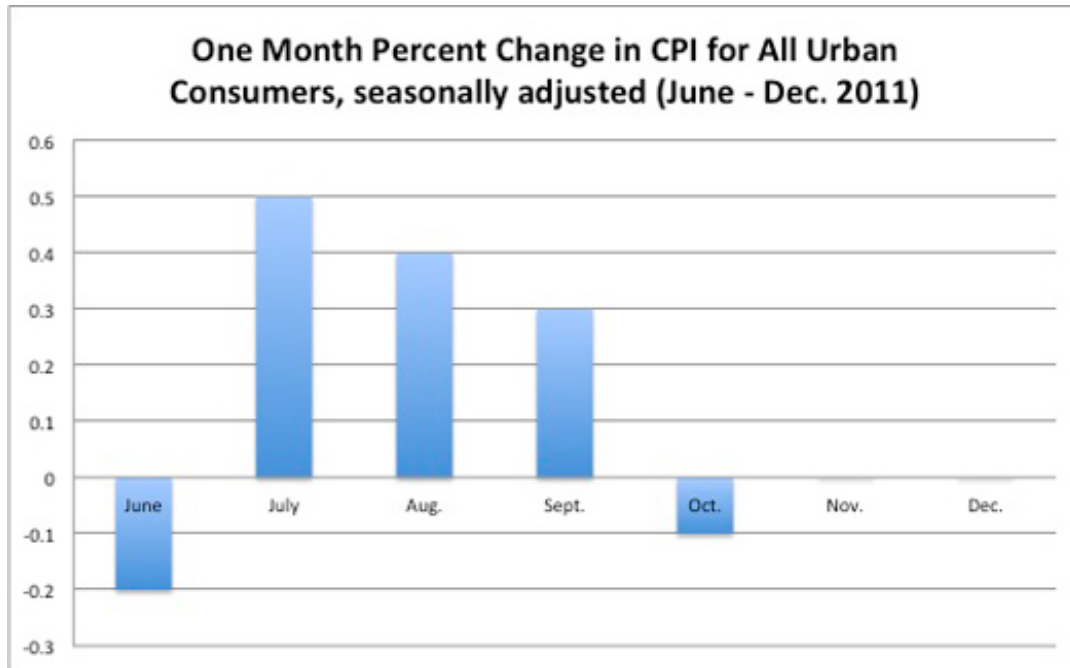


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*Bureau of Labor Statistics/Kristene Quan/MEDILL
National consumer inflation has been easing in recent months.*

National consumer prices flat, Chicago inflation eases

by **KRISTENE A. QUAN**
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Consumer prices held steady nationwide last month, a government report issued Thursday showed, and in the Midwest region consumer inflation actually declined.

The Bureau of Labor Statistics said its December national consumer price index, or CPI, showed no change compared to November. Lower energy prices – and retailers’ heavy holiday-season discounting -- helped offset a rise in the price of food and other items.

December’s muted reading marked the latest in a recent series of relatively tame inflation.

In the Chicago area, the bureau said, CPI decreased by 0.5 percent as the result, experts said, of regional fluctuations. “Regional differences don’t mean that much at the end of the day,” said Adolfo Laurenti, deputy chief economist at Mesirow Financial.

The CPI is a key measure of inflationary pressures, and is closely watched by the Federal Reserve and other economic policymakers.

The unchanged December CPI reflected “lower prices at the pump and heavy, holiday discounting offsetting gains in shelter, recreation and medical care,” Diane Swonk, chief economist of Mesirow Financial, said on her ‘Economic Minds’ blog. “Food prices also moved up slightly, but not as rapidly as we saw last summer,” she said.

December’s 0.0 inflation reading was better than the 0.1 percent upturn that economists surveyed by Bloomberg had predicted.

Nonetheless, the recent calm doesn’t mean that inflation is completely under control, suggested Insight Economics economist Steven A. Wood.

“Moderate inflationary pressures are building despite a still high unemployment rate and ample production capacity,” he said in an online commentary.

Over the last 12 months, the CPI has risen a hefty 3.0 percent, well above the about 2.0 percent rate that the Federal Reserve considers acceptable.

The “core” CPI, which excludes often-volatile food and energy prices in order to show underlying trends, increased 0.1 percent in December, matching consensus expectations.

“A tightening rental market for residential real estate will continue to lift the core CPI through 2012,” stated Robert A. Dye, senior vice president and chief economist at Comerica Bank, in a note.