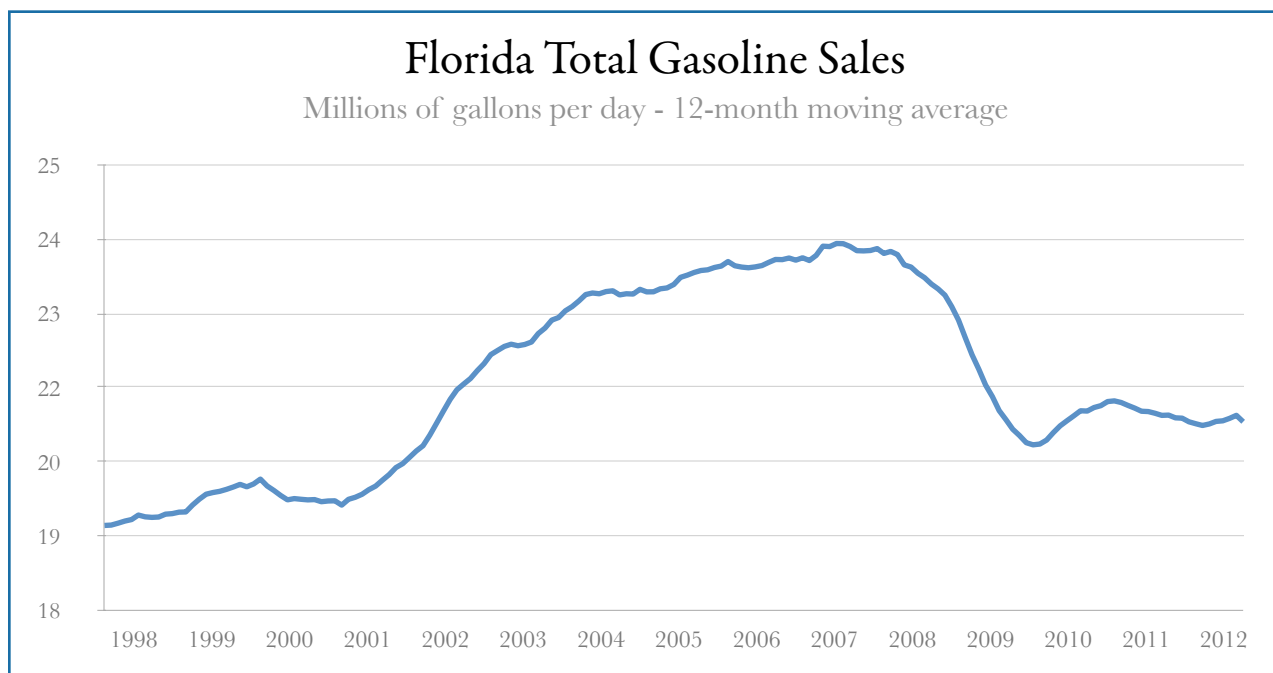


## The Effect of High Gas Prices on the Florida Economy

High gas prices in Florida affect consumers in terms of adding to their expenses which keeps them from spending money on other things. This directly reduces spending on entertainment items such as eating out, recreational activities, and travel. Nationally, the high price reduces the number of people visiting Florida, therefore reducing tourism-related revenue for the state, especially for those who drive in from other parts of the U.S.

The chart below shows that daily gasoline sales are significantly reduced from the period before the 2008-09 recession. To see how much gasoline is purchased in Florida, weekly gasoline sales data was obtained from the Florida Department of Transportation and is shown in the chart below. The data for average daily total gasoline sales was converted to a 12-month moving average.



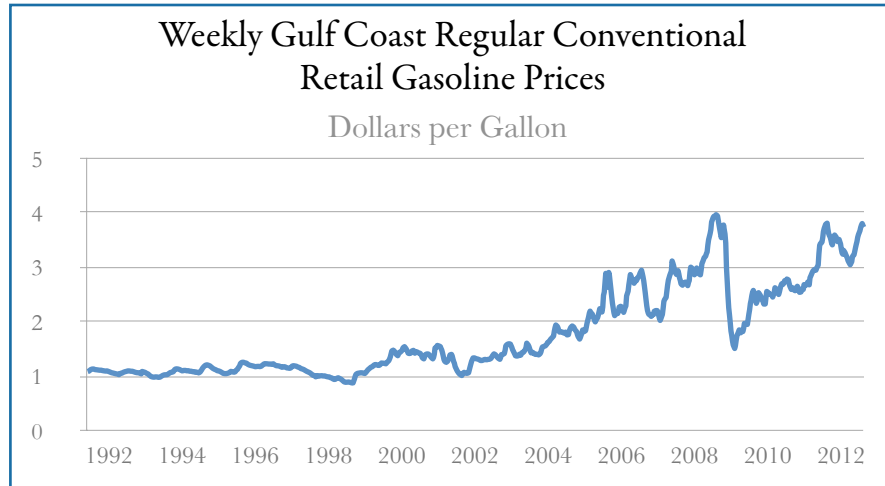
Shown on a 12-month moving average basis, gasoline sales have stabilized at around 21 million gallons per day in Florida. This is significantly lower than March 2006, the highest month on record for Florida gasoline sales with more than 25 million gallons per day sold.

