U.S. Wholesale Prices Jump In September

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WASHINGTON (AP) — A second month of sharp gains in gasoline costs drove wholesale prices higher in September. But outside of the surge in energy, prices were well contained.

Wholesale prices rose 1.1 percent in September following a 1.7 percent gain in August which had been the largest one-month increase in more than three years, the Labor Department said Friday.

In both months, overall prices were pushed higher by gasoline, which rose 9.8 percent in September following an even larger 13.6 percent gain in August.

Core prices, which exclude food and energy, were unchanged in September, the best showing since they held steady in October 2011. In August, core prices rose 0.2 percent.

Food prices, which had jumped 0.9 percent in August, showed a smaller 0.2 percent rise in September.

Wholesale inflation has been stable over the 12 months that ended in September. In that time, overall prices have increased just 2.1 percent. Core inflation is up 2.3 percent over the 12-month period. The government's producer price index measures cost pressures before they reach consumers.

Low inflation means consumers have more money to spend, which helps the economy. It also gives the Federal Reserve more room to keep interest rates low in an effort to spur economic growth. If prices were to begin rising rapidly, the central bank might be forced to raise rates in response.

Paul Ashworth, chief U.S. economist at Capital Economics, said the modest gains in wholesale prices should translate into further moderation in consumer inflation, keeping it close to the Fed's 2 percent inflation target. Ashworth said that would allow the central bank to keep focusing its policy efforts on reducing the unemployment rate.

The 0.2 percent rise in food prices in September was the smallest change since prices dropped for two months in April and May. In June, July and August, prices showed larger gains, reflecting in part this year's severe drought in the Midwest.

That has raised the price of corn, soybeans and other grains. Corn is used in animal feed and most products found in the supermarket, from cereal to cosmetics. More expensive corn prices can push up beef and pork prices. In September, beef and veal prices rose 2.3 percent. The biggest food gain during the month was an 11.1 percent increase in the price of fresh fruits and melons. Blueberries, blackberries

and cantaloupes all showed big price gains.

In addition to big gains in gasoline prices, the cost of diesel fuel was up 9.2 percent and home heating oil rose 3.1 percent.

Energy prices have eased since September but could rise further because of continued tension in the Middle East.

Gas prices averaged $3.81 a gallon nationwide on Wednesday, up three cents from a month ago, according to a survey by AAA's Fuel Gauge.

Outside of food and energy, the price of light trucks was up 0.3 percent in September but computer prices fell 1.5 percent, the biggest drop in a year.

The government will issue its September report on consumer prices on Tuesday. In August, consumer prices rose 0.6 percent. The gain was also because of a big jump in gas prices. Excluding food and energy costs, consumer prices inched up just 0.1 percent.

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