

Energy costs push consumer prices higher in Oct 2007

October 2007 increase was largest in 5 months

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WASHINGTON - Consumer inflation posted another elevated reading in October as energy prices shot up by the fastest pace in five months.

The Labor Department reported Thursday that its Consumer Price Index rose by 0.3 percent last month, the second straight month with inflation at that level. The acceleration was occurring because of another jump in energy prices and continued increases in food costs.

Meanwhile, the government said that the number of laid off workers filing claims for unemployment benefits rose by 20,000 last week to 339,000, the highest level in four weeks. Labor Department analysts said the California wildfires boosted the number of jobless claims by about 2,000 and the writer's strike, which has shut down production on many television programs, was also having an impact.

Core inflation, which excludes energy and food, continued to rise at a more moderate rate, rising by 0.2 percent in October, the fifth straight month at that level.

Before the back-to-back 0.3 percent gains in overall prices, consumer inflation had actually fallen by 0.1 percent in August and risen by just 0.1 percent in July.

So far this year, consumer prices are rising at an annual rate of 3.6 percent, up by more than a full percentage point from the 2.5 percent increase for all of 2006.

The economy is being buffeted by a steep downturn in housing, turbulence in financial markets and falling consumer confidence, raising fears that the country could dip into a recession in coming months.

Wall Street is hoping that the Federal Reserve, which has already cut interest rates twice, will reduce rates further to keep the economy's problems from triggering a downturn. But Federal Reserve Chairman Ben Bernanke told Congress' Joint Economic Committee last week that the central bank believes that risks are roughly balanced at the current time between inflation and weaker growth, a comment that was viewed as a signal to markets not to count on further rate cuts.

For October, energy prices shot up by 1.4 percent, the biggest jump since a 5.4 percent rise in May.

Consumers got a break in the summer with three straight monthly declines in energy costs. However, analysts said that further price increases are likely in coming months, reflecting the fact that crude oil prices last week surged to record levels, trading at one point above \$98 per barrel.

Gasoline prices were up 1.4 percent in October, the largest jump since a 10.5 percent rise in May. A gallon of unleaded gasoline hit a nationwide average of \$3.11 on Wednesday, according to AAA and Oil Price Information Service. That was up from \$2.78 a month ago and compared to an all-time record of \$3.23 per gallon set in May.

So far this year, energy prices are rising at an annual rate of 12.3 percent, compared to a 2.9 percent increase for all of 2006.

Food costs rose by 0.3 percent in October and are up 5.5 percent at an annual rate so far this

year, more than double the 2.1 percent rise for all of 2006. That price acceleration is blamed in part on higher demand for ethanol, which has pushed up the cost of corn and other food products.

Outside food and energy, core inflation is rising at an annual rate of 2.3 percent so far this year, a slight moderation from the 2.6 percent gain of 2006. The Fed plays close attention to core inflation, believing it provides a better reflection of underlying inflation pressures. Airline ticket prices were up 1.6 percent in October but the cost of new cars fell by 0.2 percent. Clothing prices, which have been falling for much of this year, showed no change in October. Medical care, one of the areas where inflation is rising at the fastest pace, posted another big jump of 0.6 percent in October and is up 4.8 percent over the past 12 months.

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