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‘The best is yet to come’: Shale boom to boost overall U.S. economy, study says



Horizontal drilling in shale plays is already having a profound effect on the U.S. economy.

by [Molly Ryan](#)

Reporter- *Houston Business Journal*

The shale revolution has already caused waves in the upstream oil and gas industry, but according to a new study from [IHS Inc.](#) (NYSE: IHS), the effect of shale oil and gas production on the entire U.S. economy will be extremely profound.

The study revealed “the best is yet to come” in terms of manufacturing, trade and gross domestic product growth, said [John Larson](#), a vice president for IHS’s economics division and a co-author of the study.

IHS’s economic models found that shale oil and gas production in the U.S. will not only continue to help the upstream — or exploration and production — sector of the energy industry, but it will also have significant effects on the energy-related transportation, storage and chemical industries.

Beyond specifically energy-related industries, lower natural gas prices will also help the overall U.S. economy. For example, manufacturers that need large amounts of power will benefit from lower energy prices, and even the majority of U.S. households will see lower electricity costs.

Some of IHS’s findings include:

- Midstream and downstream energy companies and energy-related chemical companies will invest about \$346 million in the U.S. between 2012 and 2025.
- U.S. industrial production is expected to increase by 3.5 percent by the end of the decade due to shale-related resources, and by 2020 U.S. manufacturing output is expected to increase by \$258 million.
- The average American household in 2012 saved more than \$1,200 as a result of shale oil and gas resources, which are lowering electricity prices. Also, the amount saved is only expected to go up in the coming years.
- By 2020, more than 3.3 million jobs are expected to be created as a direct result from upstream, midstream, downstream and energy-related chemical activity.
- Oil and gas from shale plays as well as energy-related chemicals are expected to add 2 percent to 3.2 percent to the value of all goods and services produced in the U.S. by 2016.

It can be assumed that Houston will be one of the cities that reaps the most benefit from shale activity. Not only is Houston the energy capital of the world with an abundance of upstream energy companies taking advantage of shale plays, but it also has strong manufacturing and trade sectors that are directly tied to the energy industry.

IHS's Larson did admit that there are outside factors contributing to the U.S. manufacturing and export boom, such as rising wages in foreign countries and strong logistics resources. However, the study focused specifically on how changes in the energy industry, resulting from oil and gas production in shale plays, will affect manufacturing and trade.

In Houston, there already are new chemical plants coming on line to take advantage of the shale revolution, and trade statistics show Houston-area exports are growing faster than those in any other area of the nation.

Also, IHS isn't the only organization to proclaim the benefits of shale development. The American Chemistry Council [released a study](#) in May about the effect of \$71.7 billion in new U.S. chemical expansions that plan to use shale gas as feedstock.