

## ECONOMIC OPPORTUNITY STUDIES

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### Predicted 2004 Gasoline Price Increases Mean Low-Income Drivers Must Cut Travel or Lose Real Disposable Household Income

Analysis of consumer expenditures on gasoline over the past five years indicates that the price increases predicted by the Department of Energy mean gasoline will cost the average household over \$1480 in 2004, or about \$255 more than drivers spent in 2002 to travel the same distance. In fact, the one-fifth of households with the highest incomes will pay over \$2300 to pump the same amount of gasoline as in 2002, when they spent about \$1960. The poorest 20% of drivers, who have historically used less than half the US average, lose less cash but proportionately more of their already-strained household budget.

On average, gasoline purchases took just under 3% of household budgets in 2002, though the figure was higher for the middle-income households. Under very best income scenario for consumers, as assumed by the US Bureau of Economic Analysis, disposable real personal income rises 3% over 2003 in 2004. If, further, all income groups enjoy this growth equally (an optimistic assumption), drivers will spend 3.2% of their household budgets at the pump this year, thereby losing almost one third of one percent of their real 2002 purchasing power to gasoline markets. Changes in oil and natural gas prices have raised household bills in the past two winters and those increases have also outpaced personal income growth for many consumers in the lower brackets. (EOS, April 2004). The table below shows these estimates.

#### Indicators of 2003 & 2004 Gasoline Price Impacts on Consumers by Household Income Quintile

	Year	Lowest 20% income	Second 20% income	Third 20% income	Fourth 20% income	Highest 20% income	US Avg.
<b>Consumer Expenditures on Gasoline and Motor Oil</b>	<b>2000</b>	\$631	\$965	\$1,297	\$1,631	\$2,053	NA
	<b>2001</b>	\$599	\$933	\$1,253	\$1,617	\$2,043	NA
	<b>2002</b>	\$581	\$907	\$1,245	\$1,569	\$1,957	\$1,235
	<b>2003 est.</b>	\$645	\$1,007	\$1,382	\$1,742	\$2,172	\$1,371
	<b>2004 est.</b>	\$697	\$1,087	\$1,493	\$1,881	\$2,346	\$1481
<b>Gasoline as a % of Annual Budget 2002 v. 2004</b>	<b>2003 est.</b>	3.0%	3.3%	3.4%	3.1%	2.5%	2.9%
	<b>2004 est..</b>	3.4%	3.7%	3.7%	3.4%	2.7%	3.2%
<b>% with one or more vehicles</b>	<b>2002</b>	65%	87%	94%	98%	98%	96%
<b>Avg. No. of Vehicles</b>	<b>2002</b>	1	1.5	2	2.5	2.9	2

Sources: Prices for weighted avg. of all grades from US Dept of Energy, EIA, [Short-Term Energy Outlook](#) April 8 2004  
 Vehicle Ownership, Annual Expenditures for Gasoline & Total Budget, US Dept of Labor, Bur. Of Labor Statistics, [Consumer Expenditure Survey 2002](#)

Updated income est. from BEA monthly reports at: <http://www.bea.doc.gov/bea/>

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