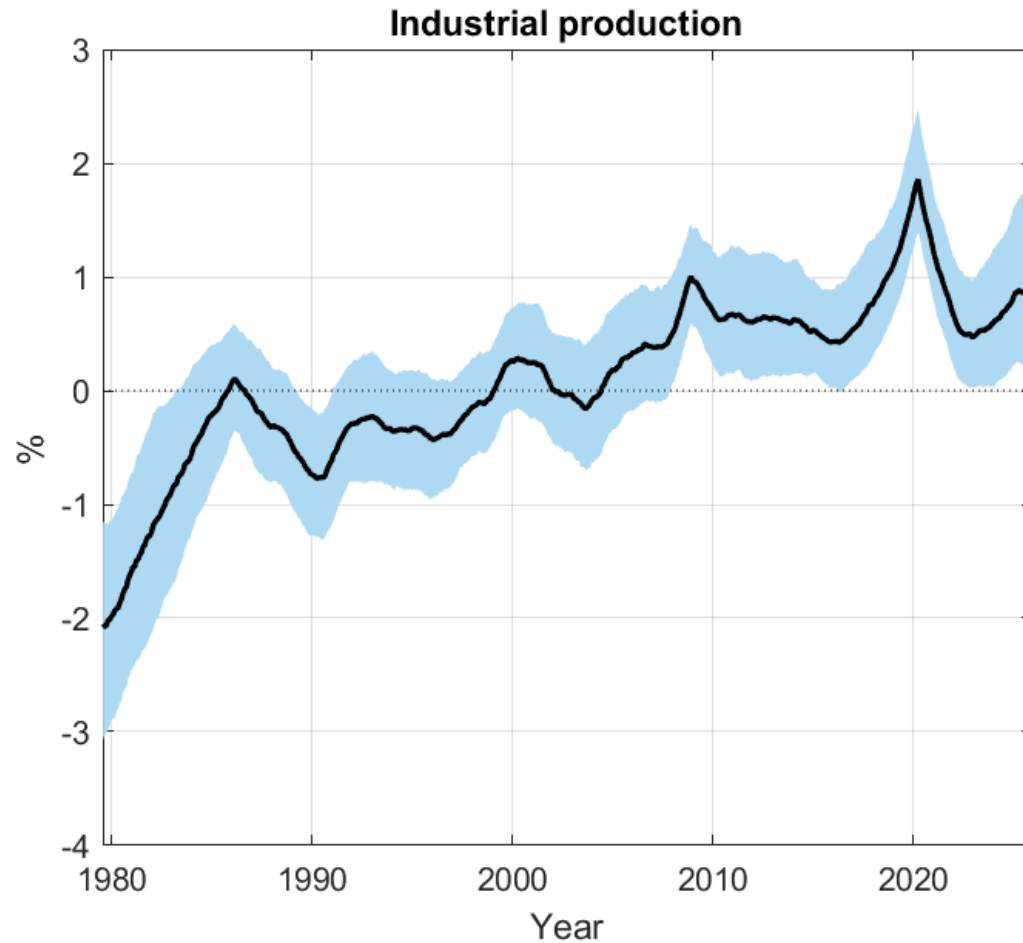
- Narrative analysis suggests a change around **2010**
 - steep increase in domestic oil production (shale revolution)
 - sustained decline in net petroleum imports entering negative territory in 2019
- Supplemented by evidence from an unrestricted time-varying proxy VAR



⇒ **Key question:** Does the US now respond to higher oil prices more like a *conventional* **oil-exporting** economy, where income gains from higher oil prices **support** domestic activity?

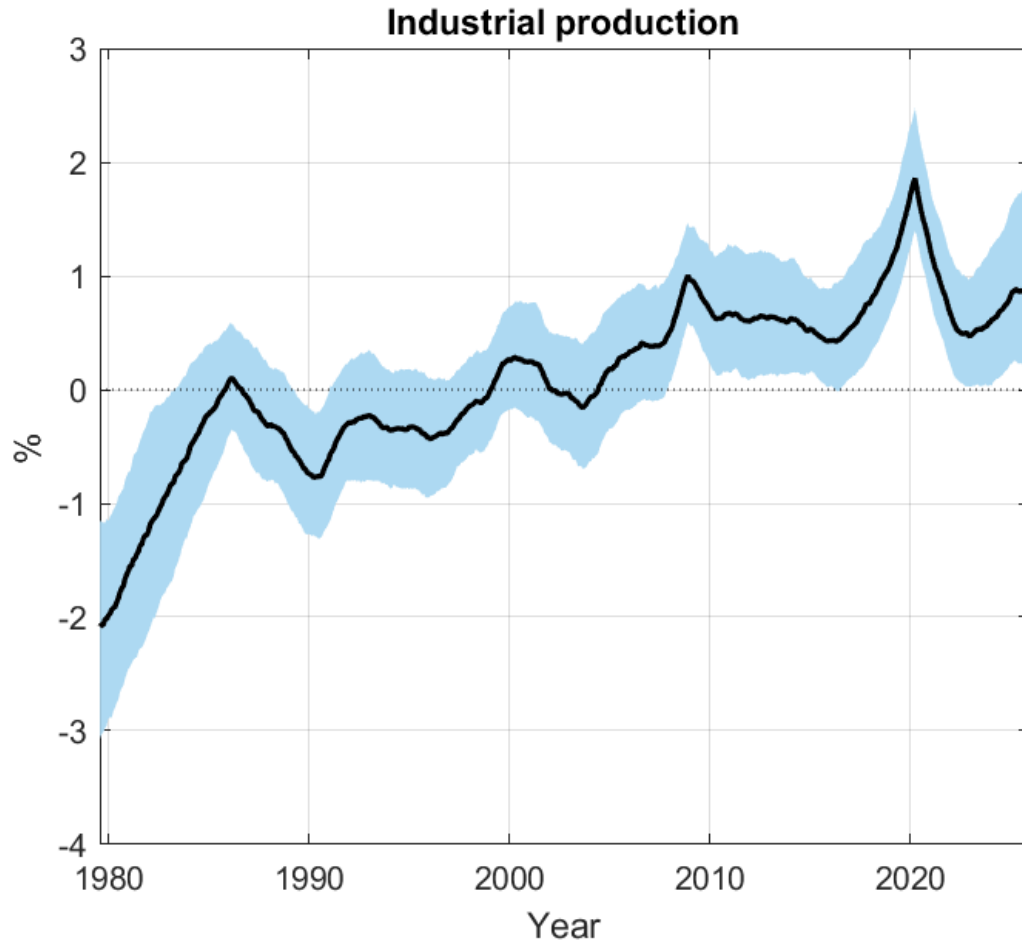
What's the Evidence for Other Countries?

