

The Virgin Islands Consortium

Oil Prices Fall, Causing Ripple Effect in Several Industries and Possibly Easing Inflation

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The price of oil has tumbled from this year's highs, resulting in the lowest point since January as a blurry outlook tied to supply and demand issues drove a 30 percent decline. In May, the cost for a barrel of oil on the Brent Crude Index, which is the global benchmark, soared above \$130 a barrel. Brent Crude closed on Friday at \$92.42 following a modest gain of 5.9 percent since Wednesday.

The declines are tied to difficult-to-predict variables including how much China's recent [Covid-19 lockdowns](#) will affect consumption and whether Russia's oil — shunned by Western governments — will make it to market, according to an analysis by the Wall Street Journal.

The deep declines have been rewarding for consumers, with a drop in cost for goods spanning several industries to include gasoline, lodging and airfare being realized. Food and some other costs have managed to keep rising, however, according to private firms tracking such data provided to WSJ.

Locally, the cost for gasoline has been trending downward, with the average price of a gallon of regular unleaded gas on St. Croix costing about \$3.80. That's down on average 30 cents from a month ago when comparing averages provided by the V.I. Dept. of Licensing and Consumer Affairs. DLCA furnished data on August 17 showing the lowest price for regular unleaded gasoline at \$4.13. For premium, the average is about \$4. Meanwhile, the cost of diesel has been slower to drop, with St. Croix averaging about \$4.89 at the pump.

In St. Thomas, the cost of fuel is on average \$1.16 to \$2 higher than St. Croix.

[Last month](#) DLCA subpoenaed gas stations requesting copies of certain documents to provide a clearer picture on what the department has described as a "great disparity" in prices between the St. Thomas-St. John and St. Croix districts. DLCA said it wants to ensure that consumers receive the fairest price possible at the pump.

A U.S. government inflation report scheduled for release on Tuesday is expected to show that inflation either eased or remained flat. If the results are as expected, it would be the second straight month that inflation has either trended downward or saw no growth following a 40-year surge reached in June.

Speaking to WSJ, Alberto Cavallo, a Harvard Business School professor who in 2008 created a "billion price" index that tracked dollar amounts of online consumer transactions, said, "We are experiencing a slowdown driven by the decline in fuel prices, but there is still significant upward pressure in such important categories as food, household items and healthcare products. "We are not out of the woods yet."

Consumers, especially those in low income households have been changing purchasing habits in a pushback on higher prices. This has led in part to retailers offering heavy discounts on clothing and other items that were overstocked during the pandemic. Also contributing to the discounts is recent easing in supply-chain disruptions that had pushed prices higher.

Richard Hayne, the chief executive of Urban Outfitters, said in an earnings call last month, "I hesitate to call it a bloodbath, but it's going to be ugly in terms of the amount of discounting and markdowns."