Prices dip on cheap gasoline

Joblessness, weak pay raises also factors

By Josh Boak
Associated Press

WASHINGTON — U.S. wholesale prices fell in October for the second straight month, driven down again by cheaper gasoline costs.

The Labor Department said Thursday that the producer price index, which measures prices before they reach the consumer, dropped 0.2 percent in October. That followed a 0.1 percent decline in September. The cost of gas plunged 3.8 percent last month, lowering the index.

Over the past 12 months, energy costs have kept inflation weak. Prices have increased just 0.3 percent in that stretch.

Excluding volatile energy and food prices, wholesale costs increased 0.2 percent in October and 1.4 percent in the past 12 months. The continued low level of inflation enables the Federal Reserve to maintain its unique stimulus measures.

High unemployment and weak wage increases have made it difficult for businesses to raise prices, at the wholesale and consumer levels.

Core wholesale prices were elevated in part last month by a 1.7 percent increase in the cost of new cars. Automakers introduced their 2014 models in October, which affects prices each year. That suggests inflation was even lower.

Wholesale food prices also increased last month, primarily because of higher beef and veal costs.

But the steady decline in energy prices has reduced costs across much of the economy. Gas prices are tumbling because of increased domestic production, greater political stability in the Mideast and less demand.