

Wholesale Prices Hit Two-Year High

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Underlying wholesale prices in the U.S. climbed during January to their highest in more than two years, which may raise concerns about inflation as the economy accelerates.

Separately, home construction in the U.S. rose in January to the highest level since September, an indication of life in the battered sector.

The index of producer prices, which measures how much manufacturers and wholesalers pay for goods and materials, rose a seasonally adjusted 0.8% in January from December, the Labor Department said Wednesday. The rise was driven by higher energy prices.

But core prices, which strip out volatile food and energy items and are considered a more reliable indicator of inflation, increased 0.5% last month.

Economists polled by Dow Jones Newswires were expecting a 0.9% increase in overall producer prices and a 0.2% increase in the core index.

The core rate was the highest since October 2008, when it climbed 0.8%. Nearly 40% of the advance was due to a surge in prices for pharmaceutical preparations.

To be sure, inflation pressures remain quite low. Year over year, the core index was up just 1.6%, in line with the Federal Reserve's mandate of price stability.

The U.S. economy has been picking up speed in recent months amid rising international commodity prices, fanning fears about inflation. But the spillover into final consumer prices in the U.S. has been very limited so far and recent declines in crude oil and natural gas prices should provide some relief on energy prices in February.