

# [One economics aspect of oil industry](https://assignbuster.com/one-economics-aspect-of-oil-industry/)

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Economics Aspect of Oil Industry The oil industry is a significant sector that directly dominates a country’s revenue. Oil price is significant element of discussion for a given economy. As such, a significant change in the prices translates directly to the world economy. Oil supply is a central matter of discussion for the oil industry. Various sectors dominate the oil supply section to generate the eventual scale in a given transaction. The oil industry entails suppliers, producers and consumers based on various economic structures. A general overview of the oil price originates from the actual supply structure and the demand from given consumers. The oil industry focuses on demand as a central point of production. As such, a given energy demands rely on the existing economic activity. Supply is a general aspect of the oil industry affected by weather and other geopolitical elements.
Demand
Oil demand is a vital feature that largely affects the oil industry. Unreliable economic activities directly affect the demand for energy. As such, the oil demand decreases within a given duration. A decrease in oil demand results in a low number of investors within the industry. As such, the industry experiences rising cases of companies practicing monopoly. The ideology revolves around limiting consumers to regulate the supply chain. As such, the independent companies overcharge the government for using the organization’s oil reserves. Independent companies raise revenues through the monopoly policy affecting a country’s revenue or source of income(Spilsbury, Richard &Louise, 202).
Countries that produce oil contribute largely to the changes in oil prices. These countries regulate supplies based on individual interest or political gains. As such, the world oil prices fluctuate to accommodate the given interest. Other countries such as the superpowers also engage in practices that undermine oil prices. The various changes within the economy depend directly on the oil prices. Inflation rates shape the oil industry with key participants who tend to control the industry. Powerful countries tend to enlarge shares within the oil producing countries through the oil companies. Decreasing oil fields affect the oil production percentage and eventual supply to the world. Different countries struggle to obtain stable supplies of the oil to meet the rising demands. As such, the world thrives on an unstable environment that reflects on the economy of various countries (Spilsbury, Richard & Louise, 171). Additionally, various organization emerge to regulate the production and supply of the oil. As such, the industries maximize organizational profits to favor the various companies.
The oil industry is a lucrative business for various organization that generates revenues to different countries. Oil prices are a dominant feature of the industry that affects the economy of a country. Interdependence among several countries result in the inflation of the oil prices. The stability of oil producing countries may serve as a solution to the problem. Additionally, high prices serve the needs of the producing countries by increasing suppliers. Other countries that produce oil require revenues to exploit more resources for mass production of oil. The world economic depends on the oil industry given the two circumstances.
Work Cited
Spilsbury, Richard, and Louise Spilsbury. “ The Oil Industry.” New York, NY: Rosen Pub, 2012. Print.