BUSINESS

Food costs rise, other prices stable

Economists expect inflation to go up as economy strengthens during year

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The consumer price index increased 0.1 percent in February, a rate economists said showed little change in the cost of living despite a big rise in the cost of food.

The Labor Department said prices have risen just 1.1 percent in the last 12 months.

The government reported an increase in the food index accounted for more than half of the increase in February. The food index rose 0.4 percent, driven by a 0.5 percent increase in the index for food at home, labor officials said.

The energy index declined, with a decrease in the gasoline index more than offsetting sharp increases in the fuel oil and natural gas indexes, the officials said.

Four of the six major grocery store categories rose, with notable increases from meats, poultry, fish, eggs and dairy and related products, said Wells Fargo economists Sam Bullard and Sarah Watt House.

Likely influened by the adverse winter weather, the fruits and vegetables index rose 1.1 percent in February, ending five consecutive monthly declines, the economists said.

Overall, food prices are up "a manageable" 1.4 percent year-over-year, they said.

"Consumer inflation remains benign in the first quarter, trending well below 2 percent," Bullard and House said. "However, if our strengthening outlook unfolds as we project, inflation should pick up over the year."

Core inflation — a measure that excludes the more volatile items such as food and energy — also rose by 0.1 percent in February, matching the consensus forecast, according to Thomas Feltmate, an analyst with TD Economics. On a year-over-year basis, core CPI advanced by 1.6 percent, the government said.

The economists said Federal Reserve policymakers, who are meeting this week, are concerned that low inflation is a sign of economic weakness. The policymakers are expected to signal their intentions on interest rates, although Feltmate said the core CPI shouldn't hit 2 percent until mid-2015.