U.S. Consumer Prices Inch Higher

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WASHINGTON (AP) — Lower U.S. gasoline prices kept consumer inflation in check last month, helping to offset higher costs for food and clothing.

The Labor Department said Tuesday that the consumer price index rose 0.2 percent in March, after scant 0.1 percent increases in the previous two months. Prices have risen just 1.5 percent year over year. That remains well below the Federal Reserve's 2 percent target for inflation.

Excluding the volatile food and energy categories, core prices increased 0.2 percent in March and 1.7 percent in the past year.

Prices at the gas pump tumbled 1.7 percent in March, lowering costs for the overall energy category.

But food prices jumped 0.4 percent, led by increases in eggs, milk, butter, oranges, pork chops, ground beef and poultry. Prices for clothing, used cars and cable television also rose.

Overall, signs point to continued low inflation. Sluggish growth and a tough job market have limited price increases, making it harder for retailers and other businesses to charge more.

"Prices are creeping higher," said Jennifer Lee, senior economist at BMO Capital Markets, "but with wage growth still modest and lots of retail competition, inflation should remain in check for now."

Consumer prices rose just 1.5 percent for all of 2013, down from 1.8 percent in 2012.

Though shoppers welcome lower prices, super-low inflation can stall economic growth. Lower prices encourage consumers to delay purchases. Extremely low inflation can also raise inflation-adjusted interest rates, thereby discouraging borrowing.

Still, low inflation has enabled the Fed to pursue extraordinary stimulus programs to try to boost economic growth.

The Fed is now trying to unwind some of that stimulus. It plans to buy $55 billion in bonds this month, down from $85 billion in March of last year. The bond purchases have been intended to lower long-term rates, which can spur borrowing and spending.

Despite scaling back its purchases, Fed officials have expressed concern about inflation running below their target. As a result, the Fed is prepared to hold shorter-term rates near zero even if unemployment falls by roughly a percentage point from its current level of 6.7 percent. This suggests that the Fed might not raise short-term rates until the middle of 2015.