Oil exporter: Canada

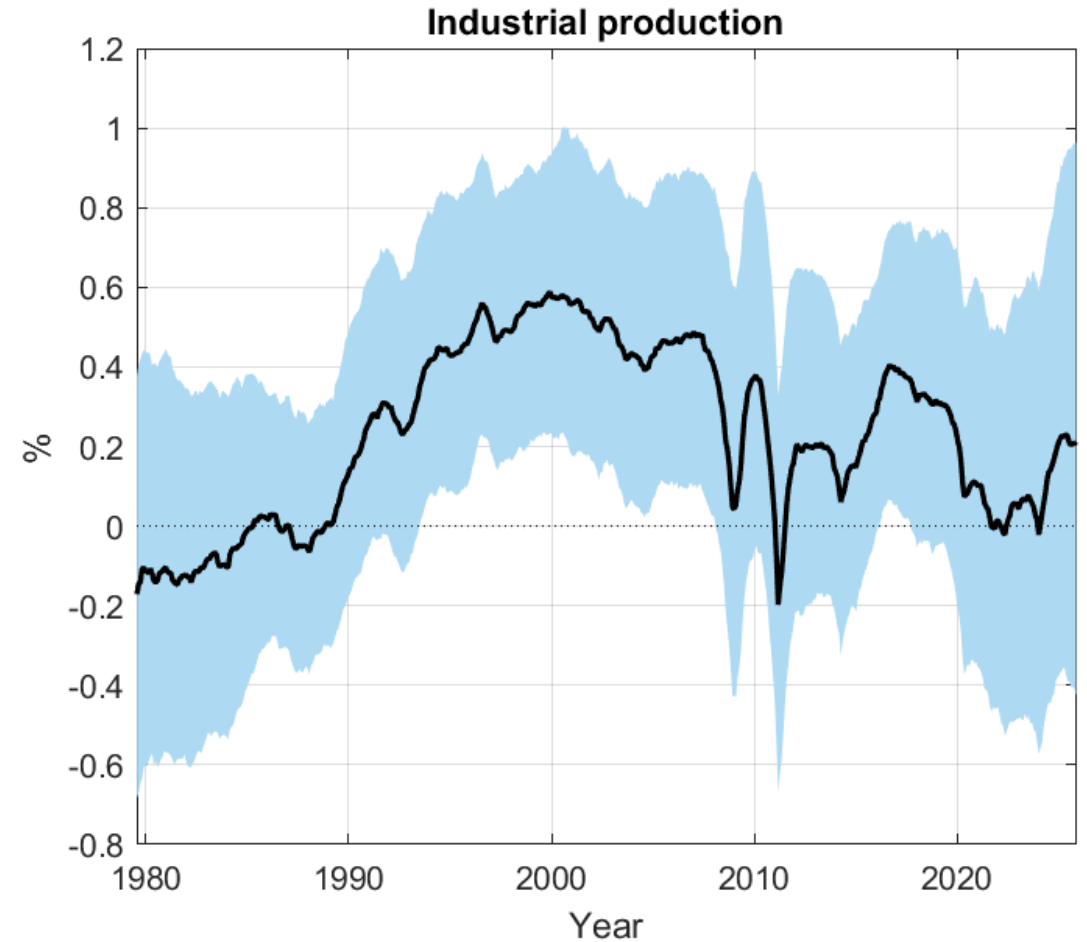


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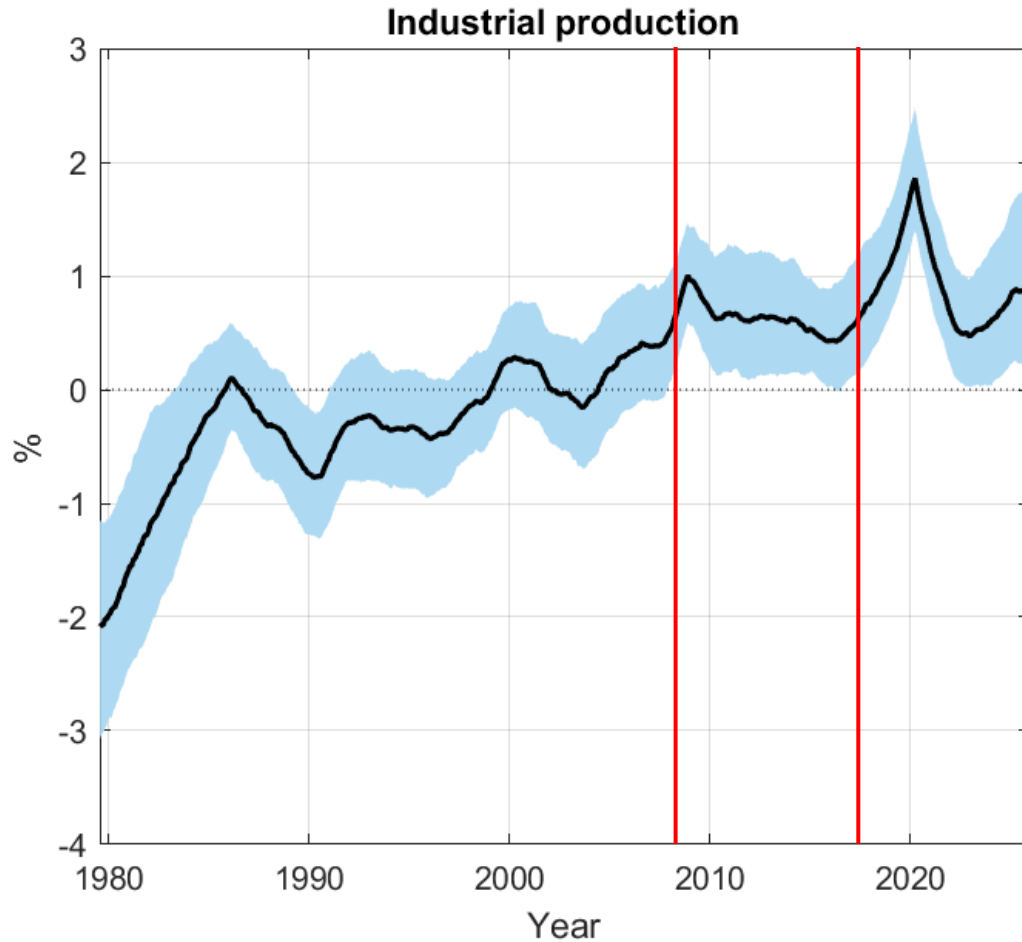


