BUSINESS

Good news at the gas pumps

Prices falling in time for summer vacations could also boost spending

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NEW YORK — A summer road trip may not be such a bad idea after all.

Gasoline prices are falling fast. In the past 7 weeks, the average U.S. retail prices has dropped 38 cents to $3.60 per gallon. Another 25-cent drop is expected by mid-July.

When prices approached $4 in early May, drivers were worried that $5 gasoline was a possibility this summer. But since then, oil prices have collapsed, the result of slowing economic growth in developed countries, weaker demand for oil and gas and this week's decision by the U.S. and other countries to release 60 million barrels of oil from strategic reserves. Economists say falling prices will benefit consumers by leaving money in their wallets, and making them feel freer to spend on travel, shopping and dining.

Economists say that while, for instance, a 25-cent-per-gallon drop only saves the typical driver $12.50 per month, it has a huge effect both on the economy as a whole and on the psychology of consumers.

Naveen Agarwal, who helps small businesses and car companies manage fuel costs as CEO of Pricelock, in Redwood City, Calif, said he expects drivers will travel farther distances this summer than originally planned. And they'll spend as they go.

"They'll be a little bit more liberal about their consumption instead of just having a barbeque in their back yard," Agarwal said.

"If you're asking whether gasoline could be $3.50 or higher forever, the answer is yes," said oil analyst Andrew Lipow. "People will have to make some adjustments."