Consumer prices rise 0.3 percent

But still no signs of inflation risk

By Christopher S. Rugaber
Associated Press

WASHINGTON — U.S. consumer prices rose last month by the most since June, driven up by higher gas prices. But excluding energy, inflation was tame.

The Labor Department said Thursday that the consumer price index rose a seasonally adjusted 0.3 percent in December, after a flat reading the previous month.

Prices increased 1.5 percent in 2013, down from 1.7 percent in 2012. That's below the Federal Reserve's target of 2 percent. Fed officials have said in recent months that they are watching the inflation data closely to ensure it does not fall too far.

"The price data continue to deliver the same message: no signs of inflation pressures in the U.S. economy," said Laura Rosner, an economist at BNP Paribas.

Gas prices jumped 3.1 percent in December, the biggest gain since June. Food prices ticked up 0.1 percent, pushed up by higher restaurant costs. Grocery prices were flat, held down by the biggest drop in fruit and vegetable prices in five years.

Excluding the volatile food and energy categories, core prices increased just 0.1 percent in December. Car prices were flat and airline fares plummeted 4.7 percent, the most in 14 years. Those declines were offset by a big increase in clothing costs, which followed three months of decreases, and rents also rose.

Core prices increased 1.7 percent in 2013, down from a 1.9 percent increase in 2012.

Inflation has been held back in recent years by sluggish growth and high unemployment, which makes it harder for retailers and other businesses to raise prices.

Persistently low inflation has allowed the Federal Reserve to pursue its extraordinary stimulus program. The Fed launched an $85 billion-a-month bond purchase program in September 2012 in an effort to keep interest rates low and spur more borrowing and spending. Fed policymakers cut those purchases to $75 billion this month.

FED TO WEIGH INFLATION AGAIN

Federal Reserve policymakers could continue their bond purchases for longer if inflation doesn't move closer to their 2 percent target. Fed officials have said ultralow inflation poses economic risks. Among other concerns, falling inflation raises inflation-adjusted interest rates, making it harder to pay off debts and potentially discouraging borrowing. The Fed meets again at the end of this month.

Signs of the times



Slippers are sold last year at a Kmart in New York. The Labor Department said Thursday that the consumer price index rose a seasonally adjusted 0.3 percent in December, after a flat reading the previous month. JULIO CORTEZ/AP