

Fiscal Highlights

It Looks Like the Gas Price Decrease is Boosting Consumption - Thomas E. Young

In June 2014, the price of oil started to drop. The price continued to drop throughout the remainder of 2014, bottoming in January 2015 at about \$44 per barrel (West Texas Intermediate oil price). Since January, the price of oil has recovered somewhat, but still far away from where it was in the summer of 2014. Shortly after the drop in the price of oil, the price of gas followed suit (with a lag).

How did consumers and businesses respond to the drop in the price of gas and diesel?

The first figure below represents the gasoline tax experience (lagged two months to make the revenue consistent with the price of oil), and the second provides the trends on special fuel tax (mostly diesel). The black lines represent the changing trends in the 365-day moving sum of the respective revenue sources.

Overall, this time around, consumers and businesses responded to the drop in the price of oil by buying more gasoline and diesel. This is in contrast to the retail sales arena, where it doesn't appear that consumers increased spending due to the oil price drop.



