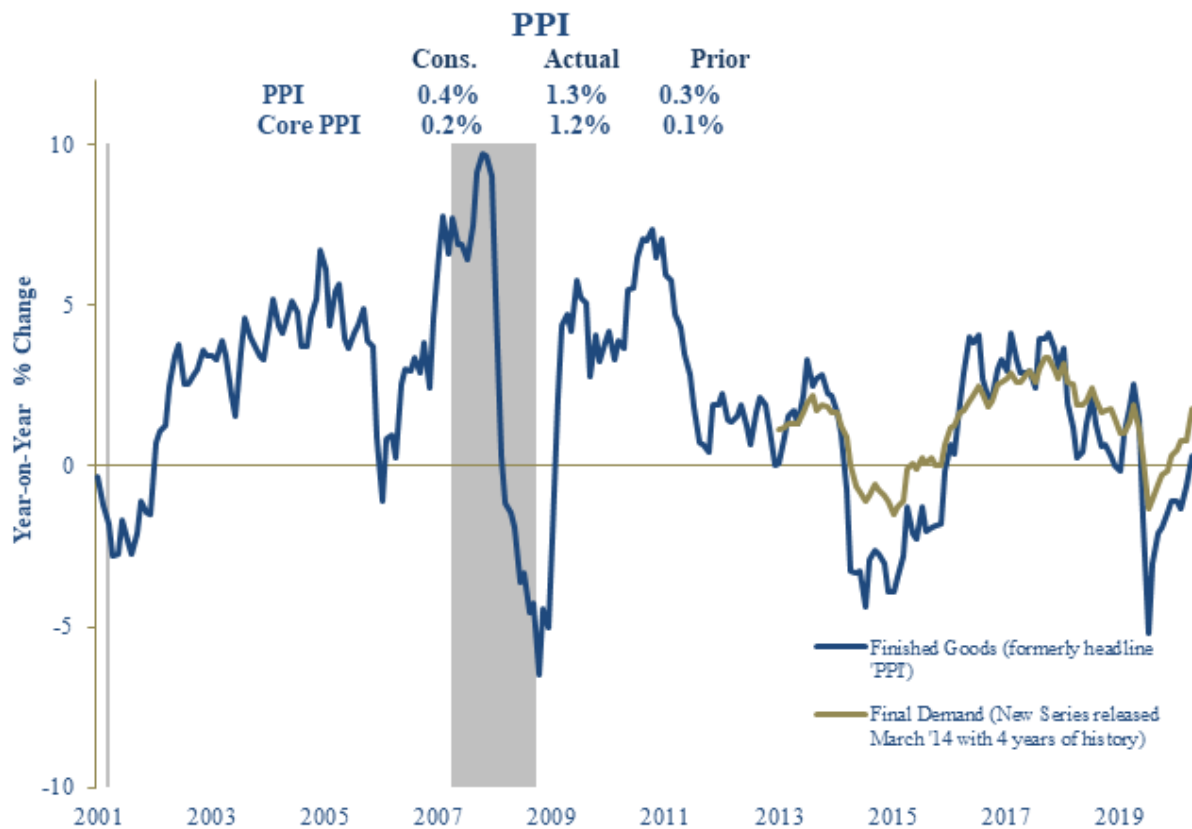


17.Feb.2021

Producer Prices: Sharply Higher Amid Continued Supply-Chain Disruptions

Bottom Line: Producer inflation at the headline level rose for the ninth consecutive month, led by another increase in energy prices. Sharply higher than expected at both the headline and core level, pipeline inflation pressures rose in both the goods and services segments. Goods had been seeing steady inflation pressure pressures in recent months, mostly due to continued supply-chain disruptions, while producer prices in the services sector were correcting after several months of lower prices (a quarter of the increase in services prices was due to higher portfolio management service prices, which is likely one-off). Overall, pipeline inflation pressures in the goods sectors, even excluding energy and food, continued to build, accelerating many sectors in January. However, there were still few signs of any pass-through to consumers. Supply chains have never been the same since the pandemic, and volatility and price pressures persist. Those businesses with strong demand that can afford to absorb higher input prices through lower margins are doing so. Expect more of this throughout the rest of the quarter as weather-related disruptions hit hard this week.



The PPI ROSE by 1.3% in January, compared with market expectations for an increase of 0.4%. Overall producer prices are 1.8% ABOVE the year-ago level.

