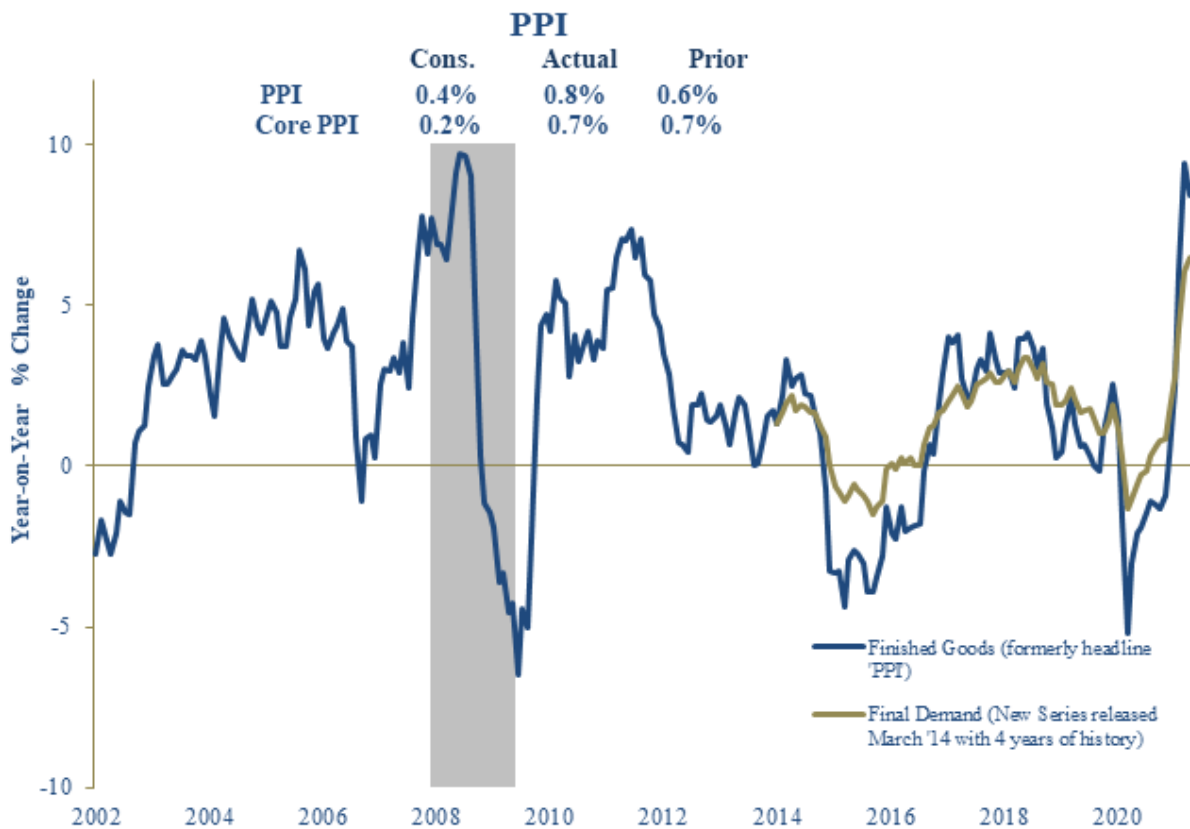


15.Jun.2021

Producer Prices: Further Upside Pressure

Bottom Line: Producer price inflation was stronger than expected, with the three months ended in May averaging nearly 10% annualized and year-on-year gains hitting 6.5%. Most of the increase was attributable to goods with non-ferrous metal prices leading the gains. Services saw higher prices too, led by transportation-related services, especially shipping and trucking. Comparisons to the early months of the pandemic likely make May's data the peak of year-on-year comparisons. Still, supply chains have never been the same since the pandemic, and likely won't normalize for at least six months. Those businesses with strong demand that can afford to absorb higher input prices through lower margins are doing so. While persisting longer than most thought, expect the disruptions to slowly abate as consumers shift spending from goods towards services amid more reopenings.



The PPI ROSE by 0.6% in April, compared with market expectations for an increase of 0.4%. Overall producer prices are 6.1% ABOVE the year-ago level.