Oil **importer**: Japan

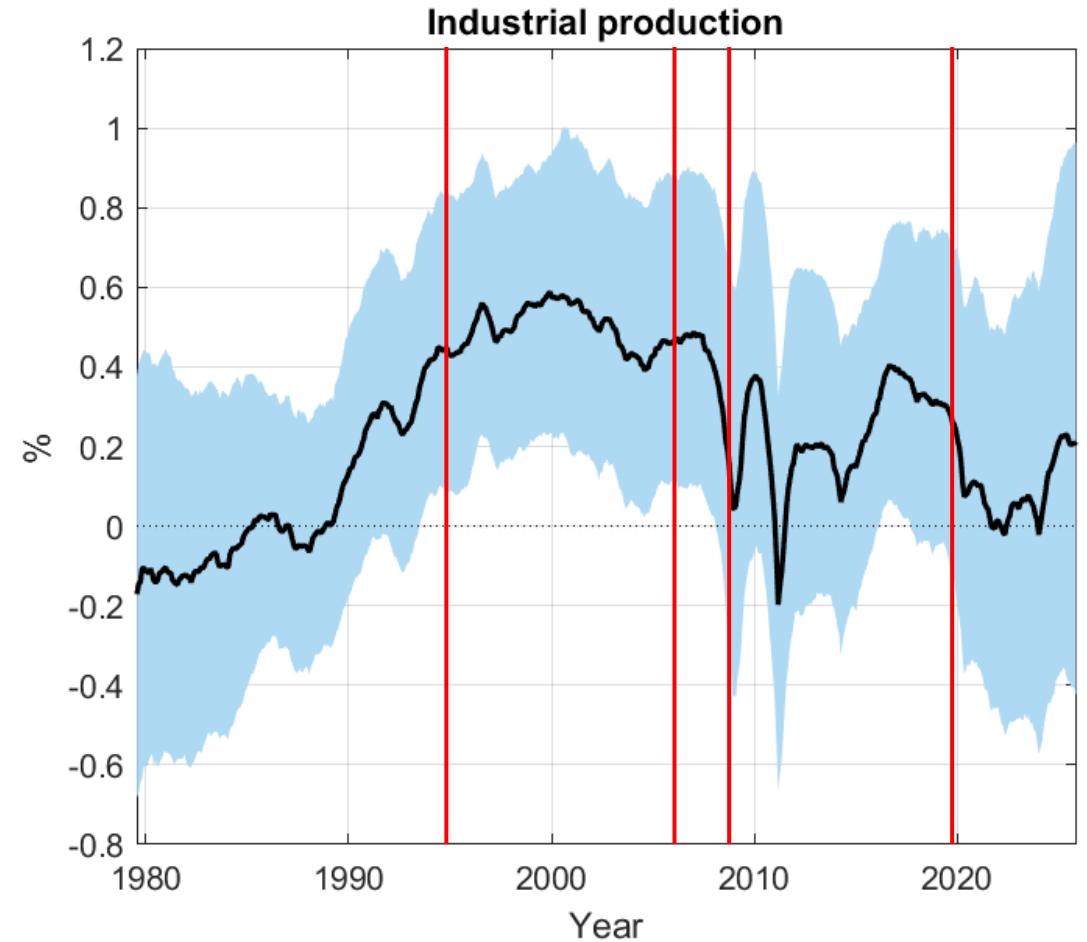


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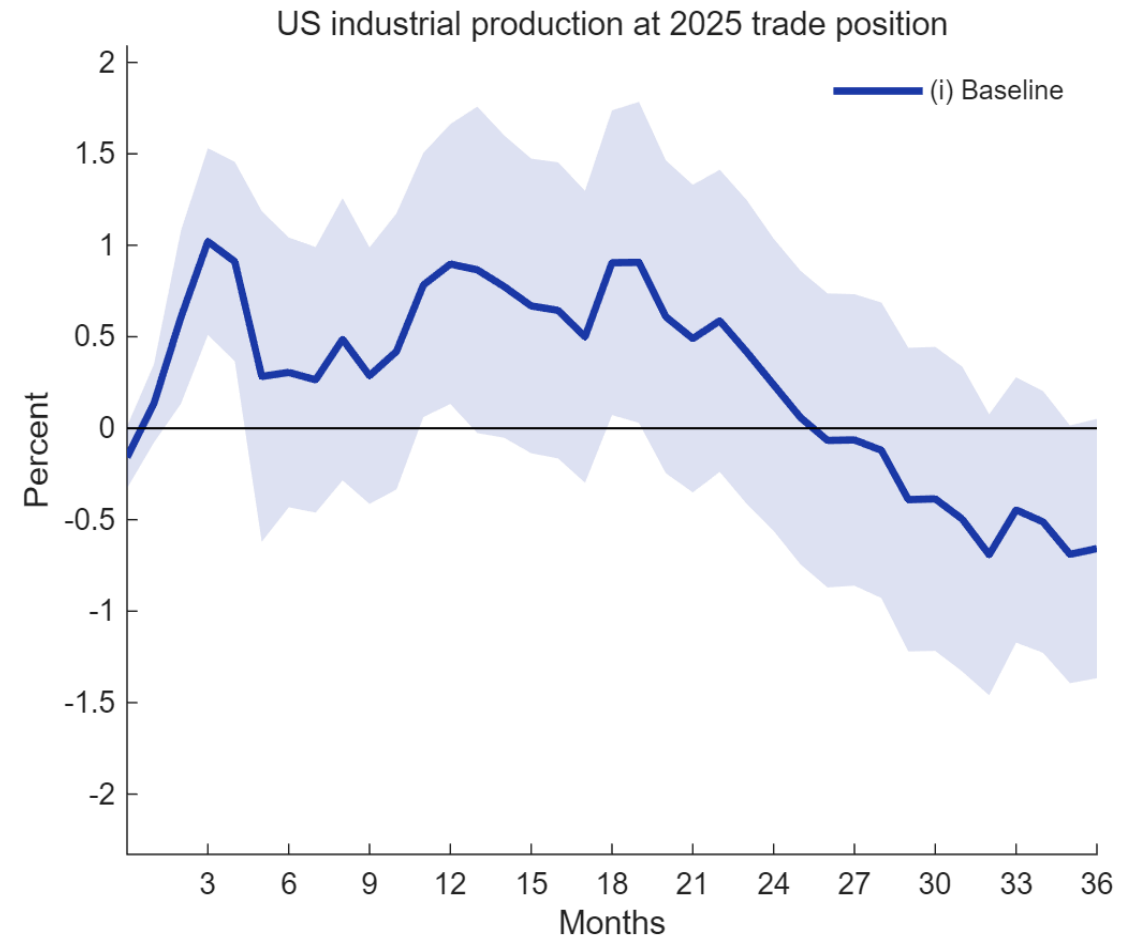
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Disentangling the Effect of the Trade Position from ZLB

- Much of the post-shale period overlaps with the ZLB period.
- Revisit evidence accounting for ZLB:

