Asymmetric Price Adjustment in Retail Gasoline Market

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Abstract

It has been argued that retail gasoline prices adjust more quickly to price increases than to price decreases in crude oil prices. We investigate this issue using the statewide data on weekly retail gasoline prices in the United States between January 2000 and June 2007. Our analysis does not confirm the prediction that gasoline prices adjust more quickly to price increases in crude oil prices. On the contrary, the results suggest that gasoline prices could change faster when crude oil prices decrease. These findings have important welfare implications.