Food Gains Help Push Producer Prices Higher

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In this Oct. 15, 2009 file photo, Kolleen Irwin and her daughter Ariel, 3, shop for groceries at a Target store in Philadelphia. The Labor Department reports on U.S. producer prices in March later Friday April 11, 2014. **(AP Photo/Matt Rourke, File)**

WASHINGTON (AP) — The prices companies receive for their goods and services jumped in March, led by gains for food, clothing, jewelry and chemicals.

The producer price index, which measures price changes before they reach the consumer, rose 0.5 percent in March, the Labor Department said Friday.

Overall inflation remains relatively tame. Producer prices increased 1.4 percent during the past 12 months.

Wholesale food prices rose last month, led by a 30.4 percent leap in the costs of hogs and 12.4 percent increase in poultry. Those increases were partially offset by a 2.4 percent decline in gasoline prices and a 0.7 percent drop for electric power. Excluding the volatile categories of food, energy and retailer and wholesaler profit margins, core prices ticked up 0.3 percent.

Some of the higher prices were due to a "distortion caused by the unusually bad weather" in previous months, said Paul Dales, senior US economist at Capital Economics. Snowstorms kept many shoppers at home and hurt retail sales. The margins of clothing wholesalers and retailers bounced back in March, rising by 3.3 percent to push up overall producer prices.

Inflation has been near historic lows during the past two years. The producer price index rose just 1.2 percent in 2013 after a 1.4 percent increase in 2012. Both figures are far below the Fed's preferred target of 2 percent.

Stronger growth usually leads to higher levels of inflation. But the economy has struggled to accelerate during the 4 ½-year recovery from the Great Recession. Wage growth has been close to flat, while unemployment remains at historically high levels. This limits consumer spending and limits the ability of businesses to raise prices.

Low inflation has enabled the Federal Reserve to pursue extraordinary stimulus programs to boost spending, hiring and overall economic growth.

The Fed has begun to unwind some of that stimulus, although it intends to prolong its near zero short-term interest rates, in part, because inflation has been so low. The U.S. central bank has cut its monthly bond purchases to $55 billion, down from $85 billion last year. The bond purchases are aimed at lowering long-term interest rates to bolster growth.

The economy has started to improve after a winter slowdown. Employers added 192,000 jobs in March and 197,000 in February, according to a government report issued last week. Snowstorms and freezing temperatures cut into job gains in December and January.

Hiring over the past two months suggests the economy may be gaining steam with the start of spring, likely encouraging the Fed to continue reducing its stimulus despite concerns about low inflation.