(i) baseline

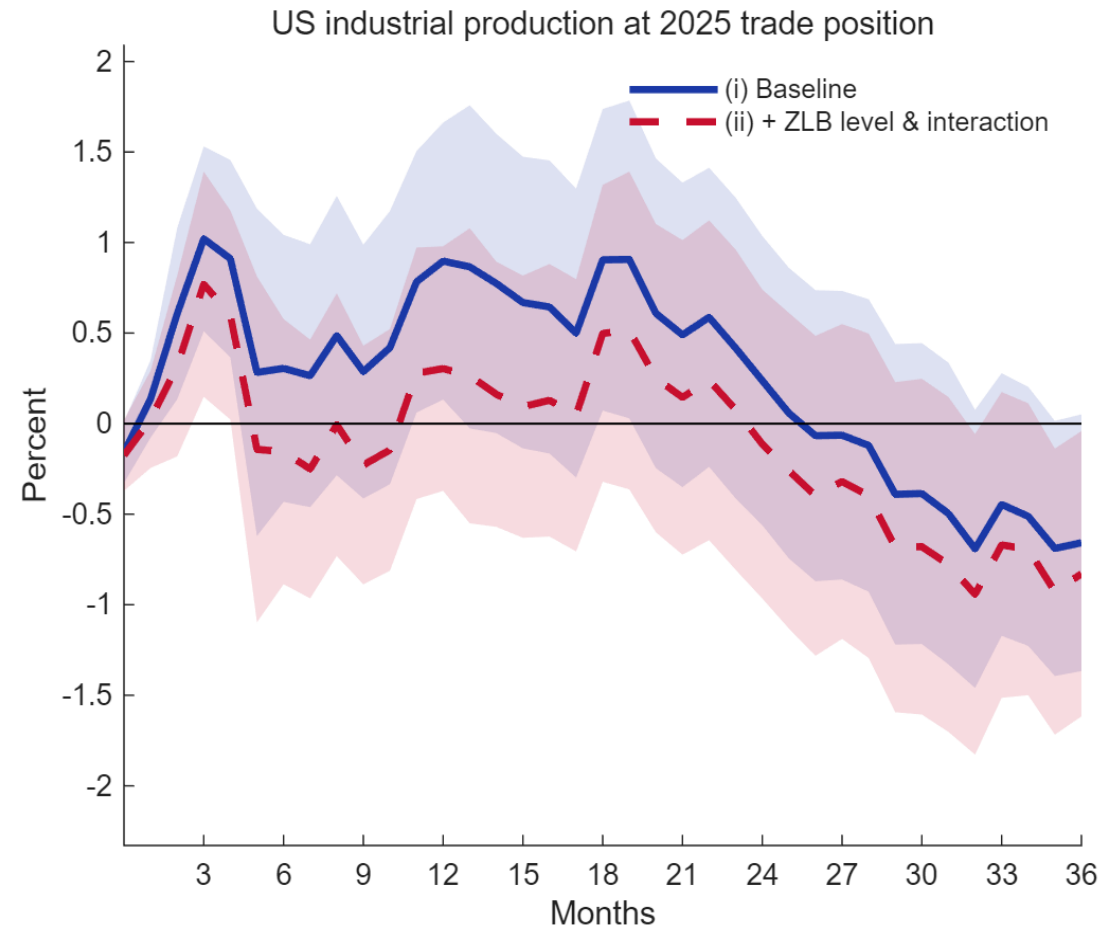


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(ii) + ZLB interaction with
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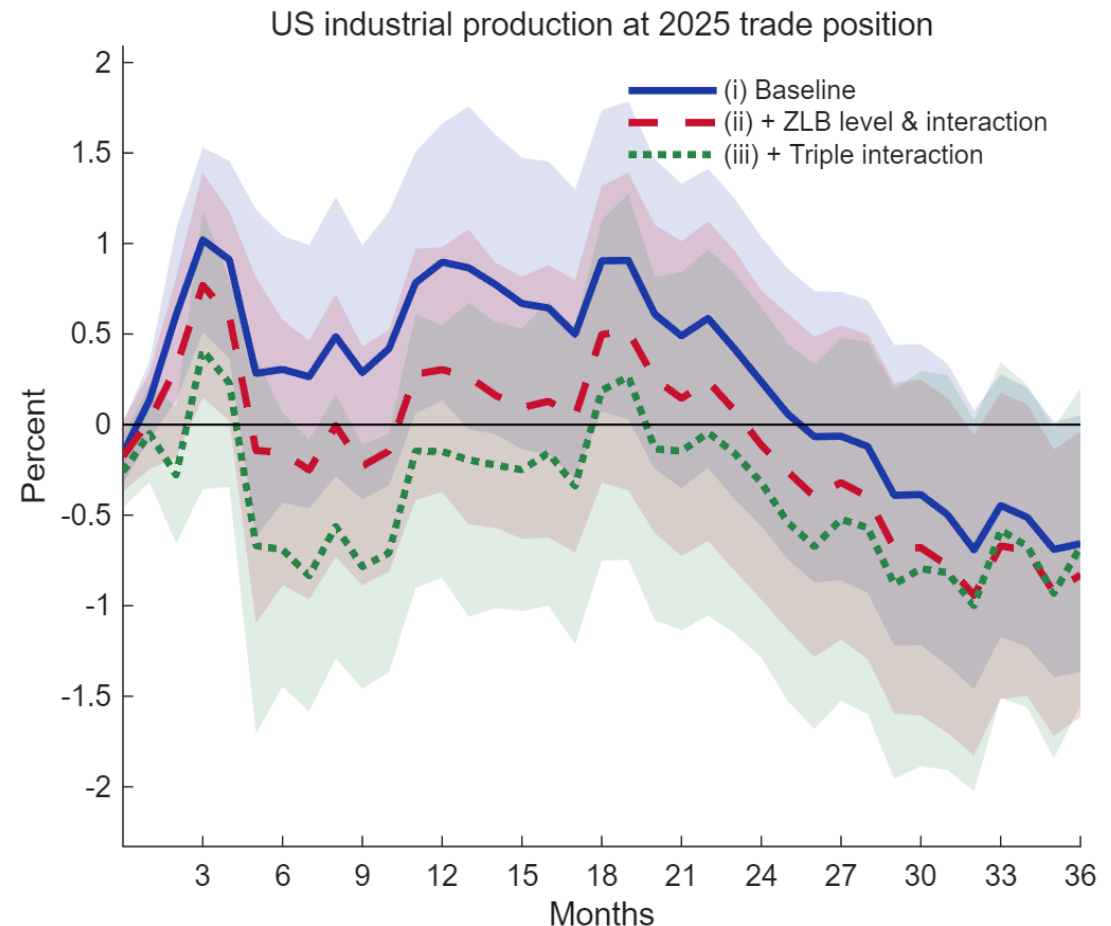
