

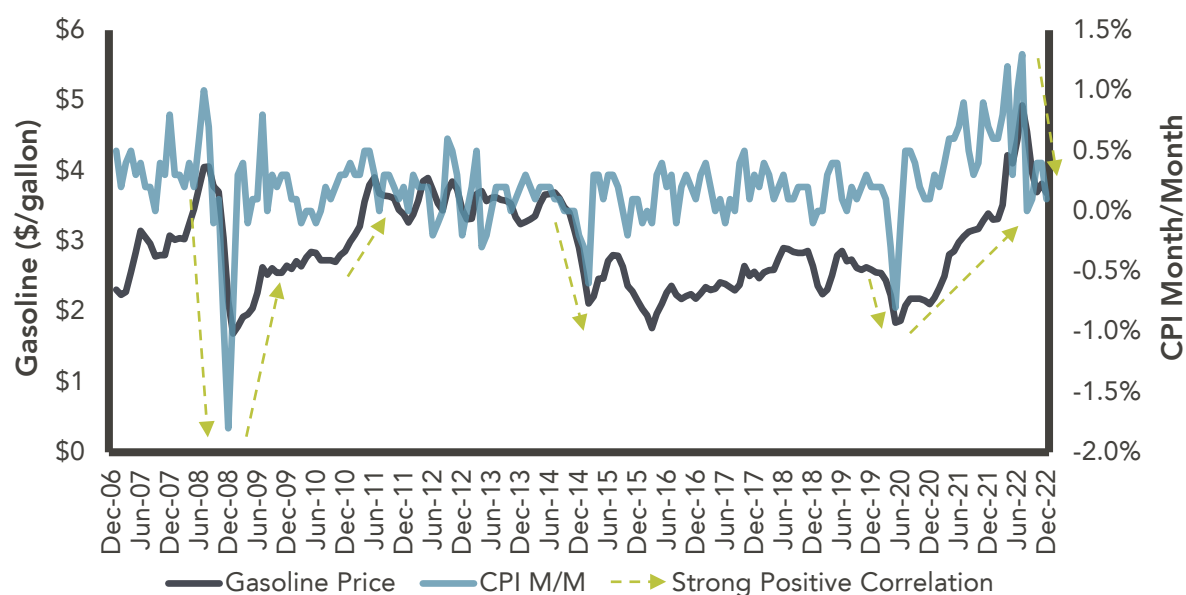
# Chart of the Week

January 4, 2023

## Fueling Some Relief into the New Year

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▾ Macroeconomic shocks tend to drive up the correlation between gasoline and overall CPI



Source: Bloomberg, Federal Reserve Bank of St. Louis as of December 31, 2022

Last summer, gasoline prices retreating was one of the first bright spots at the macroeconomic level. Since then, CPI has generally followed suit, correcting from a peak of 9.1% year-over-year in June to 7.1% in November. Gasoline prices are broadly a product of global supply and demand, with many economic variables at play. As a notable component of the CPI basket, it is no surprise that the price of gasoline usually moves in line with inflation, however, historically, the correlation between the two has increased during times of economic turbulence. Correlations spiked during the Global Financial Crisis in 2008, the oil price shock in 2014, and again in 2020 when COVID hit and oil futures plunged into negative territory. Correlation remained high heading into 2023, with gasoline prices turning deflationary year-over-year. Inflation is expected to continue lower from here as the Fed prioritizes price stability via higher rates. While heightened macro uncertainty remains, and other factors including weather and refinery operations can impact prices for consumers at the pump, experts generally expect overall lower gasoline prices as well, with the EIA forecasting a 12% drop in the average price per gallon in 2023 from 2022. To the extent historically higher correlations hold, the consumer should continue to benefit from some relief when refueling. ▀

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