

Consumers Cut Back On Everything But Driving, Study Finds

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Rising gas prices are already taking a toll on Americans' discretionary spending --all the way up to influencing purchasing a new house--according to new marketing research from Kelley Blue Book.

"Gas prices are already affecting vehicle sales in every segment, and traditional sport utility vehicles have been especially hard hit," says Jack Nerad, executive editorial director and executive market analyst for Kelley Blue Book. "Other industries will feel the pinch as consumers cut out life's little luxuries like clothes, eating out and entertainment just so they can pay the fuel bills."

According to the survey, 65% of consumers in 2008 were spending less on non-essential retail items because of higher gas prices, compared with 42% six months before in October 2007. Some 53% said they were eating out less often, compared with 38% in October. Also 48% said they were purchasing fewer entertainment media items (compared with 33% six months before).

The decline isn't limited to small purchases, either. Ten percent said they would delay the purchase of a new home, compared with 5% in October 2007. Just 15% said they would carpool or find alternative transportation, compared with 10% in October 2007.

The percentage of consumers who said they would not change any spending habits declined over the six months to 22% in April 2008 from 43% in October. "What this really indicates is how deeply the auto industry is ingrained in our lives," Nerad tells *Marketing Daily*. "Instead of cutting back on driving, [Americans] are cutting back on other things instead."

The surge in gas prices is not likely to abate anytime soon. According to a new forecast from CIBC World Markets, gas prices will reach a national average of \$4 a gallon this summer, moving up to \$5.50 in the summer of 2010 and perhaps as high as \$7 by 2012. "It is increasingly clear that the outlook for oil supply signals a period of unprecedented scarcity," said CIBC chief strategist and chief economist Jeff Rubin, in a statement. "Despite the recent record jump in oil prices, oil prices will continue to rise steadily over the next five years, almost doubling from current levels." While Nerad wouldn't comment on the possibility of gas prices increasing beyond the summer, a continued rise in gas prices could adversely affect the domestic auto industry. "When people think of fuel efficiency, they think of imports, whether that's true or not," Nerad says.