BUSINESS

Right time to buy that big ticket item

Fading of inflation keeps interest rates low, helps buyers and borrowers

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WASHINGTON — It's a good time to buy a car, refinance a mortgage, hit the road or shop for clothes.

Invest in a saving account? Forget it.

Consumer inflation has all but disappeared, the government reported Wednesday. The Federal Reserve may now be emboldened to keep interest rates at record lows well into next year — and possibly into 2012.

As a result, banks' prime lending rate will stay at its lowest point in decades. That figure is used to peg rates on credit cards, home equity loans, some adjustable-rate mortgages and other consumer loans.

So what do persistent low inflation and record-low rates mean for consumers?

■ The time is right to buy a car. New-car prices were flat in April. And they've fallen 1 percent over the past 12 months. Big banks are offering super-low rates in the 3 percent to 4 percent range, says Greg McBride, senior financial analyst at Bankrate.com.

■ For homeowners who qualify, it's a good time to refinance. The average rate on a 30-year fixed rate mortgage dipped this week to the lowest rate of the year — 4.84 percent, down from 4.93 percent a week earlier. Homeowners who took out adjustable-rate loans at 4.5 percent in 2005 are now seeing their rates fall to 3 percent to 3.25 percent, McBride says.

■ People planning to drive to a vacation getaway won't pay as much. Gasoline prices fell sharply in April — 2.4 percent.

■ Shoppers who want to update their summer wardrobes, and those hankering for cakes and cookies, are in luck. Prices for clothing and baked goods dropped in April and are down sharply over the past year.

Yet for savers, the prospect of persistent record-low rates is a downer. It means no relief from puny returns any time soon. The average yield on a one-year certificate of deposit has sunk to 0.7 percent, according to Bankrate.com. That's the lowest since Bankrate starting tracking the figure in 1983.

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