

# Crude oil



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Crude oil is a necessity for the emerging as well as the existing industries all over the world. It has the power to affect production because it's a raw material which is used for producing petrol etc. The fluctuations in the price of crude oil can affect the economy on a large scale. The price of crude oil is affected by the demand and the supply like any other good. In times of bottlenecks the price is expected to rise whereas when there is an oversupply of crude oil the price tends to fall. Crude oil prices have varied over the last 50 years.

In June, OPEC production fell by 370,000 barrels, this was mainly caused due to hindrances such as conflicts in the Middle East and the production strikes in Nigeria. As a result this affected the price of crude oil and it rose substantially. The prices of crude oil were subject to some major fluctuations in recent years. It can be observed that the price of crude oil rose as much as \$140/barrel approximately in 2008. In the same year it fell as low as \$40/barrel approximately. In the years 2010 and 2011 it constantly increased from \$80/barrel and reached a maximum price of \$122/barrel approximately.

In the years 2012 and 2013 the price of crude oil fluctuated in the range of \$100/barrel and \$120/barrel. High crude oil prices can be responsible for cost push inflation in the economy. Cost push inflation is caused mainly due to an increase in the price of raw material. Crude oil is a raw material and is predominantly used for transportation. Transportation is a vital part of the production process. Increase in the price of crude oil would mean that the transportation costs increase. This in turn affects the production cost and finally the high costs fall heavily on the consumers in the form of high prices.

The Oil market has been unstable since the 1970's and has been overblown by many serious disruptions. As a result the oil market has lost its market share and people have now shifted to other energy sources available. The market for alternative energy sources has expanded as it's much cheaper than crude oil. People have now shifted to cheaper fuels such as natural gas, bio-diesel etc. However other expensive alternatives of crude oil have also emerged for e. g. Carbon free cars, these are cars which run on rechargeable battery and they are also environment friendly.

Crude oil is one of the major energy source and most of the countries still consume it heavily-UK imports crude oil and as a result it's suffering from Imported Inflation currently. The crude oil prices are expected to increase in the near future and this in turn would further contribute to inflation in the economy. If the prices of crude oil aren't controlled then it can be said that crude oil will continue to lose its market share -in order to bring stability in the oil market it needs to get rid of disruptions caused by various conflicts in the oil producing countries. Crude oil by 'hate war world'. It has the power to affect production because it's a raw material which is used for producing petrol etc. The fluctuations in the price of crude oil can affect the economy on a large scale. The price of crude oil is affected by the demand and the supply like any other good. In times of bottlenecks the price is expected to rise whereas when there is an oversupply of crude oil the price tends to fall. Crude oil barrels, this was mainly caused due to hindrances such as conflicts in the Middle East and the production strikes in Nigeria.

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