



Global Highlights

June 27th 2008

Energy prices and changing lifestyles

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Consumers' reactions might anticipate future trends in a World of Dearer Energy

- Recent press reports, as well as statements from transportation authorities in the USA, have been informing of significant changes in behavior of consumers as a reaction to high energy prices. These could be transitory adjustments, but might also anticipate future trends in consumers' behavior as energy prices remain high for an extended period of time.
- One major change has to do with the [shift from cars to public transportation](#). According to statements of the President of the American Public Transportation Association, large cities with well-established public transportation systems, such as New York and Boston, have seen increases in their usage by 5% or more, while other cities with a stronger "car use culture" have seen annual increases in the range of 10 to 15%. This is putting pressure on local governments to invest in the expansion of public transportation services, which usually run in the red, with fees covering less than one half of their costs.
- A second change is having a big impact in car sales, with [consumers switching from large pick ups and SUVs to smaller and more fuel efficient cars](#). This is forcing major adjustments in the auto industry with GM and Ford announcing major scaling down, or even closing, of production lines of pick up trucks, SUVs, and other large vehicles, including the biggest gas-guzzler of all: the HUMMMER (the civilian version of the military vehicle that replaced the venerable Jeep of WWII). This is benefiting Japanese auto makers that have concentrated in smaller and more fuel efficient cars, and could even spill over European auto makers, a trend dampened by the appreciation of the Euro.
- Higher energy prices are also having impact in home buying practices, with [a reversal of the trend to move far away to and beyond suburban areas](#). This has been showing both in higher interest and better selling performances of homes near commuter stations, as well as lower prices of homes beyond suburbia. The latter ones are usually large houses, located in low density areas, with high transportation and heating costs. This is the first sign of reversal of a trend lasting several decades. The evidence is still patchy, but might well be one of the most important shifts in the long-term.
- Finally, and at a more anecdotal level, we are also seeing reports of [farmers turning back to animal power](#) in the US to save on energy costs, and even more surprising, is a [surge in demand for camels in India](#), to replace tractors. Camel prices have risen fourfold recently, and they still cost about 25% of a tractor, and have a life-expectancy far higher than that of a tractor (60-80 years). These developments might go against the urge to increase farm productivity in response to higher food prices, so they might not last or extend beyond areas where economies of scale are not large enough to justify mechanization at the new energy prices.