

## Gasoline Price: Outlook and Historical Values

The chart below displays Oregon's monthly average price for regular gasoline. Several features stand out. First, there has been a pronounced drift toward higher prices over the past four years. Second, the well-known effects of the peak driving season are quite evident with the highest prices on an intra-year basis always occurring in the summer months. Finally, two anomalies are readily evident: September 2005's price spike and the upward blip in the average price for December 2006. The former was, of course, the direct outgrowth of the devastating series of hurricanes in the heart of the nation's oil and natural gas producing region. The latter was due to some hopefully transient structural adjustments in refining capacity on the West Coast.

What are the likely prospects for 2007? After double digit percentage increases the past four years, the outlook is for a slight percentage decline in 2007. Of course, this prognosis rests on the assumption of no significant random disruptions or shocks in the major producing regions. Nevertheless, the backdrop for 2007 and beyond may be the best it's been for the past several years for an end to the streak of spiraling prices. At the heart of this is slower global economic growth, coupled with spare capacity by OPEC producers created by the production cuts announced over the past three or four months.

