



## Sorting Out the Winners and Losers From Higher Gasoline Prices

### Description

Gas prices in Canada are near all-time highs and are likely headed higher over the summer as vacation season approaches.

Which companies stand to benefit most from Canadians paying higher prices at the pump, and which are likely to suffer as a result?

#### Gas prices are 22.9% higher from a year ago

Recent reports suggest that the national average price for gasoline is sitting at ~\$1.34 per litre.

That's about \$0.25, or 22.9%, higher than where gas prices sat a year ago.

And that increase doesn't even account for the typical spike at the pump that motorists are forced to pay once the summer rolls in.

It's not uncommon for gasoline prices to jump an additional \$0.05 to \$0.10 per litre on average towards the end of May.

That's smart planning on the part of Canada's refineries—companies like **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), **Imperial Oil Ltd.** ([TSX:IMO](#))([NYSE:IMO](#)), and **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#))—companies that convert crude oil into useable products for end markets, such as gasoline, diesel, jet fuel, and certain chemical products.

The idea is that families tend to travel more in the summer, as the weather is warmer and the kids are out of school; higher gas prices can typically add as much as a few hundred dollars to a family's summer budget, but it's difficult to forgo those travel plans to stay idle at home.

Those "downstream" companies like Suncor, Imperial Oil, and Cenovus have benefitted doubly this year, as the price for Canadian oil has been depressed [thanks to some severe bottlenecks in the countries pipeline networks](#).

While something like that may sound bad on the surface, the depressed prices for Canadian “heavy” oil have lowered these companies’ input costs for their refining operations.

Essentially, companies like Cenovus have been “selling themselves” oil at reduced prices, only to turn around and sell the refined gasoline products to Canadian motorists at record prices.

That’s partially [why Cenovus stock has performed so well this spring](#)—with shares up 61% since the beginning of March.

### **Who stands to lose?**

The most obvious companies to suffer from higher gas prices are auto manufacturers.

Particularly, since 2014, when energy prices began their historic descent, consumers have taken advantage of the opportunity to load up on bigger autos—particularly SUVs.

The idea is that the main drawback of owning a larger vehicle is higher fuel costs, but with oil prices being so heavily discounted, this was no longer as much of a concern.

Companies like **Ford Motor Company** ([NYSE:F](#)) and **General Motors Company** ([NYSE:GM](#)) in particular that make a good chunk of their business from selling pickup trucks and SUVs may face a tougher road ahead if gas prices remain elevated.

However, that dynamic stands to have trickle-down consequences for some Canadian auto parts manufacturers—companies like **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)) and **Martinrea International Inc** ([TSX:MRE](#)), for example, may have stronger bargaining pressure from GM and Ford when it comes time for those companies to negotiate their next set of supply contracts later this year.

### **Bottom line**

Inflation is generally viewed as a bad thing, as it leads to higher prices for everyday household items and tends to be followed by higher interest rates and increased borrowing costs.

But Foolish investors may want to take a little sting out of any forthcoming inflationary pressures by putting some of their capital towards those companies that stand to be beneficiaries of rising prices, including those mentioned above.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:F (Ford Motor Company)
3. NYSE:GM (General Motors Company)
4. NYSE:MGA (Magna International Inc.)

5. NYSE:SU (Suncor Energy Inc.)
6. NYSEMKT:IMO (Imperial Oil Limited)
7. TSX:CVE (Cenovus Energy Inc.)
8. TSX:IMO (Imperial Oil Limited)
9. TSX:MG (Magna International Inc.)
10. TSX:MRE (Martinrea International Inc.)
11. TSX:SU (Suncor Energy Inc.)

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