The Goods PPI ROSE by 0.6% in April and is now 10.7% ABOVE its year-ago level. Food prices rose by 2.1% and are now 7.6% ABOVE their year-ago level.

Meanwhile, energy prices fell by 2.4%. but are now 46.9% ABOVE their year-ago level. The Goods PPI less food and energy ROSE by 1.0%, and is now 4.7% ABOVE its year-ago level.

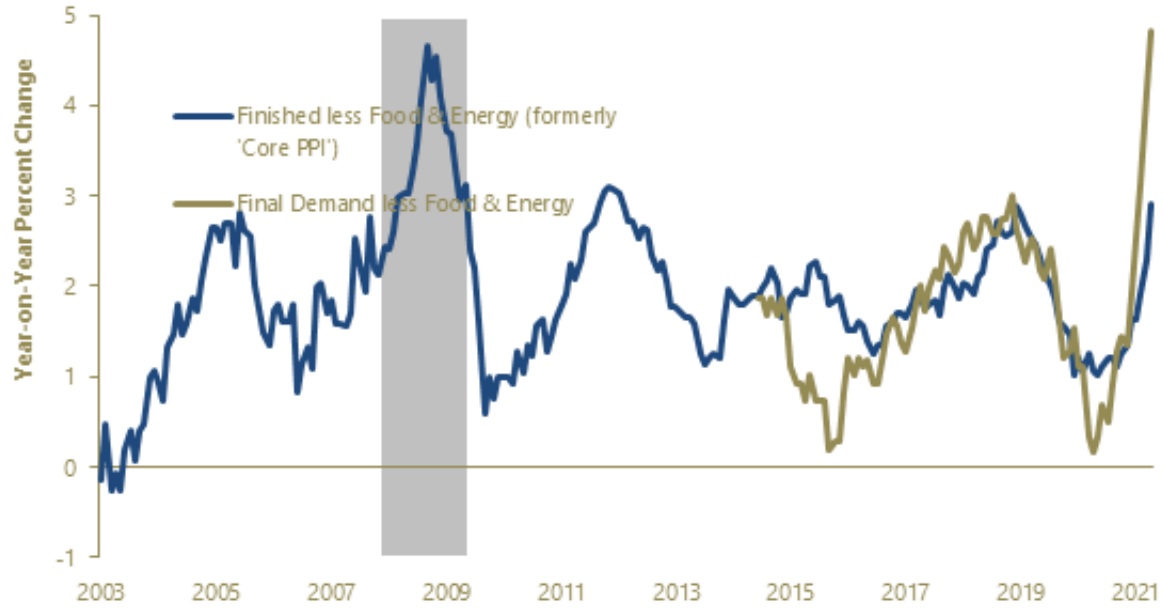
The Services PPI ROSE by 0.6% in April and is now 4.0% ABOVE its year-ago level.

The Core PPI ROSE by 0.7%, compared with market expectations for a increase of 0.2%. Core producer prices are now 4.2% ABOVE their year-ago level.

PPI, Energy



Core PPI



	Relative Weight	Percent Changes								
		Monthly Changes			Annual Rates of Change					
		May-21	Apr-21	Mar-21	Three Month	Six Month	Twelve Month	2018	2017	Five Year
PPI	100.0%	0.8	0.6	1.0	9.9	9.2	6.5	2.5	2.6	1.6
GOODS	34.4%	1.5	0.6	1.7	15.9	16.3	10.7	1.6	3.5	0.4
Foods	5.5%	2.6	2.1	0.5	22.6	14.2	4.4	2.7	2.0	0.5
Energy	6.8%	2.2	-2.4	5.9	24.4	51.9	44.8	-3.3	10.3	-5.0
less Food & Energy	22.1%	1.1	1.0	0.9	12.4	9.4	5.9	2.6	2.2	1.9
SERVICES	63.5%	0.6	0.6	0.7	7.4	6.0	4.5	3.1	2.0	2.3
Core PPI	87.7%	0.7	0.7	0.7	8.2	6.8	4.8	3.0	2.2	2.2

Source: Bureau of Labor Statistics, Department of Labor. Our calculations.

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June 15, 2021

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