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Wednesday November 13 6:02 PM EST

## U.S. Producer Prices Rose in October

WASHINGTON (Reuter) - Prices at the wholesale level rose at their fastest pace in seven months in October, the government said Wednesday, fueled by a jump in food and energy costs in an otherwise tame inflation report.

The Labor Department said the Producer Price Index rose 0.4 percent after rising 0.2 percent in September. But excluding often volatile food and energy prices, the so-called core rate actually fell 0.3 percent after rising the same amount the prior month.

"It's wonderful," said Philip Braverman, chief economist at DKB Securities.

The new data apparently helped convince Federal Reserve policy-makers that inflation was not troublesome with the economy slowing. After meeting Wednesday, the policy-makers held interest rates steady, as many economists had expected.

"It certainly is making life easier at the Federal Reserve," David Jones of Aubrey G. Lanston and Co. said of the inflation report, before the Fed meeting had ended.

Analysts had estimated that producer prices overall rose 0.2 percent in October and the core rate edged up 0.1 percent.

The department said the rise in the overall index was the biggest since March, when it rose 0.5 percent. The decline in the core rate was the largest since a 0.4 percent drop in October 1994.

"The number came in even weaker than we had anticipated," said Sally Kleinman, senior economist at Chase Securities Inc. "We got a pickup in food and energy prices, but that wasn't enough to increase the core rate, which dropped."

While the rise in the overall rate may be seen as a sign of a pickup in inflation, most analysts were not alarmed.

"The inflation alarmists can point to the 0.4 percent rise ... while those who feel inflationary pressures remain benign or even nonexistent can back their arguments," said Joel Naroff of First Union.

"When the dust settles, I think people will talk about this report as favorable," said Dan Seto, senior economist at Nikko Securities Co International Inc.

The department said food prices rose 0.8 percent in October, compared with a 0.2 percent rise in September, led by higher prices for meat, fish and vegetables.

Energy prices jumped 1.9 percent after rising 0.2 percent in September, led by gasoline, up 5.5 percent, and heating oil, up 3.8 percent. Energy prices have been rising on strong global demand as economies overseas gained

strength.

Passenger car prices, however, fell 1.6 percent in October after jumping 1.2 percent the prior month.

Brett Graff, an economist with the Department's Bureau of Labor Statistics, noted that passenger cars make up 11.1 percent of the closely watched core rate of producer prices.

She said that seasonal factors were at play in the decline in passenger car prices. The introduction of new car models typically causes car prices to rise late in the year but the timing of model introductions can affect month-to-month changes in the passenger car price index.

Big decreases in prices of light and heavy motor trucks also helped pull the core PPI lower, Graff said. Light truck prices fell 1.2 percent, while heavy trucks fell 4.4 percent.

There was little in the report pointing to inflationary pressures building in the manufacturing chain.

Prices of intermediate goods -- those that require further processing -- were unchanged last month after increasing 0.3 percent in September while raw materials prices fell 0.6 percent.

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