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High price of oil, gas spills into other items

Manufacturers pass on costs to customers

By Brad Foss

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What do carpet, tires and paint have in common?

They are just a few of the household items getting more expensive due to the high cost of oil and natural gas, important raw materials for these products and the source of energy needed to manufacture and ship them.

The price increases for such goods aren't ubiquitous and are relatively small compared with the 30 percent rise in the price of gasoline from a year ago. Yet they illustrate how higher energy costs trickle through less obvious corners of the economy at a time when Wall Street and the Federal Reserve are looking out for signs of inflation.

Builders Carpet Outlet of Ann Arbor, Mich., recently began selling brand-name nylon carpeting for about \$1, or 4 percent, more per square yard, reflecting wholesale price increases imposed by major manufacturers such as Shaw Industries Inc. and Mohawk Industries Inc.

The Goodyear Tire and Rubber Co. and Cooper Tire & Rubber Co. have each raised prices twice this year because synthetic rubber is made from chemicals derived from oil. Each \$1-per-barrel increase in the price of oil costs Goodyear an extra \$20 million per year, spokeswoman Tricia Ingraham said.

Paint manufacturer Sherwin Williams Co. of Cleveland, framed the impact of rising energy prices this way: For every 10 percent increase, the raw material costs for a gallon of paint go up more than 1 percent. That nudges up the retail price, spokesman Bob Wells said.

"We are starting to see more and more of this rippling downstream," said Kevin Swift, chief economist for the American Chemistry Council, an Arlington, Va.-based trade group whose membership include the largest producers of plastics, coatings, fertilizer and other petroleum-based products.

Until recently, makers of petrochemicals, plastics and other raw materials had difficulty passing along higher costs to customers such as home furnishings, auto parts and electronic gadget manufacturers. But as the economy strengthens and energy prices remain stubbornly high, the ability to share the cost burden with others grows.

"All of us at some point are going to have to reflect that higher cost of (natural) gas. It's just a matter of timing," said Alex Strawn, manager of energy purchasing for Procter & Gamble, speaking on behalf of the Process Gas Consumers Group, a trade association that represents manufacturers of steel to textiles to glass.

"Now as the economy ramps up, it becomes more and more difficult to contain those costs," Strawn said.

Marshal Cohen, a senior retail analyst at NPD Group Inc., a market research company in Port Washington, N.Y., expects higher energy costs to reverberate through "the price of everything from socks to hats" by next fall. He anticipates apparel made with nylon and other synthetic materials to be most affected.

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