

## Gasoline Consumption: The Horrible Story

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The Reuters headline told a bullish story for the economy: “Consumer Spending Up: Prices Muted.”<sup>1</sup> The article, which pictured a man carrying a blue Tiffany bag, began this way:

Consumer spending unexpectedly rose in March as benign inflation supported households’ buying power, but the growth momentum was unlikely to be sustained amid higher taxes.

The Commerce Department said on Monday consumer spending advanced 0.2 percent last month after an unrevised 0.7 percent increase in February.

Just-released Bureau of Economic Analysis data reveal that consumers managed to boost other spending by harshly cutting expenditures on gasoline. On a year-over-year basis, the numbers were as follows.

Current dollar total spending was up 3.2 percent from March 2012.

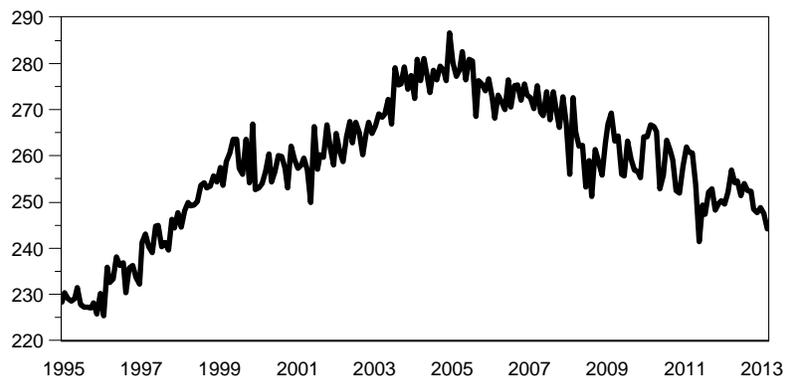
Current dollar spending on gasoline was DOWN 5.6 percent from March 2012.

In real terms, gasoline expenditures were down three percent from the previous year. Figure 1 illustrates the trend in constant dollar spending by month.

While it is wrong to place too much weight on a single month’s data, we note that constant dollar spending has fallen below year-earlier levels in five out of the last six months. It could be that the sales surge in new cars and trucks—even the ubiquitous Ford F10 pickup—is cutting gasoline sales as older, less-efficient vehicles are retired.

**Figure 1**  
**Monthly Constant Dollar US Consumer Expenditures on Gasoline, January 1995 to March 2013**

Billions of Chained 2005 Dollars at Annual Rates



Source: US BEA.

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<sup>1</sup> “Consumer Spending Up, Prices Muted,” Reuters, April 29, 2013.

These data are consistent with the ten percent decline in spot gasoline prices that occurred since early February despite the switch to more expensive summer-grade product. Those producing and marketing gasoline keep finding that consumers want less and less of their product.

Of course, DOE data may show a different trend. However, as noted repeatedly here, DOE's Energy Information Administration does not even attempt to tabulate statistics on gasoline consumption. Instead, it backs into its estimate from data on production and changes in stocks, exports, and imports. The agency's statisticians so much as admit that their export/import data are sketchy.

In our view, the highly professional statisticians at the Department of Commerce have had the last word. Gasoline use is falling. Perhaps a better term would be "collapsing."