BUSINESS

US wholesale prices tumbling

Sharp April drops in fuel and food costs spark steepest decline since February 2010

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Associated Press

WASHINGTON — Sharp drops in fuel and food costs reduced a measure of U.S. wholesale prices in April by the most in three years. Outside those volatile categories, inflation stayed low.

The producer price index, which measures price changes before they reach the consumer, fell a seasonally adjusted 0.7 percent in April from March, the Labor Department said Wednesday. It was the second straight monthly decline and the steepest since February 2010.

The index declined largely because gas prices dropped 6 percent and the price of home heating oil fell by the most in almost four years.

Food prices also declined 0.8 percent, the most since May 2011. Half of the decline was because of lower vegetable prices, a highly volatile category. Meat prices dropped 2.3 percent.

Excluding the volatile food and energy categories, core prices ticked up 0.1 percent in April from March. Pharmaceutical costs rose 0.1 percent. Metal furniture prices jumped 1.7 percent. Prices for cars and pickup trucks, men's clothes, tires and computers all declined.

Overall wholesale prices have increased just 0.6 percent over the past 12 months. That's the smallest yearly gain since July. And core prices have risen only 1.7 percent in the past 12 months.

Aside from sharp swings in gas prices, consumer and wholesale inflation has increased slowly in the past year. The combination of modest economic growth and high unemployment has kept wages from rising quickly. That's made it harder for retailers and other firms to raise prices.

Mild inflation gives the Federal Reserve more latitude to continue with its aggressive policies to spur greater economic growth.

The Fed's inflation target is 2 percent. Price increases at that level can be good for the economy. They encourage consumers and businesses to spend more before prices rise.