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(iii) + ZLB interaction with
oil supply news shock
AND trade position

(Jo and Zubairy, AEJM 2025;
Fasani et al., 2026)



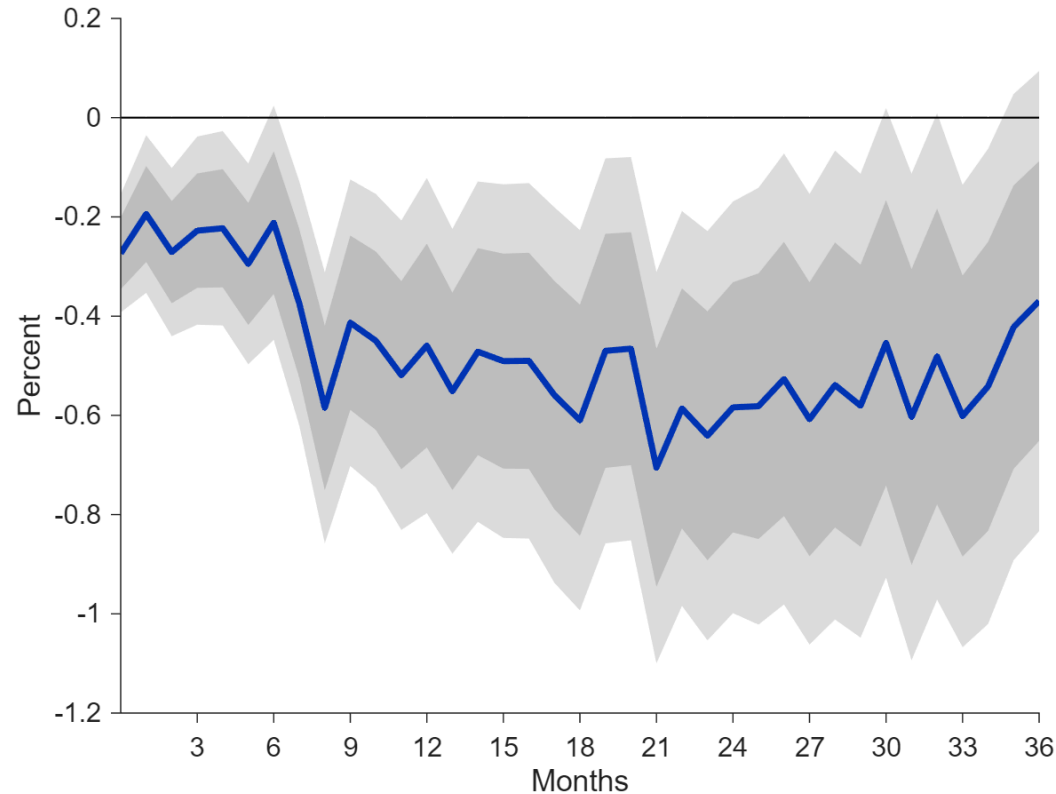
Another Interesting Case: The United Kingdom

