US inflation mild as gas prices rise more slowly

BY CHRISTOPHER S. RUGABER
ASSOCIATED PRESS

WASHINGTON — Gas prices rose more slowly in March, keeping overall U.S. inflation mild.

The consumer price index rose 0.3 percent in March, the Labor Department said Friday. That's slower than February's 0.4 percent rise.

Excluding food and gas, so-called "core" prices increased 0.2 percent in March.

Inflation has eased since last fall and is expected to stay tame. In 12 months that ended in March, prices rose 2.7 percent. That's below last year's peak year-over-year rate of 3.9 percent.

Core prices have risen 2.3 percent in the past 12 months, close to the Federal Reserve's inflation target of 2 percent.

Prices are "benign and likely to stay that way for some time yet," said Ian Shepherdson, an economist at High Frequency Economics.

Mild price increases leave consumers with more money to spend, which boosts economic growth. Lower inflation also gives the Fed more leeway to keep interest rates low.



ASSOCIATED PRESS

Connecticut Sen. Richard Blumenthal fills up his Ford Escape Hybrid SUV Thursday at a gas station in Manchester Conn., after news that an increase in gas prices had slowed. Blumenthal called for a ban on exports of oil drilled on federal land, an intensified crackdown on speculation, and an end to subsidies for big oil companies.

Gas prices are high but have started to level off. In March, they gained 1.7 percent, slower than the 6 percent increase in February.

And in the past week, the national average price per gallon fell 4 cents, to $3.90 on Friday.

Despite more hiring, unemployment is still high and few workers are getting pay raises. So many retailers can't charge more without risking the loss of some business.

Food prices ticked up last month but are moderating after sharp increases last year.

The cost of meat, poultry and some fruits rose. Chicken prices jumped by the most in four years. The price of used cars and trucks also increased and rents rose, driving up core prices. Americans also paid more for medical care, clothing and airline fares.

A small amount of inflation can be good for the economy. It encourages businesses and consumers to spend and invest money sooner rather than later, before inflation erodes its value.

Still, few workers are receiving pay raises, which makes even a small amount of inflation challenging for most Americans. Average hourly wages, adjusted for inflation, fell for the third month in a row, the department said Friday.