Economic indicators in the oil industry

Economic indicators can be used to evaluate the of an economy in order to predict future trends. An economist or business analyst can utilize these metrics to as a form of environmental analysis in order to gain insight into how an economic system impacts a particular industry. The petroleum and energy is the target studied in his report, thus it is imperative to select economic indicators that can help an investor evaluate how business related to this industry would perform in a particular marketplace. In order to better understand the implication of economic indicators six of them will be selected and described. The six economic indicators selected are inflation rate, unemployment rate, real gross domestic product per capita, population growth rate, amount of housing & vehicles in comparison with population size, and consumer spending.

Inflation is an indicator that determines the stability of an economic system. The desired state is to have a low inflation rate. A currency that is possibly the most stable monetary unit as far as having a historical low inflation is the U. S. dollar. On the flip side a high inflation is bad sign since it implies the customer is losing a lot of purchasing power over time. A high inflation could lead to disaster and an escalation to hyperinflation which is a chaotic economic state whose latest victim is the African nation of Zimbabwe (CultureGrams, 2007). The unemployment rate of country provides insight into how many potential customer there may be for a particular product. A person without employment has a limited budget thus can not spend much on consumer products. A low unemployment rate is a rate that hovers around five percent or below.

The real gross domestic product of a nation per capita provides information about how much money each person in community represents for the economic system. The higher the better the economy, but this numeric figure must be compared against the cost of living of the inhabitants of the region. The population growth rate provides insight into how big a specific marketplace will become in the future. The population growth rate is low in China due to the 1979 one child per matrimony restriction, in other parts of the world such as Latin America the population growth rate high, for example the population of Mexico is expected to grow by a cumulative 50% by the year 2030 (Whitbeck, 1999).

The last two economic indicators that will discuss are consumer consumption and the total housing and vehicle units in comparison with the population of the region. Consumer consumption helps determine if a particular marketplace spends its money in products and services or if the potential customers are savers. The desired state for a company in the crude oil industry is for the people to suffer from consumerism. The final economic metric is a customized metric that can be great value for petroleum industry. The total amount of homes and vehicles in relation to population size is a metric that directly provides valuable information on the size of the marketplace and the potential consumption in such an environment. A place where there are two cars per home is a location that is much more profitable than a one car household scenario. The higher the amount of homes in a region will lead to greater energy consumption.

References

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