Major Layoffs in US Oil Industry Affects US Economy

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According to the Greater Houston Partnership, the state has been losing $83 million in potential revenue every day.

Until recently, highly paid workers, have been losing their jobs after oil price were cut in half in 2014, which created a â€˜dominoâ€™ effect threatening the US economy at large.

(Newswire.net -- December 29, 2014) -- OPEC's expectation that the US would reduce shell oil production by the end of the year was not without ground as thousands of recently highly paid workers have been laid off amid OPECS oil war.

Oil prices, however, went up to $60 per barrel on Monday due to the fire that destroyed around 800,000 barrels of crude in one of the major storages in Libya, which represent county reserves for les than two days.

US companies are among ones that have been suffering oil price drops the most. Currently it is believed that cheap fuel provides an overall boost to the US economy, as consumers can spend less on gasoline and more on shopping and services. However, the American energy sector in Alaska, Louisiana, Oklahoma and Texas, had to close rigs and layoff skilled workers, the New York Times reports.

When US oil prices dropped in 1980, dropdown was accompanied by economic disasters around the globe and arguably became one of the causes of the fall of the Soviet Union. The US "diversified its economy," so instead it dampened the impact the oil price dropdown would have, the experts say.

Nevertheless, this doesn't apply to the state of Alaska in which approximately 90 percent of state's budget is formed from oil revenues, New York Times reported. Alaska's government is considering a 50% capital-spending cut for bridges and roads, to rebalance a budget, however, it lowers Alaska's credit outlook from stable to negative.

The state of Louisiana cuts 2015-16 budget severely for $1.4 billion, and with 162 state government positions already eliminated in a first wave of layoffs hich will continue into January. According to the state's chief economist Greg Albrecht, Louisiana loses $12 million for every $1 fall in price of an annual average barrel of oil.

Texas has a far larger and more diversified economy than Louisiana, however, just in October and November Texas lost 2,300 oil and gas jobs, the federal Bureau of Labor Statistics reported last week.

According to the Greater Houston Partnership, the state has been losing $83 million in potential revenue every day, and it has been for six months.

According to a study published last year by the Council on Foreign Relations, the situation in other oil-extracting states could be even worse. The study estimates that the largest job losses caused by sharp decline in oil prices are going to take place in North Dakota, Oklahoma and Wyoming, where the number of drilling rigs is decreasing every day.

According to Tom Runiewicz, a US industry economist at IHS Global Insight, if oil stays around $56 a barrel until the middle of the next year, US oil and gas-producing companies could lose 40,000 jobs by the end of 2015, followed by equipment manufacturers, which could slash up to 6,000 jobs.

Layoffs in one sector produce a domino effect because when experienced workers lose their highly paid jobs, they stop paying their bills, which affects others as well.

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