U.S. Wholesale Prices Unchanged Last Month

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WASHINGTON (AP) — U.S. wholesale prices were flat in March after a drop in energy prices offset rising costs for food and pickup trucks. The figures suggest that modest growth isn't spurring inflation.

The Labor Department said Thursday that the producer price index, which measures prices changes before they reach the consumer, was unchanged. Excluding volatile food and gas costs, the so-called "core" index rose 0.3 percent.

Wholesale gas prices fell 2 percent, according to the index, even though consumers and businesses paid higher prices for gas in March. That was largely because of seasonal factors that expected a higher increase.

"Yes, I agree, it makes no sense unless you are a statistician who uses history to seasonally adjust data," said Joel Naroff, president and chief economist at Naroff Economic Advisors, in a note to clients.

Costlier pickup trucks caused more than one-third of the rise in core prices. Food prices rose 0.2 percent, driven by higher vegetable costs.

Still, inflation was otherwise tame. Modest wholesale inflation reduces pressure on manufacturers and retailers to raise prices. That helps keep consumer prices stable.

Low inflation also allows the Federal Reserve to stick with its plan to keep short-term interest rates near zero until late 2014.

In the past 12 months, wholesale prices have risen 2.8 percent, the smallest yearly increase since June 2010. That's down from a peak of 7.1 percent last July, when higher gas and food costs pushed up wholesale prices. The core index has increased 2.9 percent over the same period.

Lower price growth leaves more money in consumers' pockets, boosting their buying power and supporting economic growth. The jump in gas and food prices early last year limited Americans' ability to buy other goods, slowing the economy.

A small amount of inflation can be good for the economy. It encourages businesses and consumers to spend and invest money sooner rather than later, before inflation erodes its value

Some economists worry that rising gas prices could drag on growth. If turmoil worsens in the Middle East, for example, that could push oil and gas prices much higher.

Gas prices have leveled off in the past week. The national average price for a gallon

of gas was $3.92 on Wednesday, according to AAA. That's a penny below last week but 11 cents higher than a month ago.

While the Fed is likely to hold interest rates low at its April 24-25 meeting, policymakers appear less inclined to take further steps to boost growth. Minutes from their March 13 meeting showed only a couple members expressed support for purchasing more bonds as a way to drive down long-term interest rates and promote more borrowing and spending.

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