There are several reasons why gasoline usage is down in Florida. The main reason is likely that since the end of 2008, gas prices have risen significantly. Higher prices cause consumers to decrease the amount of miles driven, and it also cause some of them to change to more fuel-efficient cars.

## Volatility of Gas Prices

Not only is the price of gasoline important, but also the volatility of those prices is important. The chart below shows weekly regular grade gasoline prices, obtained from the Energy Information Administration.

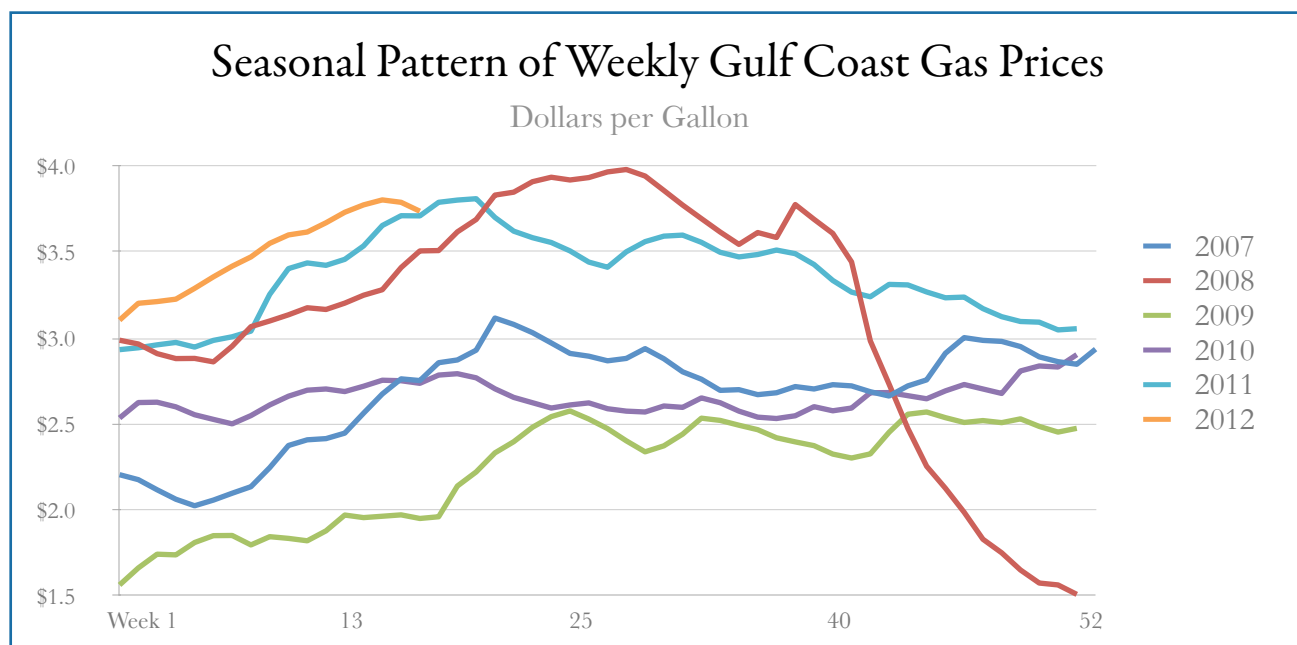
It is easy to see that gasoline prices are significantly higher over the past 10 years compared to the previous 10-year period. Just as significant, the volatility of gas prices during the 2002 through current period is significantly higher. Some of this volatility is due to supply disruptions and world political events, and some is due to aggressive speculation



in the crude oil markets. Volatility of gasoline prices makes it difficult for consumers to plan their purchases, just as it makes it difficult for businesses to plan their investments.

It is significant that 2008 showed the largest 6-month drop in gas prices in history, dropping from a high of \$3.98 per gallon in July, to a low of \$1.51 per gallon during the last week of December in that year. It is also notable that current gasoline prices, although high, are still below their July 2008 peak.

