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Do High Gas Prices Sell Smaller Cars? An Empirical Study of the Impact of Fuel Prices on Automotive Sales

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Poster Presentation P56

**DO HIGH GAS PRICES SELL SMALLER CARS? AN EMPIRICAL STUDY OF THE
IMPACT OF FUEL PRICES ON AUTOMOTIVE SALES**

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Some have suggested artificially raising the price of gasoline in the United States would create a demand for more fuel-efficient vehicles. From 2005 to 2009, average U.S. gas prices swung from a low of \$1.59/gallon to \$4.05/gallon (with many areas seeing prices shoot higher still). If higher fuel prices led to changes in consumer preferences in the market for automobiles, this should be readily apparent in vehicle sales figures. This paper attempts to explain vehicle sales through nominal fuel prices, and finds that the sale of small cars responds well to changes in these fuel prices. However, sales of larger cars and light trucks are not responsive to changes in nominal fuel prices.