

Trends in crude oil demand in united states over time

[Literature](#), [Russian Literature](#)



Trends in Crude Oil Demand in United States over Time

Recent Demand Patterns of Crude

As of 2009, the United States accounted for a staggering 22.6% (Williams, 1) of the of the world oil consumption. The world's second largest oil consumer, China, came a distant second with just 9.9% (Williams, 1). The demand for crude and related products such as natural gas, gasoline, and heating oil remains relatively steady, and quite unresponsive to global prices. Prior to the 2008 economic meltdown, the prices of oil hit the highest levels in history, soaring well over \$120 a barrel (Chevron, 1). In the throes of elevated oil prices, people as well as industries focused on reducing reliance on oil and oil products by investing in alternative energy and manufacturing more fuel efficient products especially automobiles respectively. As a result, towards the close of the economic recession, the demand for crude had experienced a visible dent. Demand for crude, however, remained largely unaffected considering that alternative energy is yet to become a close and easily realizable alternative to crude.

Non-price Determinants of Demand of Crude Oil

Crude oil pricing is highly prone to non-price factors that upset demand. Oil prices change wildly due to the geopolitical events afflicting the highly capricious Middle East, where most of world's crude production happens. The recent political mayhem in the Arab world resulted in an unmatched upsurge in prices of crude on the global scene, mainly due to a dip in supply.

Throughout history, brief upsets in price of oil are unmistakable in the event of unanticipated oversupply or unexpected shortages.

Another key factor affecting the price of oil in the United States is the policy

regulations imposed by the government, especially after the close of Second World War. Subsequently, in the post-war era, government regulations on the industry have commendably kept the prices of crude in the US well below the global average.

Changes in global trading have significantly lessened control of conventional regulatory mechanisms in curtailing the prices of crude oil. Investors' speculation in oil futures in the recent past has resulted in a distinguishable upsurge in the prices of crude.

Global economic crises seem to have a strong correlation with rise in crude oil prices in the world. According to analysts' figures, unprecedented high prices of oil herald economic downturns. What is more fascinating is that the economic recessions result in lower oil prices. For instance, in the 2008 economic meltdown, the price fell from over \$120 per barrel as the crisis began to less than \$40 (Chevron, 1) at the peak of the crisis.

Price Elasticity of Demand

Enquiry into the intricate relationship between the price of crude oil and its demand lends credence to the fact that oil exhibits low price elasticity. The demand for crude is inelastic, given that crude oil is describable as a necessity that has few worthwhile substitutes. Therefore, despite the wild instability in the prices, demand changes by far less margins. Alternative energy sources are yet to assume the position of close and easy substitutes that would dislodge crude oil as the most indispensable fuel source in the world.

Conclusion

United States consumes about a quarter of the world's total oil consumption

every year. The world relies profoundly on oil, as substitutes remain far out of reach for most hands-on energy dependent applications. As such, oil demand is mainly inelastic to changes in prices. A myriad of factors affect the prices of oil ranging from political climate of the oil producing countries, policies by the regulatory bodies, and recently, trade dynamisms in the futures trading markets. However, the demand for crude is largely invulnerable to the changes in prices.

Works Cited

Williams, J. Oil Price History and Analysis. WRTG Economics. 2011. Web February 8, 2012

< <http://www.wtrg.com/prices.htm> > Chevron. What Affects Fuel Pricing. The price of Fuel. Web February 8, 2011

< <http://www.thepriceoffuel.com/whataffectsfuelpricing/> >