

Why do oil prices keep falling

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Reasons for the falling oil prices in Japan and India One of the reasons for the falling oil prices in Japan and India is the increased production of oil in America through hydraulic fracturing of shale formations and has reached the highest level of production in 30 years resulting in high oil supply resulting in reduced oil prices. The other reason for the fall in oil prices is the decrease in demand in consuming countries owing to the insipid growth of the economy. Another reason for the fall in oil prices is the determination by OPEC not to reduce the production of oil as a measure of propping the prices. The reason is to avoid a reduction in production by OPEC countries is putting pressure on the increasing US shale oil and gas industry and avoid a negative impact on the economies of these countries (Bowler, 1). Other reasons that can explain the fall in oil prices include increased efficiency in oil use and increased use of other fuels other than oil decreasing total demand for oil.

Oil prices have impacts on US with the fall in oil prices resulting in the curbing of the US franchise shale oil production that has high production costs and its success was anchored on the high oil prices. The falling oil prices have direct boosts on consumption resulting in the stimulation of the economy to effect high growth. However, the effect on oil producers is delayed resulting in the negative effect on the economy after some time. The negative effects of the lower oil prices on the producers are a fall in profits, investments, tax payments, and hiring and the dividend payments will be lower. The overall influence of the fall in oil prices is increased economic growth in the short run owing to the direct benefits to the consumers but the eventual effect will reduce the growth of the economy from the effect on the producers, government, shareholders, among other

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stakeholders.

Bibliography

Bowler, Tim. Falling Oil Prices: Who are the winners and losers? January 19, 2015. BBC. Web. February 6, 2015.