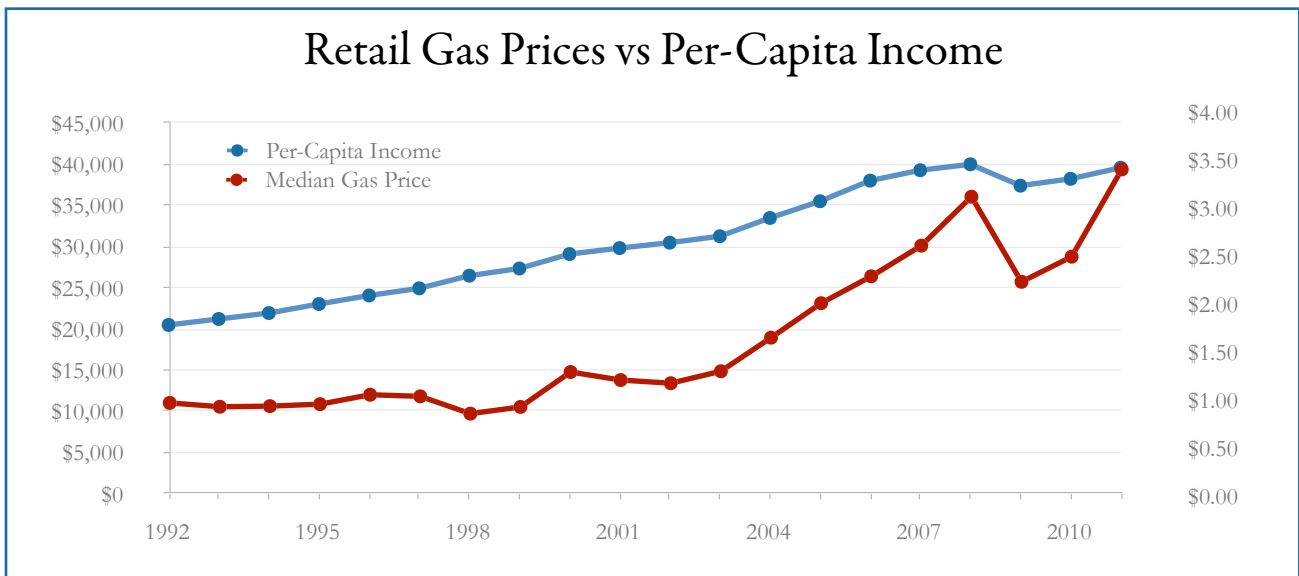
The chart below shows the seasonality of gas prices. For each of the years from 2007 through the current year, retail gas prices are charted by week. With the exception of 2008, each year starts at or near the low price for the year, with prices increasing during the summer driving season.



One of the significant items shown on the chart is that gas prices for 2012 have started at a higher point than any of the recent years. Although crude oil prices have eased recently, it is likely that the seasonal pattern will keep gasoline prices near the \$4.00 per gallon range during the summer driving season.

### The Effect of Less Personal Spending on Florida’s Economy

One interesting comparison is the price of gasoline compared to income, which provides a rough sketch of the effect of rising prices on family budgets. The chart below shows Florida’s per-capita income on the left axis (from 1992 through 2011), using data from the St. Louis Federal Reserve. On the right axis is retail gas prices, obtained from the Energy Information Administration. During the 20-year period from 1992 to 2011, per-capita income increased from \$20,474 to \$39,563, a 93 percent increase. During that same time period, the median weekly gasoline price has gone up from \$1.10 to \$3.55— more than a 300 percent increase. Checking the figures for the most-recent 10 year period, the difference is even more significant. During the last 10 years, Florida per-capita income has risen only 30 percent, compared to the price increase of gasoline of more than 270 percent.



Overall, the real price of gasoline in terms of per-capita income has tripled over the last 20 years, with much of the increase coming since 2003.

### Conclusion

Gasoline prices are something that are outside of the control of Florida consumers, because crude oil prices are determined by the world market. Given that around 21 million gallons of gasoline are sold per day in Florida, even small price increases can make a significant dollar impact in personal spending. On a yearly basis, approximately 7.7 billion gallons of gas are sold in Florida. Each 10 cents of price increase takes around \$770 million of purchasing power out of the Florida economy.

To show just one effect on personal spending, the total personal income in Florida was approximately \$761 billion. Taking just the price difference from the week of April 23 (last week) compared to what it was the same week in 2010, the retail price of gas is up just over \$1.00 per gallon in that two-year period. That means around \$7.7 billion is no longer going to other items in Florida’s economy that create jobs in our state.

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Economic Commentary written by **Jerry D. Parrish, Ph.D.**, Chief Economist,  
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