

## SFA Research Corner

### Duration Matters: Impact of High Oil Prices on Consumer-Related Securitizations

March 19, 2026



### Duration Matters: Impact of High Oil Prices on Consumer-Related Securitizations

✉ [Elen Callahan](#)  
Head of Research  
203.512.0503

Although consumer ABS and RMBS transactions are not directly exposed to energy markets or the Middle East conflict, recent oil price volatility has raised an important question: how do these shocks transmit through the consumer and ultimately affect credit performance?

Recent industry analysis suggests the answer depends less on the shock itself and more on its duration. Oil prices affect consumer ABS indirectly— through inflation, household cash flow, and borrower behavior—and it is the persistence of these pressures that matter.

At its core, the transmission to consumer ABS is primarily about borrower cash flow.

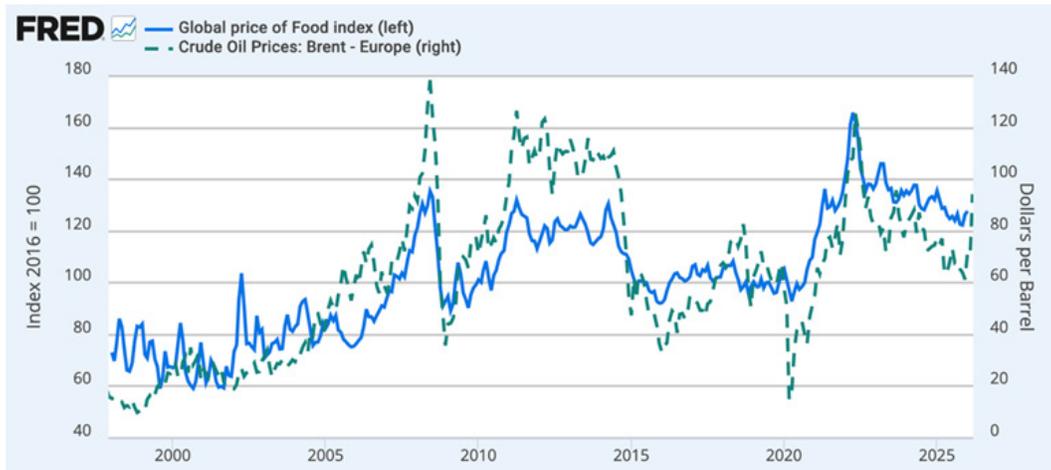
Rising energy costs increase the price of fuel, food, and everyday goods, gradually eroding the income available to service existing debt. As these essential expenses rise, borrowers have less capacity to meet obligations on auto loans, credit cards, and personal loans. When sustained, this pressure can lead to higher delinquencies and losses—particularly among more economically sensitive borrowers.

[Morgan Stanley](#) analysis highlights this distinction. In a transitory scenario—such as a modest 10% increase in oil prices that “dissipates over the year”—households are generally able to smooth consumption and cash flow disruption, resulting in minimal impact on real spending or credit performance. This near-term resilience is partly supported by the fact that household energy spending, as a share of total consumption, remains below historical norms.

By contrast, in a more persistent shock—where oil prices rise by 50% “by the end of the quarter and plateau there for about two quarters”—the effects are pronounced and build over time. In this case, real consumer spending could decline by roughly 40 basis points after one year, reflecting a broader tightening of household budgets as higher energy prices pass through to other goods and services, while weighing on sentiment and financial conditions.

Oil’s role as a core input across transportation, manufacturing, and food production helps explain this transmission. [Federal Reserve](#) shows that oil price movements tend to coincide with changes in food prices and overall inflation. While not purely causal, the relationship is consistent: sustained increases in oil prices translate into broader cost-of-living pressures, reducing disposable income and tightening household budgets.

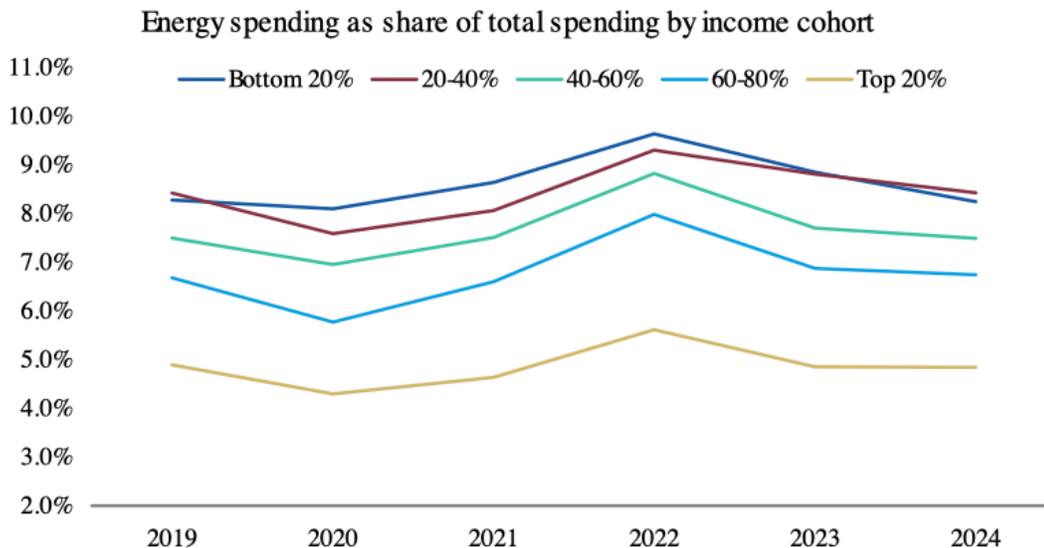
### Large Oil Price Movements Coincide with Price Changes



Sources: International Monetary Fund; U.S. Energy Information Administration via FRED®

These pressures are not evenly distributed. Morgan Stanley finds that energy accounts for over 8% of spending for the lowest income quintile, compared to less than 5% for the highest, suggesting that prolonged oil shocks can exacerbate performance across borrower segments. Younger consumers may also be more exposed, as fuel and transportation represent a larger share of their budgets. As a result, pressure is likely to be concentrated among more vulnerable borrowers. [KBRA](#) notes that in such environments, transactions backed by more economically sensitive borrowers may experience higher delinquencies and loss rates.

### For low-income consumers, energy is a larger share of their total spending



Note: Energy here includes electricity as well. Source: BLS, Haver Analytics, Morgan Stanley Research

Even so, the impact on credit performance is not immediate. As Morgan Stanley observes, consumers often adjust to rising costs by reducing discretionary spending or reallocating budgets, resulting in a lagged effect on delinquencies. This delayed transmission helps explain why broader market conditions continue to be stable. Recent [JPMorgan](#) commentary notes that securitization markets continue to function normally, supported by steady issuance and strong demand for high-quality ABS. While macro pressures may be building at the household level, the securitization market has remained resilient.

Over time, however, if conditions persist, and elevated energy costs and inflationary pressures endure, the gradual erosion of household cash flow is likely to translate into weaker credit performance—particularly among more economically sensitive segments.

A secondary effect may emerge through reduced consumer demand. As budgets tighten, households may defer large purchases such as vehicles, which could slow loan originations and, in turn, temper ABS issuance. However, this supply-side impact is likely to follow the deterioration in household financial capacity. As such, attention will remain on the health of household balance sheets, where the effects of sustained inflation and elevated energy costs are most likely to emerge.