Wholesale Prices Rise For 7th Straight Month

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WASHINGTON (AP) -- Wholesale prices rose sharply in January due to higher costs for gas, pharmaceuticals and other goods. Excluding the volatile food and energy categories, wholesale prices rose by the most since October 2008.

The Labor Department said Wednesday that the Producer Price Index rose by 0.8 percent last month, down slightly from December's revised 0.9 percent increase. Gas prices jumped 6.9 percent, while food prices moved up only 0.3 percent, less than many economists forecast.

The "core" index, which doesn't include food and energy, rose by 0.5 percent, up from 0.2 percent in December.

About 40 percent of the rise in the core index stemmed from higher pharmaceutical prices, which jumped by 1.4 percent, the department said. That's the largest rise for that category in nearly three years. Rising costs for plastic products also helped push up the core index.

In the 12 months ending in January, wholesale prices have risen by 3.6 percent, down from a 4 percent pace in December. The core index is up 1.6 percent over the past 12 months, compared to a 1.3 percent pace in December.

The core index's gains are relatively tame. Most analysts aren't worried that inflation will get out of hand anytime soon. Economists forecast that inflation will average 1.8 percent this year, according to an Associated Press survey of 42 economists last month.

Wholesale prices were mostly well behaved last year. They actually fell in four months. That's because the recession and the weak recovery sharply lowered demand, spurring widespread discounting. Consumers were cautious spenders for most of last year.

But they started to spend at faster clip as the year drew to a close. Consumer spending rose by 4.4 percent in the fourth quarter, the fastest pace since 2006.

That's helping accelerate economic growth, which clocked in at 3.2 percent in the fourth quarter. But faster growth and higher demand may also push up prices for many goods. Rapid growth overseas is also driving up agricultural commodity prices.

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