The impact of falling oil prices on the EU economy

The EU economy is expected to enjoy a short-term boost from falling oil prices. According to the European Commission's economic winter forecast, the EU's GDP growth is expected to rise from 1.3% in 2014 to 1.7% this year, thanks in part to cheaper oil.

But the economic impacts of the oil price fall are complex and include some negative consequences...

- Lower prices for petrol and all other oil-based materials.
- Supply outstrips demand, leading to a steep fall in prices.
- OPEC decides to leave production levels unchanged.
- US oil imports decline as domestic production from unconventional sources increases.
- Weak global economic growth and greater energy efficiency reduce the demand for oil.

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- By pushing consumer price levels down, the fall in oil prices could lead indirectly to lower wage growth.
- Decreased investment in the oil sector.

Negative consequences

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