## **Falling Food, Gas Costs Lower Wholesale Prices**

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WASHINGTON (AP) — U.S. wholesale prices fell for the third month in a row last month, pushed down by falling food and gas costs. The drop is the latest evidence inflation is tame.

The producer price index dropped 0.2 percent in December, the Labor Department said Tuesday. That follows a decline of 0.8 percent in November.

The index measures price changes before they reach the consumer. Wholesale prices rose 1.3 percent in 2012, much lower than the 4.7 percent increase in 2011.

Excluding the volatile food and energy categories, core wholesale prices ticked up 0.1 percent in December. They rose 2 percent in 2012, below a 3 percent increase in 2011.

Low inflation means consumers have more money to spend, which helps the economy. It also gives the Federal Reserve more room to keep interest rates low in an effort to spur economic growth. If prices were to begin rising rapidly, the central bank might be forced to raise rates in response.

As long as inflation stays mild, the Fed said it plans to keep the short-term interest rate it controls near zero until the unemployment rate falls to at least 6.5 percent.

Food prices fell 0.9 percent in December, the biggest drop in 19 months. More than one-third of the decline resulted from a 4.8 percent fall in beef and veal prices. The cost of vegetables and cheese also declined.

The drop in food costs was the first since May and comes after a 1.3 percent increase in November. That was the biggest rise in nearly two years.

Not everything was cheaper last month. The cost of women's and girls' clothes jumped 1.4 percent, the most in nine years. Fresh fruit prices rose 2.7 percent, while car prices increased 0.5 percent.

Those price increases could get passed on to the consumer in the coming months, but probably not by as much. High unemployment and weak wage increases will make it hard for retailers to pass on all of the higher costs.

Gas prices have fallen sharply this past fall, dragging the overall index lower. Nationwide, the average cost of gas was \$3.30 a gallon on Monday, according to AAA. That's about the same as it was a month ago and well below summer prices that nearly touched \$4 a gallon.

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