

Economists: Gas And Food Prices To Fall, Hiring To Rise

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WASHINGTON (AP) — Americans are finally getting some relief from high gas and food prices.

Wholesale food prices fell last month by the most in nearly a year, and gas prices keep dropping after peaking in May. A separate survey suggests CEOs are feeling more optimistic and will hire more in the second half of this year.

It amounted to welcome news Tuesday after a rough patch that has stoked worries the economic recovery is slowing. More jobs and lower prices would both give Americans more money to spend on other things and rejuvenate economic growth.

Food prices at the wholesale level fell 1.4 percent, the Labor Department said. It was the largest drop since last June. About 40 percent of that decline resulted from steep declines in vegetable and fruit prices.

The drop in food prices followed harsh winter freezes, which had driven up prices of tomatoes and other vegetables in February. Even if prices don't fall further, economists say they probably won't go much higher, at least.

It may take as long as six months, but lower wholesale prices should work their way to the grocery store.

"That's a good thing for consumers, and it's even better that it comes in parallel with lower energy prices," said Gregory Daco, U.S. economist at IHS Global Insight.

Overall, the producer price index, which measures price changes before they reach the consumer, rose 0.2 percent in May. That's much lower than April's 0.8 percent gain and signals that inflation is in check.

Gas prices at the wholesale level rose in May by the smallest amount in eight months. At the pump, they're coming down. On Tuesday, the national average was \$3.70 a gallon, according to AAA. Gas has fallen steadily since the national average almost hit \$4 a gallon in early May. It's still about a dollar more expensive than a year ago.

For now, Americans remain cautious about spending. Another report Tuesday showed that retail sales fell 0.2 percent in May. It was the first decline in 11 months and came mostly because Americans bought fewer cars.

Auto sales fell 2.9 percent, the sharpest drop in 15 months. The decline was attributed to temporary factors, including fewer incentives offered by dealerships

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and a shortage of popular fuel-efficient cars because of disrupted shipments after the Japan earthquake.

Excluding the drop in car sales, retail sales rose 0.3 percent. That gain seemed to please investors, who were expecting broad declines because of high gas prices. The Dow Jones industrial average, which has fallen six weeks in a row, closed up 123 points, or 1 percent.

Mark Vitner, an economist at Wells Fargo Securities, said the retail-sales report shows that household budgets are still tight, forcing people to put off buying expensive items. Sales at electronics and furniture stores dropped in May.

Some of the biggest sales gains were reported by thrift shops and other stores that sell used goods, Vitner said, and by online retailers, which many shoppers use to find the best deals.

Lower food and gas prices "should provide some near-term relief," Vitner said, "but a sustainable pickup in spending will not likely occur until job growth picks up and the unemployment rate falls."

There were some encouraging signs that hiring could pick up in the second half of the year. The Business Roundtable, which represents CEOs for the 200 biggest U.S. companies, said 51 percent of chief executives plan to step up hiring in the second half of the year.

Last quarter, the figure was 52 percent said they planned to hire more over the following six months, the highest since the trade group began polling its members in 2002.

The survey began in mid-May and ended June 3, the day the government released a report that showed a steep pullback in hiring in May. The unemployment rate rose to 9.1 percent in May from 9 percent in April.

ManpowerGroup, one of the nation's largest staffing companies, said the proportion of businesses that plan to hire in the next three months is higher than at any time since the end of 2008, during the recession.

Melanie Holmes, vice president at ManpowerGroup, said the company's employment outlook is still at only about half the level associated with a healthy economy.

The Commerce Department said businesses added to their inventories for the 16th straight month in April, another sign that companies are confident people will spend more in the second half of the year.

The pace at which businesses sold those goods was the slowest in 10 months, but economists said it wasn't a concern because inventories are still historically small compared with sales. Companies are unlikely to get stuck with huge stockpiles of goods.

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