



Trump to Push Gas Prices Higher?

Gas prices have increased [almost 50 cents a gallon](#) in the past 12 months, reaching their highest levels since 2015, and are poised to jump higher if President Trump pulls out of the nuclear agreement with Iran when it comes up for renewal this week.

The president tweeted on Monday that he would [announce his decision](#) on the Iran nuclear deal this afternoon.

The agreement, reached in July 2015, [lifted economic sanctions](#) on Iran in exchange for agreeing to limit its nuclear program and allow regular international inspections. United States withdrawal from the agreement and re-imposition of sanctions would result in fewer oil exports from Iran, the Organization of the Petroleum Exporting Countries' (OPEC) third largest exporter, pushing global gas prices higher.

Less oil from Iran in the world market could add about [\\$7 a barrel](#) to the price, according to a Goldman Sachs report. An analyst at GasBuddy said that gas prices across the country would exceed \$3 a gallon [“if Trump places wide-ranging sanctions on Iran.”](#)

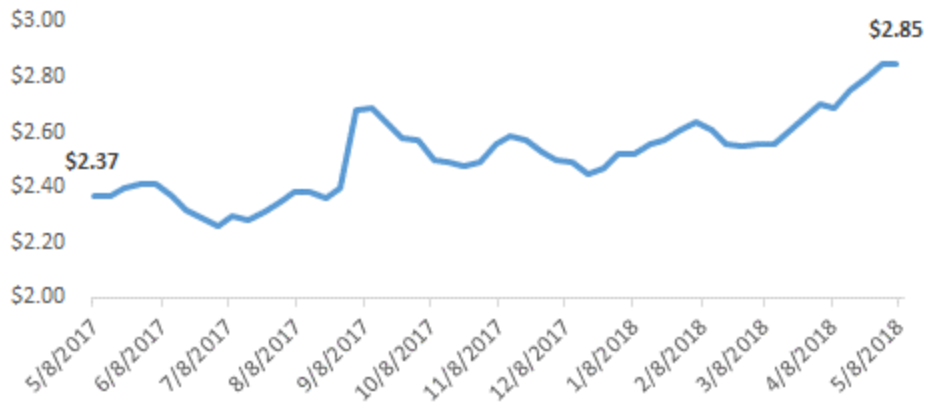
With Memorial Day and the beginning of the summer driving season just a few weeks away, higher prices could limit travel and dampen tourism. A recent survey from the American Automobile Association (AAA) finds that [40 percent of consumers](#) would change their driving habits or lifestyle if gas prices climb above \$3 a gallon. Changes include driving less, reducing shopping or dining out, or delaying major purchases.

As the AAA report indicates, when gas prices increase, less remains for other spending. Each penny increase in gas prices is estimated to [reduce household cash flow by \\$1.5 billion](#). Ultimately, this will lead to reduced consumer spending, which accounts for about two-thirds of the economy.

Higher gas prices [hit low-income consumers](#) with less discretionary income, offsetting any potential benefits seen from [the Republican tax plan](#). Rural residents also are vulnerable to increases in gas prices, since they have [less access to public transit](#) and fewer transportation options.

Last summer, President Trump boasted that “gas prices are the lowest in 10 years.” While the tweet was [factually incorrect](#), it showed his intention of taking credit for low gas prices. Now, gas prices are at their highest levels in three years, and perhaps going higher. Drivers will know more about the prices they will see at the pump after today’s announcement.

Gas Prices Climb Over Past 12 Months



Source: Energy Information Administration. Weekly U.S. Regular Formulations Retail Gasoline Prices.