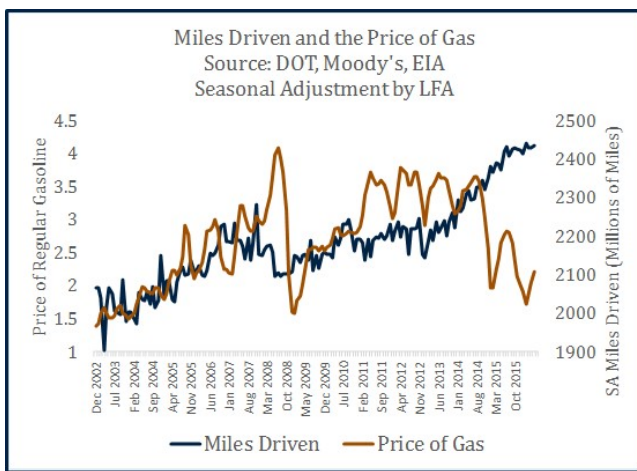


Fiscal Highlights

The Price of Gas: More Driving and an Industry Recession - Thomas E. Young

One of the more transparent price movements in recent years is the drop in the price of gasoline. The drop has competing effects on economic growth. On the one hand, consumers have more money, while on the other hand the price declines represent an adverse shock to the industry.

The chart below shows the effects of the drop in the price of oil. On the left hand side and the orange line is the price of gasoline in Utah. On the right hand side is the seasonally adjusted miles driven in Utah. Recently the two have become inversely related. The savings from the drop in the price of gas, this year estimated at \$641 million, is showing up as more miles driven. The increasing miles driven is one of the effects of the drop in the price of gas, and is a large part of the strong performance of the Transportation Fund.



Another effect of the drop in the price of oil is the effect on the oil industry. The following map shows the unemployment rate by census tract. The darker the green, the lower the unemployment rate. The darker the red, the higher the unemployment rate. The gray areas are oil and gas fields. Unsurprisingly, areas closer to the oil and gas fields have high unemployment rates, some as high as 25 percent. The decline in industry performance is one of the reasons severance taxes are down about 70 percent this year.

