

Oil Prices Hit Six-Year High

As demand outpaces supply, inflation concerns rise.

Provided by DSA Financial Group

On July 6, oil prices reached a six-year high of \$76.98 a barrel. This benchmark came as the Organization of the Petroleum Exporting Countries (OPEC) and allies failed to reach an agreement regarding an increase in production.¹

This rise in cost follows a year in which OPEC and allies cut production amidst the COVID-19 pandemic. As a surge in demand rises, production has yet to ramp up to pre-pandemic levels. This idea of “demand being greater than supply” should sound familiar, as we’ve seen similar economic trends in everything from semiconductors to lumber and cars.

Earlier this year, we saw a spike in gas prices across the country. In fact, gas prices have risen 40 percent since the beginning of January. In addition, as the cost of oil remains high, gas prices are continuing to be impacted, with experts predicting prices to continue creeping up 10 or 20 cents by the end of August.¹

However, despite an increase in cost, demand for gasoline continues to rise. We’re currently seeing a demand of about 9.1 million barrels per day, compared to 8.5 million barrels per day at this time last year.

It can be tempting to think that higher prices for gas and food are simply a precursor to higher prices in general. However, if history is any indication, this is not always the case. If you have any questions or concerns, please let us know. Inflation touches our lives in different ways, and we would welcome the chance to hear about your experience with higher prices.

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Sources

1. AAA.com, 2021