



## Frugal habits likely won't change as oil falls

Observers see \$70 a barrel possible, appetite for small cars not changing

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NEW YORK - The worst oil shock since the 1970s has put a permanent mark on the American way of life that even a drop in oil's price below \$100 a barrel won't erase.

Public transportation is in. Hummers are out. Frugality is in. Wastefulness is out.

Although oil prices dipped beneath the \$100 mark Friday for the first time in five months, it still isn't cheap and Americans have long memories. They are saddled with debt, high food costs and home prices worth far less than two years ago.

Experts say some relief at the pump is probably coming within weeks after light, sweet crude fell to \$99.99 before closing later at \$101.18, up 31 cents. But the era of "staycations," four-day work weeks, airline fuel surcharges and costly commutes could be here to stay.

"It's killing me. I drive 50 miles to work everyday and the money (for gas) really adds up," Nick Emken, 28, said as he topped up at a Manhattan filling station Friday where a gallon of regular was going for \$3.80.

He pays around \$52 to fill up his 2007 Saturn SUV — up from about \$30 a year ago — and doubts oil's fall to \$100 will make much of a difference.

"Even if gas prices comes down, that will only save me, what, \$30 a week? It's still too expensive," said Emken, a financial recruiter from Ocean Township, N.J.

A sustained period of \$100 oil should eventually lower pump prices from the current national average of about \$3.65 a gallon to within a range of \$3 to \$3.25 — around a buck lower than the all-time record average of \$4.114 a gallon set July 17 when crude prices peaked above \$145 a barrel.

Homeowners could also see lower utility bills this winter due to steep drops in the price of heating oil and natural gas.

Still, many drivers are frustrated that pump prices haven't come down as fast as oil. One reason is Hurricane Ike, which steamed into the Gulf of Mexico on Friday and forced a cluster of refineries to shut down, sending wholesale gas prices spiking. Also, refineries are still saddled with more expensive fuel and are having trouble selling it as people drive less. As cheaper oil begins trickling into refineries, pump prices should start to ease some, possibly by October.

"We're not going back to \$2-a-gallon gasoline," said Stephen Schork, an analyst and energy trader in Villanova, Pa. "Consumers have to appreciate that the low prices we had before didn't reflect the price of crude, so there will be a limit to how much prices will come down."

And some more bad news: Food prices, plane tickets and plastic goods made from petrochemical products aren't expected to get much cheaper either. The softening U.S. economy means food makers, airlines and manufacturers are unlikely to roll back recent price increases for goods and services anytime soon.

Although the hurricane is keeping gas prices high, it's not doing the same for oil, as it has in the past. Neither are geopolitical flare-ups involving Russia and Venezuela.

Many analysts say that's because speculative investors — not rising demand — pushed oil prices to record levels this summer.

"This market is clearly telling us that it was priced too high," said Peter Beutel, an analyst at Cameron Hanover in New Canaan, Conn., who believes oil will fall to around \$70-\$80 a barrel.

As prices come falling back to earth, Americans aren't expected to drop their newfound frugality. The jarring reality of \$4-a-gallon gasoline stirred up an unprecedented level of consumer angst that experts say will keep people from reverting to extravagant energy use for years to come — if ever again.

High gas prices prompted calls to lower speed limits to 55 mph in some states and touched off a seemingly endless wave of "Go Green" campaigns.

"I see a permanent shift," said Kit Yarrow, a consumer psychologist at San Francisco's Golden Gate University who has studied how high oil prices have affected Americans' buying behavior. "Historically, when gas prices come down, people use more. But we've learned a lot of new things during this period and it will be hard to go back to our gas-guzzling ways."

That means Americans' love affair with big cars may be over for the time being.

Executives at Ford Motor Co. and General Motors Corp. have said the U.S. car market would never return to predominantly truck-based vehicles, and have announced plans to retool factories to build new small cars.

Some analysts say recent ebbs in gas prices could prompt a comeback for trucks and SUVs but that it may take years.

"I think it would take sustained low oil prices for people to say, 'I think it's OK to go out and buy that Hummer,'" said Scott Anders, director of the Energy Policy Initiatives Center at the University of San Diego School of Law.

In a survey conducted last month by Kelley Blue Book, 41 percent of car shoppers said high gas prices had forced them to change their driving habits and that they wouldn't go back to their old ways even if pump prices fell by a buck.

Another 30 percent said they had changed their minds about what kind of car they wanted and that gas at a \$1 less wouldn't influence their decision. The study also showed that many people were eating out less and buying more generic products.

"It used to be the bigger the better. Now it's the smaller the better," said John Massouras, owner of a used-car dealer Route 31 Auto Sales in the Chicago suburb of McHenry, where recently traded-in SUVs fill the lot but get scant attention from shoppers despite rock-bottom sticker prices.

Gas prices aren't the only burden. Increases in the cost of diesel have dented profits for long-haul truckers, farmers and others who depend on the fuel.

Tom Ferguson, a Missouri farmer who buys fuel by the tanker-trailer load, said high diesel prices have forced him to scale back tilling his soil this year. Even if gasoline drops sharply by next season, petroleum-based chemicals and nitrogen-based fertilizers remain historically high, meaning Ferguson will be skimping for the foreseeable future.

"If it was just fuel, it wouldn't be that big a problem," Ferguson said. "But every input we got is connected to fuel, so everything we use is considerably higher."

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