

# Gas prices help spur inflation

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WASHINGTON — Consumer inflation shot up in July as rising gasoline prices pinched drivers' wallets from coast to coast. But the rest of the economy kept pushing forward with industrial output rising and housing construction staying at a super-charged level.

A flurry of reports Tuesday depicted a country that so far is withstanding this year's surge in energy prices, helped by a continued boom in housing activity, the economy's strongest sector.

Consumer prices jumped 0.5 percent in July, the biggest increase in three months, but the price pressures came largely from surging costs for gasoline and other energy products.

Outside of the volatile food and energy areas, consumer prices rose a much more modest 0.1 percent in July, reflecting in part the biggest drop in new car prices in 30 years.

Meanwhile, the Commerce Department reported that construction of new homes and apartments totaled 2.042 million units in July. While that was down a slight 0.1 percent from June, it marked the eighth month in the past 10 that housing construction has been above the 2-million mark, reflecting frenzied activity on the part of builders to keep up with demand.

Even manufacturing, the weakest part of the economy, managed to post a 0.1 percent rise in industrial production in July, according to a Federal Reserve report.

Analysts said the gain would have been much stronger except for a drop in mining output reflecting hurricane-related shutdowns of oil platforms in the Gulf of Mexico, and retooling in the auto industry.

"Housing, the strongest part of the economy, is still booming, and manufacturing, the weakest part, should gain strength in coming months," said Mark Zandi, chief economist at Economy.com. "Put it all together, and it paints a pretty economic picture of solid growth and low inflation."

The 0.5 percent increase in consumer prices followed two months of price calm, reflecting falling energy costs. However, with oil prices hitting new record highs and gasoline costs surging, energy prices came back with a vengeance in July, jumping by 3.8 percent.

Gasoline prices shot up by 6.1 percent, the biggest increase since April. Analysts said motorists should be braced for another big increase in August since the government reported Monday that pump prices rose nationwide to \$2.55 per gallon last week, up 18 cents in a week, the biggest one-month increase in the 15 years of the Energy Department survey.