Net petroleum **exporter**: 1981-2012

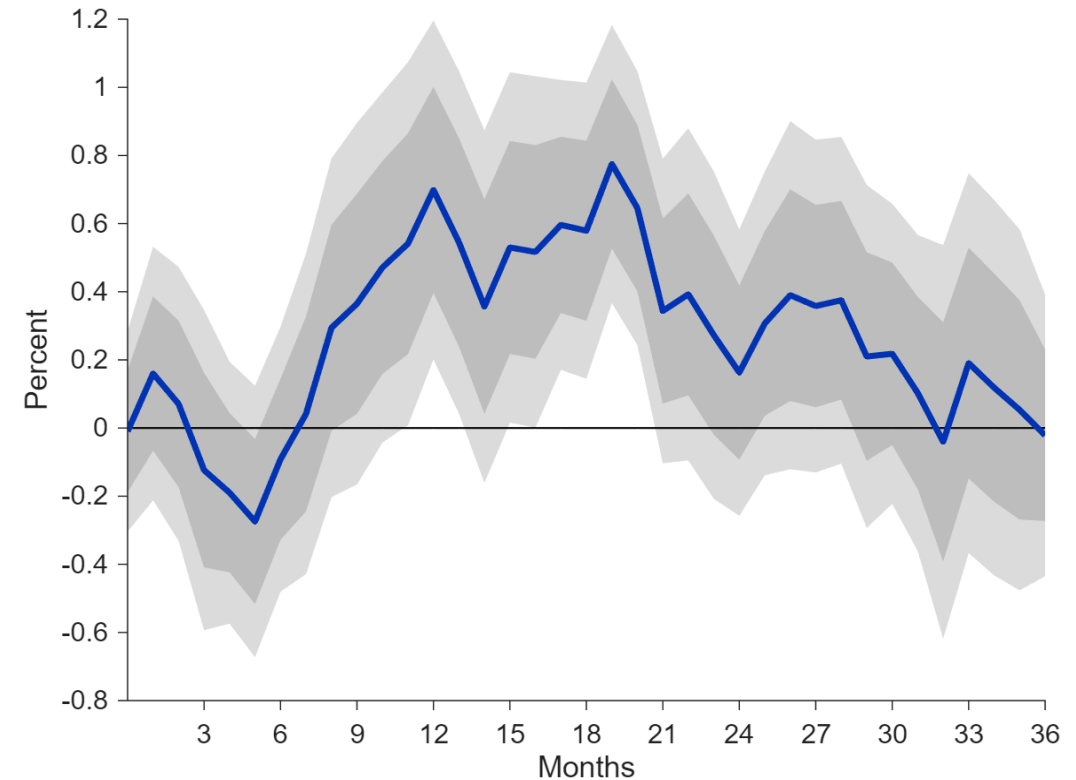
Net petroleum **importer**: 2013-2025

Another Interesting Case: The United Kingdom

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Net petroleum **importer**: 2013-2025



⇒ Response of industrial production to an oil supply news shock is *opposite* to what we would expect based on the trade position

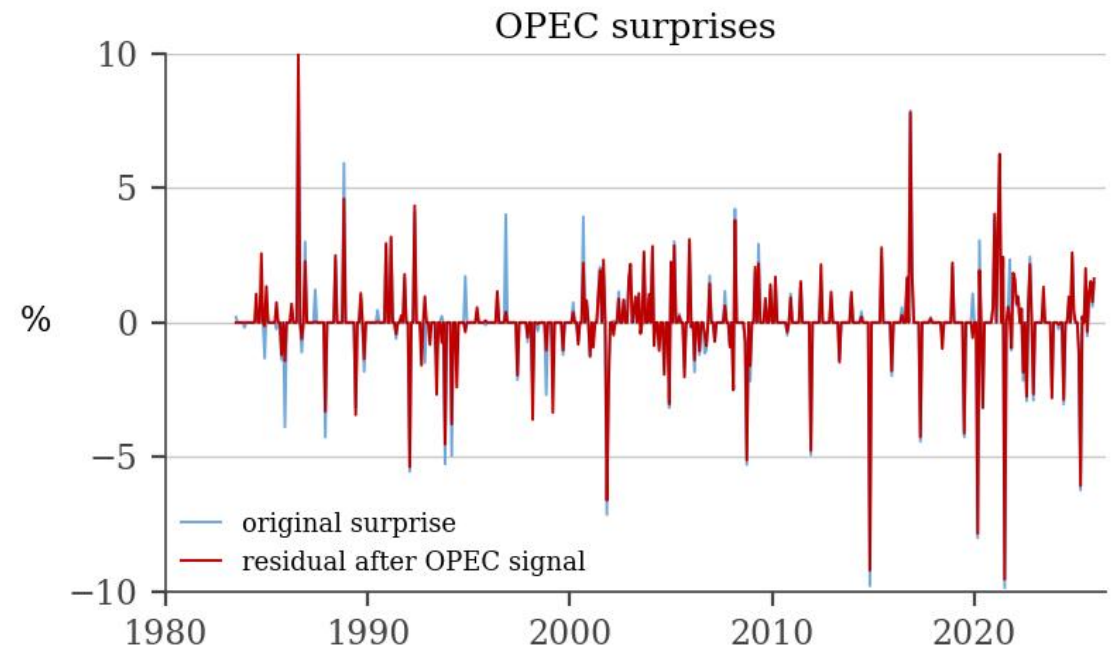
Predictability of the Oil Supply News Surprise Series?

