



## Gas price hike raises more fears of inflation spike

By Casey Harper

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Gas prices hit all-time high levels this week, and experts say this will not only increase prices consumers face at the pump, but at the grocery store and elsewhere, adding to the soaring inflation Americans have experienced the past year.

“Since the start of the year, international oil prices have increased some 60% to their present level of around \$125 a barrel,” said Desmond Lachman, an economic expert at the American Enterprise Institute. “This has led to U.S. gas prices jumping by 40 cents a gallon to \$4 a gallon. It is estimated that if sustained, the increase in international oil price could add 1.5 percentage points to consumer price inflation, which is already uncomfortably high at 7.5%.”

The Bureau of Labor Statistics released a steady stream of data on the Consumer Price Index, which shows the most significant price increases in about four decades.

“The all items index rose 7.5 percent for the 12 months ending January, the largest 12-month increase since the period ending February 1982,” BLS said. “The all items less food and energy index rose 6.0 percent, the largest 12-month change since the period ending August 1982. The energy index rose 27.0 percent over the last year, and the food index increased 7.0 percent.”

As gas prices continue to rise, so too will the costs of other consumer goods and services, which already have increased nearly 7% from a year ago.

Meanwhile, AAA puts the national average gas price at \$4.17 a gallon, a major increase from \$2.77 at the same time last year. That means a range of goods will become more expensive as the price to transport those goods increases. President Joe Biden’s ban on Russian oil imports Tuesday will likely send those prices even higher.

“In addition to pushing up oil prices, the Russian invasion of Ukraine is sending grain and metal prices through the roof,” Lachman said. “That is yet another way in which the Russian crisis is darkening the U.S. inflation outlook.”

Rasmussen released new polling data showing that the vast majority of Americans expect those prices to continue to rise.

“The latest Rasmussen Reports national telephone and online survey finds that 78% of American Adults say they're paying more for a gallon of gas today compared to six months ago, and 84% think it's likely those prices will continue to climb over the next six months,” Rasmussen said. “This includes 64% who think it's Very Likely they'll be paying even more for a gallon of gas in six months than they are today.”

The University of Pennsylvania's Penn Wharton School of Business estimated that the average household spent \$3,500 more in 2021 than the previous year “to achieve the same level of consumption of goods and services as in recent previous years.”

“Energy prices are the largest driver of the high inflation that Americans are facing,” said Katie Tubb, an economic expert at the Heritage Foundation. “Petroleum met 90 percent of Americans' transportation fuel needs – energy used by automobiles, trucks, buses, trains, aircraft, and ships. Think of all the activities, goods, and services that rely on transportation and you start to get an idea of how crude oil and gasoline prices push up costs throughout the entire economy. The way out of high prices is more supply – something the Biden administration to date has been unwilling to commit to.”

Biden has been widely criticized for the new restrictions he put in place on the U.S. oil and gas industry since taking office in January 2021.

Other experts said while gas prices will drive inflation, it remains unclear how significant that impact will be.

“Unfortunately, the relationship between gas prices (or energy prices) and inflation is not so straightforward,” said Norbert Michel, a financial and monetary expert at the Cato Institute.

“The relationship was very stable in the 1970s, but since that time it has not been – energy prices have spiked frequently without spiking inflation. The current situation with gas and energy prices could still push inflation higher, but exactly how that plays out is far from certain. It is also true that higher gas prices could lead to higher inflation expectations, but estimates of that relationship are not very reliable (some suggest the effects are quite small).”