

Food, gas costs push up inflation

BY CHRISTOPHER RUGABER

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WASHINGTON>> U.S. inflation accelerated last month as the cost of groceries, gasoline and rents rose, a disappointment for families and businesses struggling with higher costs and likely underscoring the Federal Reserve's resolve to delay further interest rate cuts.

The consumer price index increased 3% in January from a year ago, Wednesday's report from the Labor Department showed, up from 2.9% the previous month. It has increased from a 31/2-year low of 2.4% in September. *

The new data shows that inflation has remained stubbornly above the Fed's 2% target for roughly the past six months after it fell steadily for about a year and a half. Elevated prices turned into a major political hurdle for former President Joe Biden. President Donald Trump pledged to reduce prices on "Day 1" if elected, though most economists worry that his many proposed tariffs could at least temporarily increase costs.

The unexpected boost in inflation could dampen some of the business enthusiasm that arose after Trump's election on promises to reduce regulation and cut taxes. The Dow fell more than 200 points Wednesday. Bond yields rose, a sign traders expect inflation and interest rates to remain high. *

"We're really not making progress on inflation right now," Sarah House, senior economist at Wells Fargo. "This just extends the Fed's hold."

Inflation often jumps in January as many companies raise their prices at the beginning of the year, though the government's seasonal adjustment process is supposed to filter out those effects.

Yet House said inflation's stubbornness wasn't just a one-month blip. Consumers — particularly wealthier ones — are still spending at a robust pace, giving many companies less reason to hold down prices. And much of the decline in inflation in 2023 and early last year stemmed from supply-chain improvements, but that trend has mostly played out.

Excluding the volatile food and energy categories, core consumer prices rose 3.3% in January compared with a year ago, up from 3.2% in December. Economists closely watch core prices because they can provide a better read of inflation's future path.

Inflation also worsened on a monthly basis, with prices jumping 0.5% in January from December, the largest increase since August 2023. Core prices climbed 0.4% last month, the most since March 2024. *

Grocery prices climbed 0.5% just in January, pushed higher by a 15.2% surge in egg prices, the biggest monthly increase since June of 2015. Egg prices have soared 53% compared with a year ago.

An avian flu epidemic has forced egg producers to cull from their flocks about 40 million birds in December and January. Stores have imposed limits on egg purchases and restaurants have placed surcharges on egg dishes.