

US economy: More jobs, higher pump prices

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As the US economy recovers and adds more jobs, Americans are paying the price at the gas pump.

The government yesterday said that the US' unemployment rate dropped to 8.5 per cent, the same day that gasoline prices hit an average of \$3.35 a gallon (88 cents a litre), the highest ever for this time of year.

The price of benchmark crude rose 3 per cent this week, though it fell slightly yesterday. The positive US jobs numbers and weak economic data in Europe boosted the dollar against other major currencies, including the euro. Oil is priced in dollars, and it tends to fall as the dollar rises and makes crude more expensive for investors holding foreign money.

Benchmark crude fell 25 cents to end the week at \$101.56 per barrel in New York. Brent crude, which is used to price foreign oil varieties that are imported by US refineries, rose 32 cents to finish at \$ 113.06 per barrel in London.

But US gasoline prices are rising again after falling in the last months of 2011. Motorists are buying less gas than they did a year ago, but pump prices are rising with higher oil prices.

"It's difficult to raise prices when gasoline demand is so anemic," said Tom Kloza, publisher and chief oil analyst at Oil Price Information Service. But if the cost of oil goes up, "you have to pass it along" to the consumer, he said.

Kloza expects pump prices will average between \$3.75 and \$4.25 a gallon this year. They could be around \$4 a gallon (\$1.05 a litre) by spring.

Oil prices at the start of 2012 continued the climb they started last year. The price of benchmark US crude rose 19 per cent in 2011 to an average of about \$95 a barrel.

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Oil prices jumped above \$100 a barrel this week on growing tension in the Persian Gulf. Iran has threatened to block the Strait of Hormuz, if the US and other nations enforce more economic sanctions against Iran because of its nuclear program. The strait provides the only way out of the Persian Gulf for oil tankers carrying one-sixth of the world's exports. Experts say it's unlikely that Iran could follow through with its threat, but fears of military action could slow shipments at a time when global demand is higher than ever.

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