

Americans Have Spent \$100 Billion More on Fuel During the Iran War

Higher gasoline and diesel prices have led many families to save less and curb spending elsewhere

By

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Cumulative gasoline spending alone is \$59 billion more than it would have been without the war, a climate lab at Brown University projects. MICAH GREEN/BLOOMBERG NEWS

Quick Summary

- U.S. consumers have spent about \$107 billion more on gasoline and diesel during the Iran war than they would have without the conflict, according to estimates by a lab at Brown University.
- The additional fuel costs are forcing some lower- and middle-income families to save less or curb spending elsewhere.
- Average U.S. retail diesel prices hit \$6.27 a gallon on Tuesday, with costs in California rising above \$8.

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Oil prices' lurch above \$100 a barrel is propelling the U.S. past another unwelcome milestone: The war with Iran is sticking Americans with a 12-figure bill.

U.S. consumers have collectively spent about \$107 billion more on gasoline and diesel during the Iran conflict and disruptions from the Russia-Ukraine conflict than they would have had there been no war, according to estimates by the Climate Solutions Lab at Brown University. That averages to more than \$500 million a day since the U.S. and Israel attacked Iran on Feb. 28, and a recent surge in crude assures that the price tag will only grow in the weeks ahead.

The additional wartime fuel costs are still small relative to the more than \$22 trillion in personal-consumption expenditures the Commerce Department anticipates this year—staples such as housing and healthcare are atop the list. But the sum is far more than the projected \$69 billion Americans are spending in 2026 on nursery, elementary and secondary schools. And the figure is now approaching annual spending on internet access and life insurance.

Oil prices' climb is boosting overall inflation and helped push the 10-year Treasury yield past 5% for the first time in years. At the same time, though, rising costs are clouding the Federal Reserve's outlook because prices at the pump are forcing some lower- and middle-income families to save less or curb spending elsewhere.

"It's definitely a drag on the economy," said Michael Pearce, chief U.S. economist at Oxford Economics.

Ballooning investment on the nationwide AI build-out, as well as stock-market gains for the affluent, suggest the U.S. can continue weathering the shock for now. Still, elevated prices are pushing down President Trump's popularity and raising new risks for the economy as the midterm elections near.

After oil prices rose when the U.S. and Israel began trading strikes with Iran in February, larger tax refunds helped cushion the blow. That buffer has thinned and real-wage growth has stalled. Americans' personal saving rate in July hit 3%, according to the Bureau of Economic Analysis, one of the lowest levels since the 2007-2009 recession.

Pointing to how some Americans are drawing down savings, Pearce added, "That obviously can't be sustained forever."

Now, interlocking threats are squeezing the oil market at a time of the year when U.S. fuel prices tend to fall. Shipments through the Strait of Hormuz are still lower than prewar levels, while Iran-backed Houthi militants are threatening tankers on the western side of the Arabian Peninsula. Meanwhile, a Ukrainian air campaign has disrupted much of Russia's refining capacity.

The Commerce Department estimated that consumers spent more than \$400 billion on fuel such as gasoline last year, not including businesses' diesel costs. The Brown University model, which analyzes daily retail prices and historical demand patterns, estimates that cumulative gasoline spending this year has been \$59 billion more than it would have been without the war. Additional diesel costs are roughly \$48 billion.

The estimates don't try to gauge any pullback in demand due to high prices, meaning the real figures could be slightly lower. "But in a way that is another cost of the war—people being forced off consumption they would otherwise have chosen," said Jeff Colgan, a Brown University professor and director of its Climate Solutions Lab.

Diesel, a key fuel for farming equipment, construction machinery and logistics, is now central to the oil shock. While Brent crude futures Tuesday closed at \$108.75 a barrel, a level still within historical norms, diesel futures notched a fresh record of \$5.26 a gallon.

Wyo.UtahAla.Mont.Miss.0100200300400500600700\$ 800per household
That signals more pain at the pump for diesel buyers already staring down all-time highs. Average U.S. retail prices on Tuesday hit \$6.27 a gallon, according to AAA, with costs in California above \$8.

Prices are likely reaching a danger zone in which some businesses pare back operations that are now unprofitable, said Roukaya Ibrahim, chief commodity strategist at BCA Research. "It's probably already leading to demand destruction," she added.

Consumers could ultimately bear much of the resulting costs. "We're nearing the harvest season for certain important crops in the U.S.," Ibrahim said. "That's also a source of upside pressure [on fuel] that could filter through to food prices."