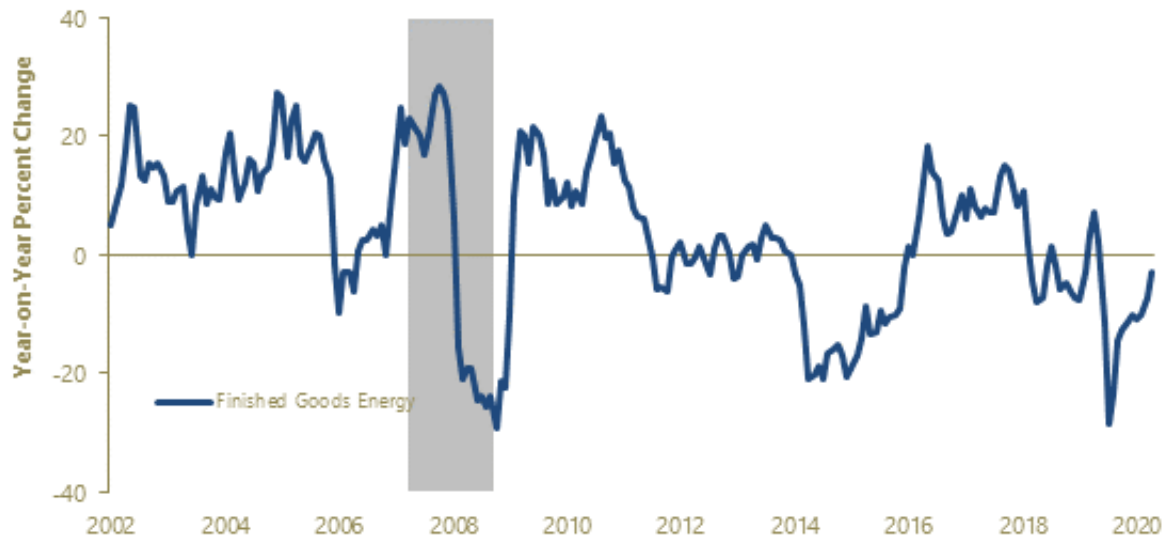
The Goods PPI ROSE by 1.4% in January and is now 1.2% ABOVE its year-ago level. Food prices rose by 0.2% and are now 1.3% ABOVE their year-ago level.

Meanwhile, energy prices rose by 5.1%. but are now 3.0% BELOW their year-ago level. The Goods PPI less food and energy ROSE by 0.8% and is now 2.3% ABOVE its year-ago level.

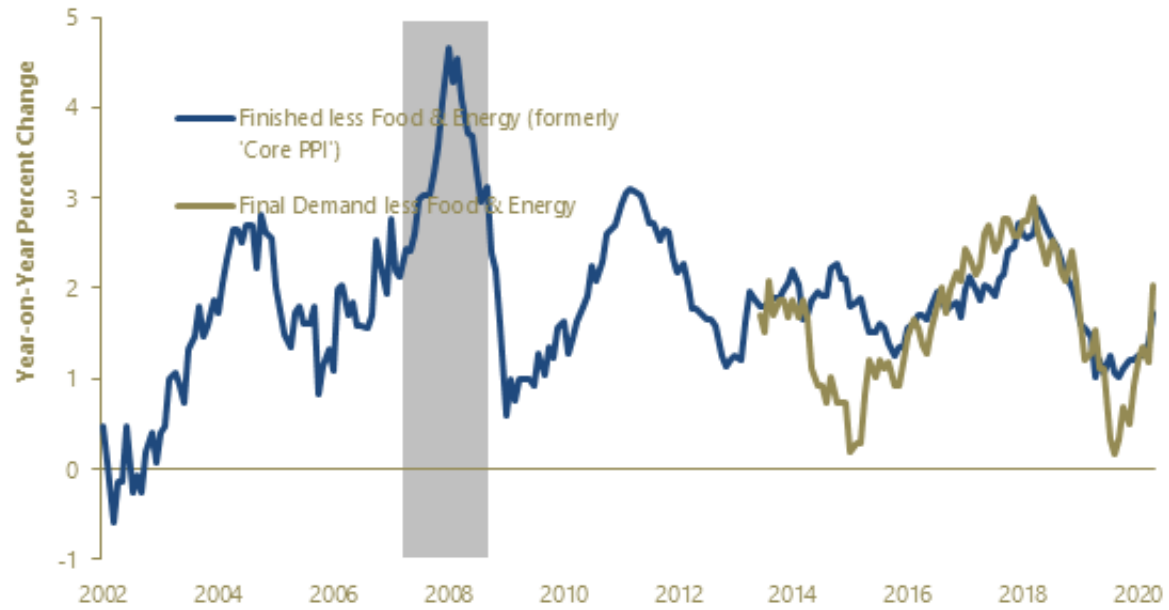
The Services PPI ROSE by 1.3% in January and is now 1.9% ABOVE its year-ago level.

The Core PPI ROSE by 1.2%, compared with market expectations for an increase of 0.2%. Core producer prices are now 2.0% ABOVE their year-ago level.

PPI, Energy



Core PPI



	Relative Weight	Percent Changes								
		Monthly Changes			Annual Rates of Change					
		Jan-21	Dec-20	Nov-20	Three Month	Six Month	Twelve Month	2018	2017	Five Year
PPI	100.0%	1.3	0.3	0.1	6.9	5.3	1.8	2.5	2.6	1.6
GOODS	34.4%	1.4	1.0	0.3	11.6	8.5	1.2	1.6	3.5	0.4
Foods	5.5%	0.2	-0.2	0.6	2.3	8.1	1.3	2.7	2.0	0.5
Energy	6.8%	5.1	4.9	1.3	56.0	28.5	-3.0	-3.3	10.3	-5.0
less Food & Energy	22.1%	0.8	0.5	0.2	5.8	4.3	2.3	2.6	2.2	1.9
SERVICES	63.5%	1.3	-0.1	-0.2	4.4	3.9	1.9	3.1	2.0	2.3
Core PPI	87.7%	1.2	0.1	-0.1	4.8	3.9	2.0	3.0	2.2	2.2

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

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