

## U.S. Wholesale Prices Fall By Most Since 2009

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WASHINGTON (AP) — A steep drop in gasoline costs drove down a measure of U.S. wholesale prices in May by the most since July 2009. But outside the food and energy categories, prices increased moderately.

The producer price index fell 1 percent in May, after dropping 0.2 percent in April, the Labor Department reported Wednesday. Gasoline prices dropped nearly 9 percent, the most in almost three years. Food costs also fell.

The index measures price changes before they reach the consumer. Excluding food and energy, the so-called "core" index increased 0.2 percent, the same as in April.

In the past 12 months, wholesale prices are up only 0.7 percent, the smallest gain since October 2009. The core index has risen 2.7 percent in the same period. That's the same pace as last month and down from a 12-month change of 3.1 percent in January.

"Inflation really isn't that big an issue," said Joel Naroff, president of Naroff Economic Advisors. "Europe is a mess, oil prices are down, further declines in gasoline prices are coming and the U.S. economy is not growing strongly enough for any firm to have much pricing power."

Modest wholesale inflation reduces pressure on manufacturers and retailers to raise prices. That helps keep consumer prices stable, which boosts buying power and drives economic growth. Consumer spending makes up 70 percent of economic activity. The consumer price index for May will be released Thursday.

Mild inflation could give the Federal Reserve room to hold interest rates at record-low levels and potentially take other steps to boost the economy.

Food costs fell 0.6 percent in May, the biggest decline since December. A 2.2 percent drop in meat prices drove most of the decline. The cost of fresh fruits and melons fell 7.1 percent, the most in a year.

Core prices were pushed up by more expensive pharmaceuticals and a big rise in the cost of commercial furniture, which jumped 1.8 percent. That was the biggest increase for commercial furniture since February 1981.

Gas prices have tumbled 40 cents since peaking on April 6. On Tuesday, the average nationally price for a gallon of gas averaged \$3.54, according to AAA. That's down 19 cents from a month earlier.

Higher gas and food prices early last year limited Americans' ability to buy other goods. That caused consumer spending, adjusted for inflation, to fall sharply. As a

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result, the economy barely grew in the first half of 2011.

The economy has picked up since then but is still growing sluggishly. That is keeping a lid on price increases. Slow growth makes it harder for consumers and businesses to pay higher costs. The economy expanded at just a 1.9 percent annual rate in the January-March quarter.

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