

## The Impact of Oil Prices

Like any commodity, the price of oil is primarily based on a balance between supply and demand. For example, oil prices usually rise when supply decreases and demand increases. Conversely, oil prices may decline when supply increases and demand decreases.

A typical American family uses 25 gallons of gasoline a week. Over the course of a year, this family will use 1,300 gallons of gasoline (25 gallons multiplied by 52 weeks). If the average price of gasoline is about \$2.00/gallon, this family will have to spend approximately \$2600 per year for gasoline.

### Price in USD Regular/Gallon

Netherlands, Amsterdam	\$6.48
Norway, Oslo	\$6.27
Italy, Milan	\$5.96
Belgium, Brussels	\$5.91
Sweden, Stockholm	\$5.80
United Kingdom, London	\$5.79
Germany, Frankfurt	\$5.57
France, Paris	\$5.54
Hungary, Budapest	\$4.94
Croatia, Zagreb	\$4.81
Spain, Madrid	\$4.55
Japan, Tokyo	\$4.24
Australia, Sydney	\$3.20
Brazil, Brasilia	\$3.12
Cuba, Havana	\$3.03
Taiwan, Taipei	\$2.84
Canada, Toronto	\$2.77
Lebanon, Beirut	\$2.63
United States, Chicago	\$2.49
Panama, Panama City	\$2.19
Russia, Moscow	\$2.10
Puerto Rico, San Juan	\$1.74
Saudi Arabia, Riyadh	\$0.91
Kuwait, Kuwait City	\$0.78
Egypt, Cairo	\$0.65
Nigeria, Lagos	\$0.38
Venezuela, Caracas	\$0.12

Source: *air-inc.com*, collected March 2005.



Higher oil prices will impact consumers worldwide in many ways. For example, airline tickets may rise when oil prices increase. Airlines do this to pass the cost of increased fuel costs to their customers. Also, companies that rely on oil for manufacturing and transportation may increase prices.

### Driving Alternative

Hybrid-electric vehicles (HEVs) combine the benefits of gasoline engines and electric motors and can be configured to obtain different objectives, such as improved fuel economy, increased power or additional auxiliary power for electronic devices and power tools.

According to [www.fueleconomy.gov](http://www.fueleconomy.gov), a family driving a Honda Accord Hybrid will spend approximately \$897

annually for gasoline. However, the report estimates that driving the Toyota Prius and the Honda Civic Hybrid, consumers will spend closer to \$500 annually for gasoline.

There are many U.S. consumers that spend more each week on coffee or alcoholic beverages. Americans spend the following on a regular basis:

gallon of milk:	\$2.59
20oz. bottle of soda:	\$1.00
16oz. Starbucks coffee:	\$3.49
12oz. beer at a ball game:	\$6.50

### Using 128 fluid oz. per gallon the following are true

1 gallon milk	= \$2.59
1 gallon soda	= \$6.40
1 gallon coffee	= \$26.17
1 gallon beer at game	= \$69.29