

U.S. Consumer Prices Rose 0.1 Percent in January

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WASHINGTON (AP) — U.S. consumer prices barely rose last month as a sharp increase in energy costs was offset by cheaper clothing, cars and air fares. The figures indicate inflation remains mild.

The Labor Department said Thursday that the consumer price index rose just 0.1 percent in January, down from a 0.2 percent gain in December. Prices have risen 1.6 percent in the past 12 months. Excluding the volatile food and energy categories, core prices also rose just 0.1 percent last month and 1.6 percent in the past year.

The year-over-year increase in core prices was the smallest in seven months.

The "mild uptick ... confirms the fact that inflationary pressures remain well contained," Martin Schwerdtfeger, an economist at TD Bank, said in a note to clients.

The small increase occurred even though cold weather pushed up the cost of natural gas, electricity and other home energy sources by the most in more than five years.

Yet other items fell or barely rose: Food prices increased just 0.1 percent, and the cost of men's clothing fell by the most in nearly five years. New and used car and truck prices also dropped, and airline fares declined 2.2 percent.

Inflation has been held back by sluggish growth and a tough job market, which makes it harder for retailers and other businesses to raise prices.

Consumer prices rose just 1.5 percent in 2013, down from 1.8 percent in 2012. Both figures are below the Federal Reserve's 2 percent target.

While most Americans prefer lower prices, economists warn that super-low inflation may slow economic growth. It can lead consumers to postpone purchases and makes inflation-adjusted interest rates higher, potentially discouraging borrowing.

Low inflation has enabled the Federal Reserve to pursue extraordinary stimulus programs to try and boost economic growth.

The Fed is now trying to unwind some of that stimulus. It cut its monthly bond purchases to \$65 billion this month, from \$75 billion in January and \$85 billion last year. The bond purchases are aimed at lowering long-term interest rates to encourage more borrowing and spending.

But Fed policymakers have expressed concern about the persistence of low inflation. If it remains below target, the Fed could extend its stimulus efforts.

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