

## Gas prices dropping, could hit \$2 a gallon

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Think of it as Christmas in August. Gasoline prices are expected to drop sharply this month and might be approaching \$2 a gallon in much of the country by the time winter's chill arrives.

Normally, pump prices are flat or even up a bit in August as Americans finish up the summer holidays with a roadtrip before sending the kids back to school. This year, however, the AAA Motor Club anticipates a drop of 15 cents or more in coming weeks, on top of what already has been a sharp drop from this year's peak.

"In many ways it's a very simple prediction, based purely on the (price) decline in crude oil," said Michael Green, an AAA spokesman.

Conflict in the Middle East, a disruption to U.S. drilling or a refinery outage could always push up oil prices, thus reducing the chances that gasoline will fall as predicted.

"On the other hand, if oil prices continue to fall and operations continue to run smoothly, you could see even larger drops in (the gasoline) price," said Green.

How large?

"Many parts of the country could see gas prices near or below \$2 a gallon by Christmas," he said. "The states that are most likely are in the southwest and central United States, places where gas is already cheap."

The good news is we're already seeing a dramatic decline in gas prices and we haven't even hit Labor Day. AAA spokesman Michael Green

South Carolina and Alabama led the nation Tuesday with the cheapest average price for a gallon of regular unleaded gasoline, at \$2.26, followed closely by Mississippi and Ohio, both at \$2.30.

Motorists in California and Alaska paid the highest prices, respectively, at \$3.71 and \$3.48 a gallon. The national average Tuesday was \$2.64 a gallon, down sharply from \$3.50 a gallon a year ago.

Gasoline prices are falling even as Americans are driving at what appear to be record levels. The Federal Highway Administration's [most recent update](#) on vehicle miles traveled shows that through May motorists in the United States had logged 1.26 trillion vehicle miles of travel – a record for the first five months of any year.

The agency predicts Americans for the year will travel 3.08 trillion vehicle miles. That would be a record, slightly edging out the vehicle miles logged in 2006.

To date, motorists in the South Atlantic and Western states have seen the largest increases in vehicle miles traveled, rising at a rate of 3.4 percent and 3.2 percent, respectively. Motorists in Western states, however, logged more vehicle miles through May, at 59.8 billion, than did South Atlantic states, at 58.5 billion.

There's another reason to expect lower prices. U.S. oil and gasoline supplies keep growing even as demand across the globe wavers.

China's unexpected economic slowdown has lowered demand for oil, as has the prolonged economic weakness across Europe and even in big emerging markets such as Brazil. It all adds up to weak global demand, even as the U.S. motorists and boaters drink up more fuel.

Crude oil traded between \$99 and \$102 a barrel in late July 2014. Late last month this price wavered between \$48 and \$49 a barrel.

As prices came down, refiners turned more oil into gasoline. The four-week average for U.S. refiner use of crude oil was 16.5 million barrels per day in late July 2014, [according to the U.S. Energy Information Administration](#), and 16.76 million barrels per day late last month.

Economic forecaster IHS Global Insight projects that lower gasoline prices will be akin to a giant tax rebate that puts about \$700 in the pockets of the average U.S. household this year. These savings have been partially offset by rising food prices this year, as a poultry disease and California's drought pushed up food prices and thus the inflation rate [by 0.3 percent in June](#) and will continue weighing on the pocketbooks on poorer Americans.

But if gasoline prices keep dropping, expect consumers to spend more in restaurants and shops, said Chris Christopher, director of consumer economics at IHS Global Insight.

"Gasoline prices make the overall consumer feel better," he explained. "It has the tendency to motivate people to spend more, especially in going out to eat."

And that's good for the U.S. economy, which continues to outperform the rest of the world.

"What we're going to see happen in August because of the lower pump prices . . . you'll see a strong boost in confidence," said Christopher, predicting this will be most noticeable for retailers in stronger back-to-school sales.

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AAA's Fuel Gauge Report

**Gas prices by state on Aug. 4, 2015:**

California \$3.715

Florida \$2.502

Georgia \$2.492

Idaho \$3.000

Illinois \$2.622

Kansas \$2.512

Kentucky \$2.406

Missouri \$2.447

Mississippi \$2.300

North Carolina \$2.465

Pennsylvania \$2.719

South Carolina \$2.262

Texas \$2.447

Washington \$3.173

**Gas prices by city:**

San Luis Obispo, Calif. \$3.922

Fresno, Calif. \$3.461

Merced, Calif. \$3.443

Modesto, Calif. \$3.296

Sacramento, Calif. \$3.322

Fort Worth, Texas \$2.416

Boise, Idaho \$2.998

Raleigh, N.C. \$2.453

Charlotte, N.C. \$2.493

Miami \$2.627

Bradenton, Fla. \$2.497

Kansas City, Mo. \$2.407

Wichita, Kan \$2.391

Biloxi, Miss. \$2.281

Bellingham, Wash. \$3.147

Olympia, Wash. \$3.160

Tacoma, Wash. \$3.159

Yakima, Wash. \$3.124

Columbia, S.C. \$2.227

Myrtle Beach, S.C. \$2.244

East St. Louis, Ill. \$2.724

Scranton-Wilkes Barre, Pa. \$2.640