

Energy costs are stoking inflation. Just look at US gas prices

By Julia Horowitz, CNN Business
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London (CNN Business) Investors worried about rising inflation should keep an eye on what's happening at the pump.

US gas prices hit their highest level in seven years during a busy Memorial Day weekend, as Americans traveled to meet up with friends and took much-needed vacations.

What's happening: Data from GasBuddy shows gas in the United States is at its most expensive since 2014. AAA puts the national average at \$3.05 per gallon, up from \$2.90 one month ago and \$1.98 a year ago.

GasBuddy analyst Patrick De Haan said his firm observed "very strong US gasoline demand for Memorial Day weekend." Ongoing supply shortages following the Colonial Pipeline hack are also propping up prices.



Gas prices surge past \$3. Here's where gas is most expensive — and cheapest — for Memorial Day

As of last Thursday, 25% of gas stations in South Carolina were still experiencing fuel outages, along with 22% in North Carolina and 12% in Florida, according to GasBuddy data.

Watch this space: Brent crude futures jumped back above \$70 per barrel on Tuesday, while West Texas Intermediate futures, the US benchmark, rose above \$68 a barrel, their highest level since late 2018.



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Whether those gains hold in the near term hinges on the outcome of Tuesday's meeting of the Organization of the Petroleum Exporting Countries and allies. The group, known as OPEC+, is expected to stick to its plan of gradually easing up on supply cuts enacted earlier in the pandemic.

OPEC+ faces a tough balancing act. It needs to take into account a strong recovery in demand, which bolsters the case for boosting supply. But members are also closely watching efforts to revive a nuclear deal that could allow Iran to increase its output. And if prices rise too high, it could encourage US production to ramp up, which would eat into OPEC's market share.

The leap in fuel prices is starting to show up in the economic data that Wall Street and policymakers are monitoring closely.

In the United States, inflation data released Friday showed a 3.6% rise in prices in April from one year ago, as energy prices jumped 25%. Excluding the cost of food and energy, prices rose 3.1%.

Surging energy prices caused inflation in the 19 countries that use the euro to increase to 2% in May from 1.6% in April, exceeding the European Central Bank's inflation target of "below but close to 2%." That puts inflation in the region at its highest level since 2018.

"The global rise in commodity prices is currently being felt by consumers in the euro area mainly in the form of rising energy prices," said Christoph Weil, a senior economist at Commerzbank.

While that could unnerve traders, most economists aren't too worried about the headline number. When the prices of energy, food, alcohol and tobacco are excluded, eurozone inflation only climbed from 0.7% to 0.9%.

Still, the data will put European Central Bank leaders in the hot seat when they meet next week. The big question: Can they continue to convince

investors they don't plan to imminently pull back support, despite growing pressure?