- Frank (2026) develops **daily OPEC inflation signal** s_d^{OPEC} from a large article corpus of 10 newspapers (e.g., NYT, WSJ, FT) on energy prices (1977-2026).
 - Energy Inflation Signal:** LLM classifies the **inflationary pressure** implied per article (score s_a)
 - OPEC topic share:** topic model estimates the **share of the OPEC** $\hat{\theta}_a^{OPEC}$ in the article→ combine content and topic: $s_a^{OPEC} = s_a \times \hat{\theta}_a^{OPEC}$
→ take daily average: $s_d^{OPEC} = \frac{1}{A} \sum_{a=1}^A s_a^{OPEC}$
- Regress raw oil supply news surprise series on OPEC inflation signal:

$$z_d = -0.168 + 2.376 s_{d-1}^{OPEC} + \eta_d$$

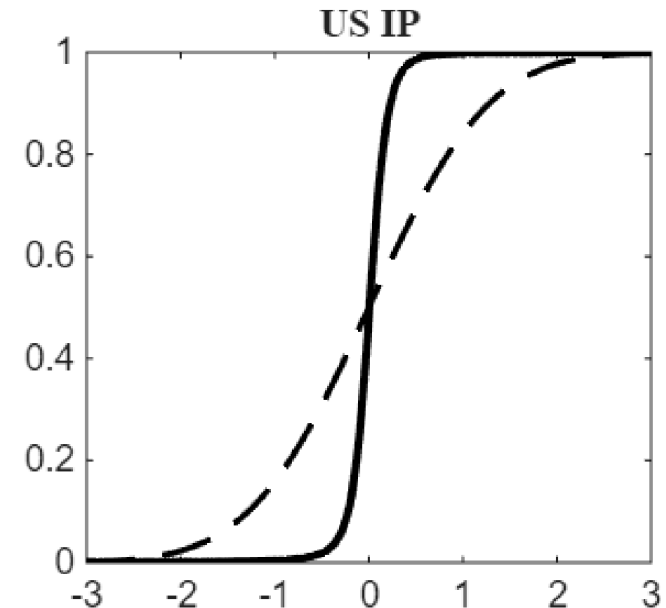
(0.216) (0.566)

$$R^2 = 0.066 \text{ (HC robust s.e., } p < 0.001)$$



Is the Känzig Oil Supply News Instrument Weak?

- Cavaliere, Fanelli, and Georgiev (2025) propose new **bootstrap diagnostics**:
 - Under valid specification, the bootstrap distribution of a standardized estimator is asymptotically $N(0,1)$.
 - Under a weak instrument, it converges to a random, non-Gaussian limit.
 - A non-normal bootstrap distribution indicates invalid specification without inducing pre-testing bias
- Test specification validity of Känzig (AER 2021)
 - First-stage $F = 22.7$ (robust 10.6) passes the usual thresholds
 - Reusing his 10,000 moving-block bootstrap replications of the on-impact responses shows bootstrap cdfs for all five variables are far from Gaussian.
 - Verdict: weak instrument



Two Technical Points on the Proxy-TVP-SV Model

(1) Independence Metropolis step to sample a rotation vector q that helps explore the space of contemporaneous impact matrices **fails**

→ acceptance rate is **below 1%** (standard is 20-40%)

→ fixed, uniform unit-sphere proposal can't match the target density:

only **one** accepted rotation every **several hundred** iterations

→ IRFs are based on a handful of independent identifying rotations

⇒ change proposal mechanism to improve mixing:

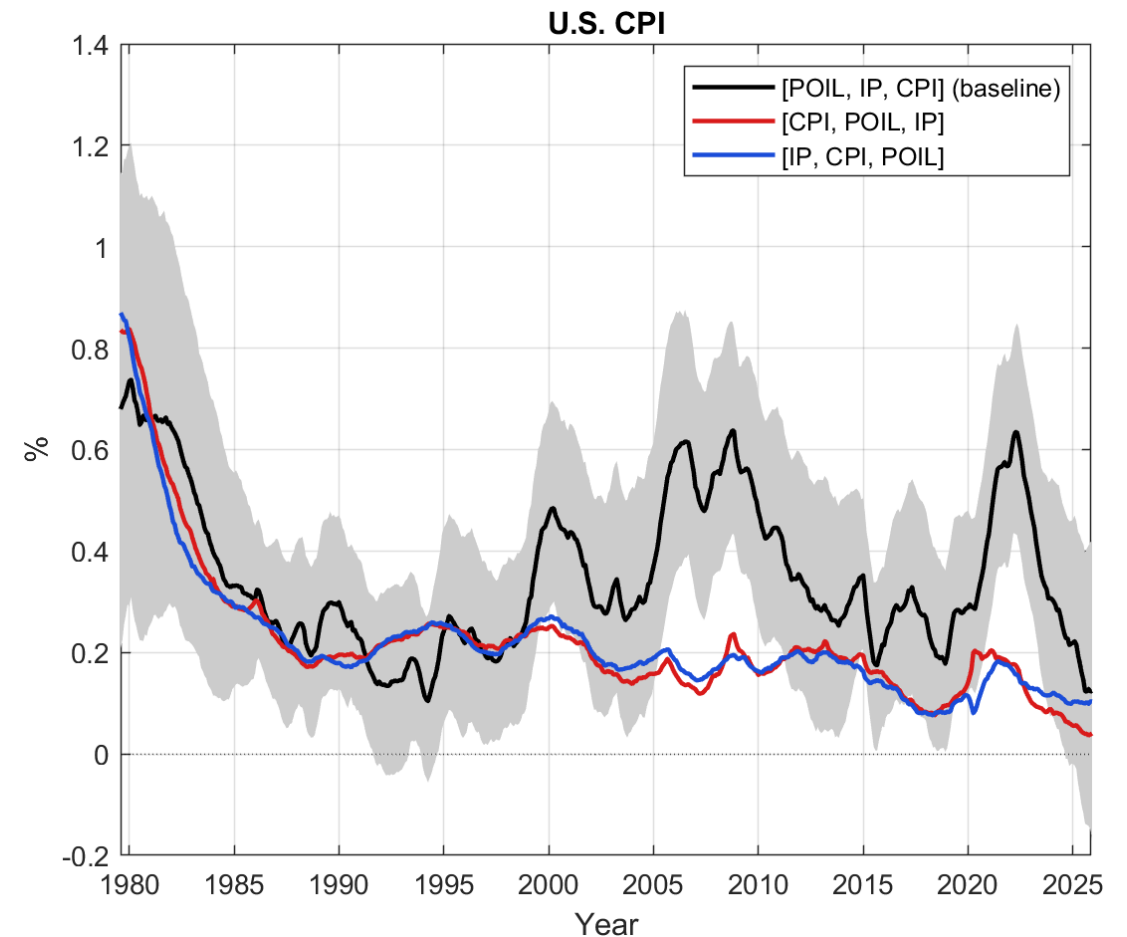
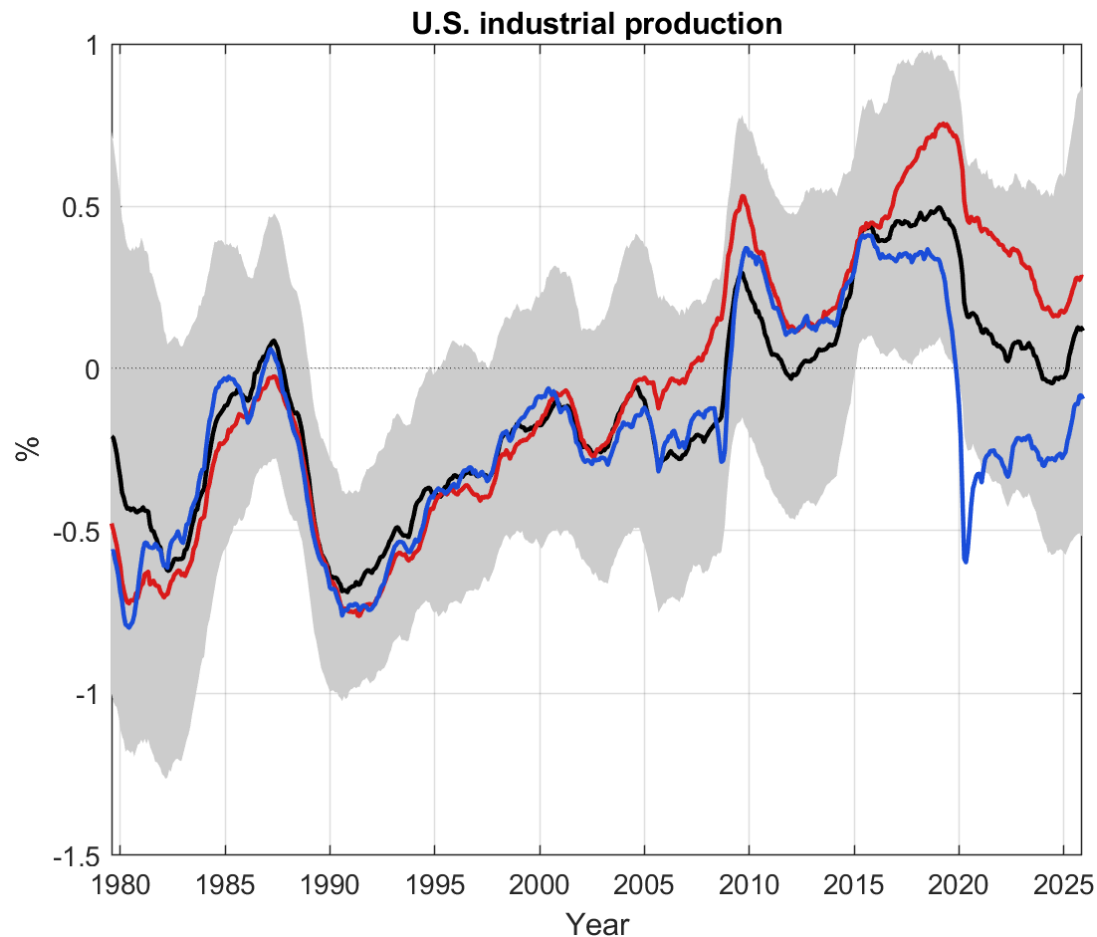
➤ random-walk-on-the-sphere Metropolis

➤ grid-based exact sampler using true conditional distribution

Two Technical Points on the Proxy-TVP-SV Model

(2) Order-invariant stochastic volatility?

→ Chan (JBES 2023, JoE 2023): empirical conclusions depend on ordering of the variables



Conclusion

- Very timely and relevant paper
 - important to understand how the transmission of oil supply shocks to the US economy has changed
- Not properly accounting for the ZLB is likely to overstate the role of the US petroleum trade balance
 - keeping in mind that US is still a net **oil** importer
- One last thought: model is linear
 - if oil price increases are ‘good’ news for the US economy, oil price decreases should be ‘bad’ news!