

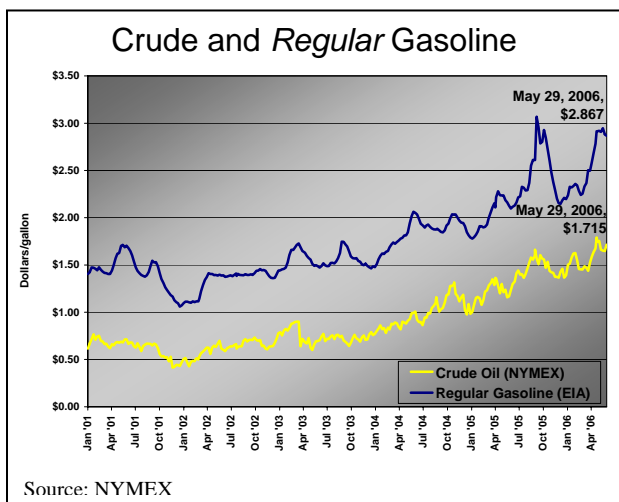
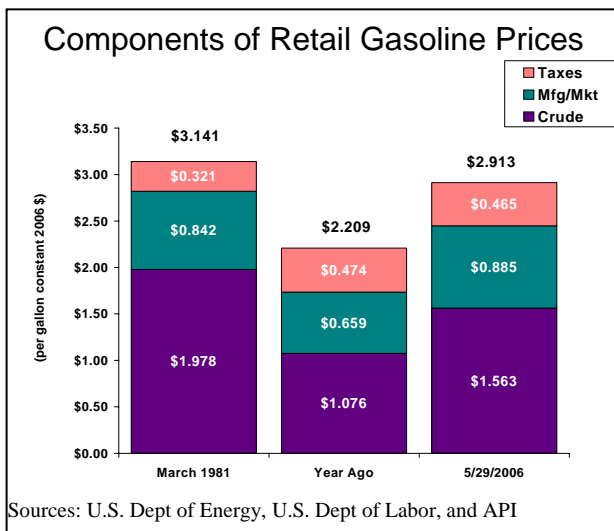
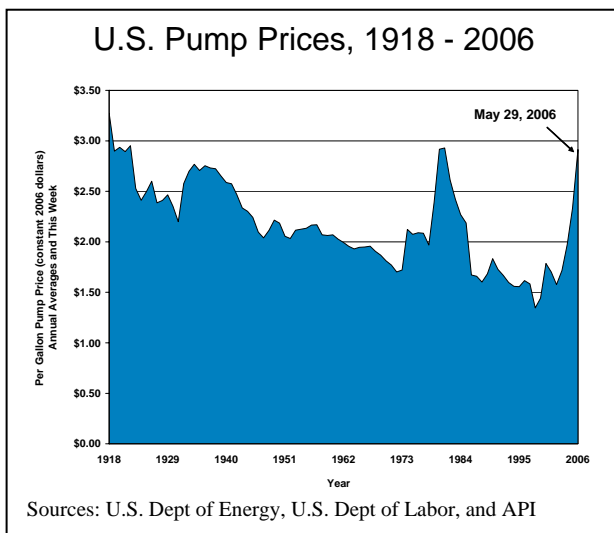
U.S. PUMP PRICE UPDATE – MAY 24, 2006

The average U.S. retail price for *all grades* of gasoline fell this week for the second consecutive week and the third time in the last four weeks, according to the Energy Information Administration (EIA). The average retail price fell 2.5 cents (0.9 percent) to stand at \$2.913 per gallon on May 29. The price was 77.2 cents (36.1 percent) higher than the nominal price of \$2.141 posted last year.

In inflation-adjusted* April 2006-dollar terms, today's price is less than the highest historical records of pump prices over the last 88 years. Gasoline prices are 7.3 percent lower than the peak monthly average price of \$3.141 per gallon set in March 1981. The real retail cost of motor gasoline was 22.8 cents per gallon less this week than in March 1981. The lower price is attributable to lower crude oil costs.

Compared to March 1981, real crude oil costs have declined by 41.5 cents per gallon (21.0 percent); however, the real cost to manufacture, distribute, and market gasoline was up 4.3 cents per gallon (5.1 percent). The most significant change from 1981 has been in taxes. Currently, the taxes collected on a gallon of gasoline average 46.5 cents per gallon—18.4 cents per gallon in federal taxes and 28.1 cents per gallon in volume-weighted average state taxes. In comparison, combined federal and state taxes in 1981 were just 32.1 cents per gallon when adjusted for inflation. This was a real increase of 44.9 percent.

Compared to this week last year, the real price of gasoline was up 70.4 cents (31.9 percent) when adjusted for inflation. Over 69 percent of the increase came from the increase in the cost of crude, which was higher by 48.7 cents. Higher costs attributed to the manufacture, distribution, and marketing of gasoline accounted for the remaining increase.



The NYMEX gasoline futures market[§] remained above \$2 for the eighth consecutive week^{§§} on Tuesday, May 30, at \$2.1499 per gallon, up 9.25 cents (4.5 percent) from May 22. This was up 68.05 cents (46.3 percent) from a year ago. The NYMEX crude oil futures market^{**} returned above \$70 on May 23 and settled at \$72.03 per barrel on Tuesday, May 30. This was up \$2.80 (4.0 percent) from May 22, and was \$20.06 (38.6 percent) above year ago prices. This price is equivalent to \$1.7150 per gallon. As the chart to the left demonstrates, gasoline prices have generally tracked those of crude oil, though historically there has often been a lag before crude oil price changes are reflected in retail gasoline prices.

* In order to make price comparisons over time, it is necessary to factor in inflation. For example, in March 1981 motorists paid \$1.42 per gallon for gasoline. Due to inflation, this is equivalent to spending \$3.108 on a gallon of gasoline today.

§ June 2006 contract.

§§ The gasoline futures market did fall below \$2 on May 4, at \$1.9946.

** July 2006 contract.