

U.S. Wholesale Prices Rise 0.1 Percent In June

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Christopher S. Rugaber, AP Economics Writer

WASHINGTON (AP) — U.S. wholesale prices rose only slightly last month, as higher costs for food and pickup trucks offset another drop in energy prices. But overall inflation stayed mild.

The Labor Department says the producer price index increased 0.1 percent in June, after a steep drop of 1 percent in May. In the past 12 months, wholesale prices have risen 0.7 percent, the same as in May.

Excluding the volatile food and energy categories, core prices rose 0.2 percent. A 1.4 percent rise in the cost of pickup trucks — the biggest in more than a year — drove core prices higher.

In the past twelve months, core prices are up 2.6 percent, slightly below May's 2.7 percent increase.

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. Mild inflation gives the Federal Reserve room to take other steps to boost the economy.

Gas prices have tumbled more than 50 cents since peaking in early April. On Friday, the average nationally price for a gallon of gas averaged \$3.39, according to AAA.

Lower prices have yet to inspire consumers to spend more freely. In May, Americans didn't increase the rate at which they spent.

The benefits of cheaper gas have been offset by three straight months of weak job growth and wage increases that have barely kept pace with inflation.

Consumer spending drives roughly 70 percent of economic activity. Most economists see little change in growth in the April-June quarter from the tepid 1.9 percent annual rate in the first three months of the year. Some believe it has weakened.

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.

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