

# The New York Times

## Producer Prices Rose in July, Easing Concerns of Deflation

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WASHINGTON - Producer prices in the United States for finished goods rose slightly in July, the first such increase in three months, according to government data released yesterday, helping to ease some concerns about the possibility of deflation.

The Labour Department's Producer Price Index rose 0.2 per cent last month, compared with a 0.5 per cent decline in June. Prices for finished foods, excluding volatile food and energy prices, rose 0.3 per cent, exceeding forecasts of 0.2 per cent. The price rise of the core index was the largest gain since January.

Taken with the Consumer Price Index on Friday, analysts were divided about the possibility of a drop in prices and salary, or deflation.

Mr Nigel Gault, the chief US economist for IHS Global Insight, said the threat remained. "Deflation is clearly a risk, but it is not here yet. It depends on how much growth we get in the economy moving forward."

But **Mr Bernard Baumohl**, the chief global economist at the Economic Outlook Group, said the possibility of deflation was remote. "I am not taking concerns of deflation all that seriously. The global economy is out of the recession phase. It is growing, admittedly slowly, but it is still growing and I expect economic activity will pick up more momentum."