U.S. Consumer Spending on Energy

- Updated data on consumer spending were just released by the U.S. Department of Commerce.
- Purchases of gasoline and energy goods have been declining in recent years.
- Since mid-2014, this decline has been largely driven by the drop in oil prices.
- Despite the rising share of full-size pickup and SUV sales, gasoline spending growth is lower than in the 2001-2007 economic expansion.

The U.S. Department of Commerce’s Bureau of Economic Analysis (BEA) reported second quarter (Q2) GDP statistics last week. The data released includes a snapshot of recent U.S. consumer spending on energy.

- Consumer spending on gasoline and other energy goods (excluding natural gas and electricity) fell to just under $285 billion in Q2 and has fallen at an annual rate of 11% since the beginning of 2014 (see top chart).
- The decline in current dollar spending is largely driven by the drop in oil prices, particularly since mid-2014. The spot quote for crude oil peaked three years ago at $106 per barrel and is down 57% to $45 per barrel last month (see second chart).
- Inflation-adjusted spending on gasoline and energy goods has grown at an annual rate of 1.2% since Q1 2014, nearly a full percentage point below the overall growth rate of the U.S. economy. This is remarkable behavior given the double-digit growth in new vehicle sales as well as the attractive pricing of gasoline at the pump. As of Q2 2017, this spending totaled $285.4 billion (see third chart).
- Indeed, consumer spending on gasoline and energy goods as a percent of GDP fell from 2.5% in Q1 2014 to 1.5% as of Q2 2017. In other words, regardless of the ongoing economic expansion, including a reduction in the unemployment rate to 4.3% as of July, and with it, more people commuting back to work, consumer income spent on gasoline, relative to the overall size of the economy, is in decline.
- The bottom chart shows consumer spending on all types of energy, including electricity and natural gas (red dashed line). While Q2 2017 data are not yet available, the overall decline in consumer spending share has stabilized around 2.7% since early 2016, over 1 percentage point lower than the spending share in early 2014.
- Even so, today’s consumer spending share on energy is well above the long term trend during 1990-2003 which stood at just 2%.

Key Takeaway:
- Consumer spending on energy is growing much slower than the overall economy since 2014, partly driven by the decline in energy pricing.