Consumer Prices Up as Gas, Clothing Costs Rise

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WASHINGTON (AP) — Consumer prices rose in January for only the second time in four months. The price of food, gas, rent and clothing all increased.

The Labor Department said Friday that the consumer price index increased 0.2 percent last month, after a flat reading in December. Both November and October were revised slightly higher to show an increase of 0.1 percent and no change, respectively.

Excluding volatile food and energy, so-called "core" prices ticked up 0.2 percent. Medical care and tobacco prices also increased. Car prices were unchanged, and airfares fell.

Core inflation over the past 12 months moved up to 2.3 percent — its highest point in more than three years. While many economists say inflation is likely peaking, the rise in core prices could limit the Federal Reserve's ability to take steps to boost the economy.

The Fed last month said it plans to hold its benchmark interest rate at a record low near zero until late 2014. If inflation were to rise rapidly, the Fed would come under pressure to increase rates.

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.

And modest inflation, combined with recent increases in income, gives consumers more buying power and should add to economic growth. A sharp jump in gas and food prices early last year left Americans with less money to spend on other items, dragging on the economy.

Retailers are still reluctant to charge more, even as the economy grows at a moderate pace. Many relied on heavy discounting to boost holiday sales last year.

Oil and gas prices have increased again after dropping late last year, though that has been offset somewhat by falling natural gas costs. The average price for a gallon of gas rose to $3.52 on Thursday, up 14 cents from the previous month.

Falling energy and food costs kept wholesale prices in check last month, the Labor Department said Thursday. The producer price index rose 0.1 percent in January, after dropping the same amount the previous month. Wholesale gas costs rose, but that was more than offset by steep drops in natural gas, home heating oil and electricity prices.

Core wholesale prices jumped 0.4 percent because of higher pharmaceutical, pickup truck and tobacco costs. Those rises were likely temporary, many economists said.

The Fed is forecasting that consumer price inflation will remain in check this year. It expects that the inflation gauge it follows will increase by about 1.6 percent in 2012. That's below the Fed's target for inflation of 2 percent.

Fed Chairman Ben Bernanke announced that target, the first ever for the central bank, last month.

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