Cheaper gas keeps consumer prices flat

Over the past year, index up 1.7%, below Fed's target of 2%

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Associated Press

WASHINGTON — Consumer prices were unchanged in June, held down by cheaper gas. Outside the volatile food and energy categories, inflation was mild.

Weak economic growth is limiting the ability of companies to raise prices. The tame inflation was underscored by a 0.2 percent drop in consumer prices for the April-June period as a whole. That was the first quarterly drop in consumer prices in two years.

In May, the consumer price index fell 0.3 percent. In April, it was unchanged.

In its report Tuesday, the Labor Department said gas prices fell a seasonally adjusted 2 percent in June, the third straight decline. Food prices edged up 0.2 percent.

Excluding food and energy, "core" prices rose 0.2 percent last month. It was the fourth straight increase of that size. But some analysts think core prices will begin to slow.

Mild price increases leave consumers with more money to spend, which could spur more growth. Lower inflation also gives the Federal Reserve room to launch new programs intended to boost the economy.

Over the past 12 months, consumer prices are up 1.7 percent. That matches the increase for the 12 months that ended in May — the smallest increase in more than a year. It's also below the Fed's inflation target of 2 percent. Core prices have risen 2.2 percent in a year.

The cost of health care services rose by the most in nearly two years last month, pushing up core prices. Clothing prices rose for the fourth month in a row. Cable TV and other recreation services prices increased, too.



Blouses hang on a rack at a clothing store. Consumer prices were unchanged in June. AP