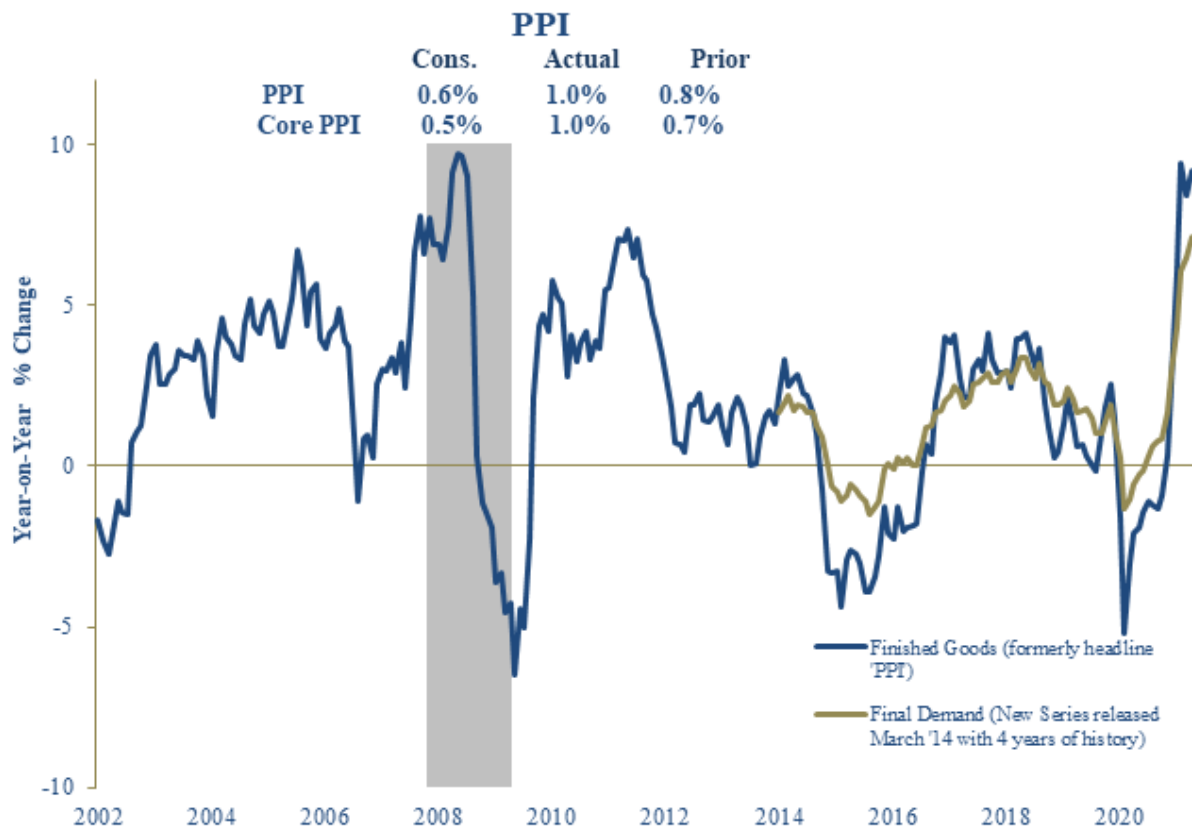


14.Jul.2021

## **Producer Prices: More Core Pressure**

**Bottom Line:** Producer prices were higher than expected again in June, with the three-month annualized core inflation rate now running at 9.5%. Price increases were seen across a range of input prices, including margins in the trade services sector. As we saw with consumer prices, the auto sector remained a major source of upward price pressures. Margins for wholesalers in the auto sector were up over 10% on the month. While most of the producer price inflation can be attributed to pandemic-related sectors, prices excluding food and energy have continued to move higher across a broad range of categories. That said, supply chains have never been the same since the pandemic and likely won't normalize for at least six months. Only then will we (and, more importantly, the Fed) get a true sense of the trend rate of inflation.



**The PPI** ROSE by 1.0% in June, compared with market expectations for an increase of 0.6%. Overall producer prices are 7.1% ABOVE the year-ago level.

**The Goods PPI** ROSE by 1.2% in June and is now 11.6% ABOVE its year-ago level. Food prices rose by 0.8% and are now 10.6% ABOVE their year-ago level.

Meanwhile, energy prices rose by 2.1%. and are now 34.9% ABOVE their year-ago level. The Goods PPI less food and energy ROSE by 1.0%, and is now 6.9% ABOVE its year-ago level.

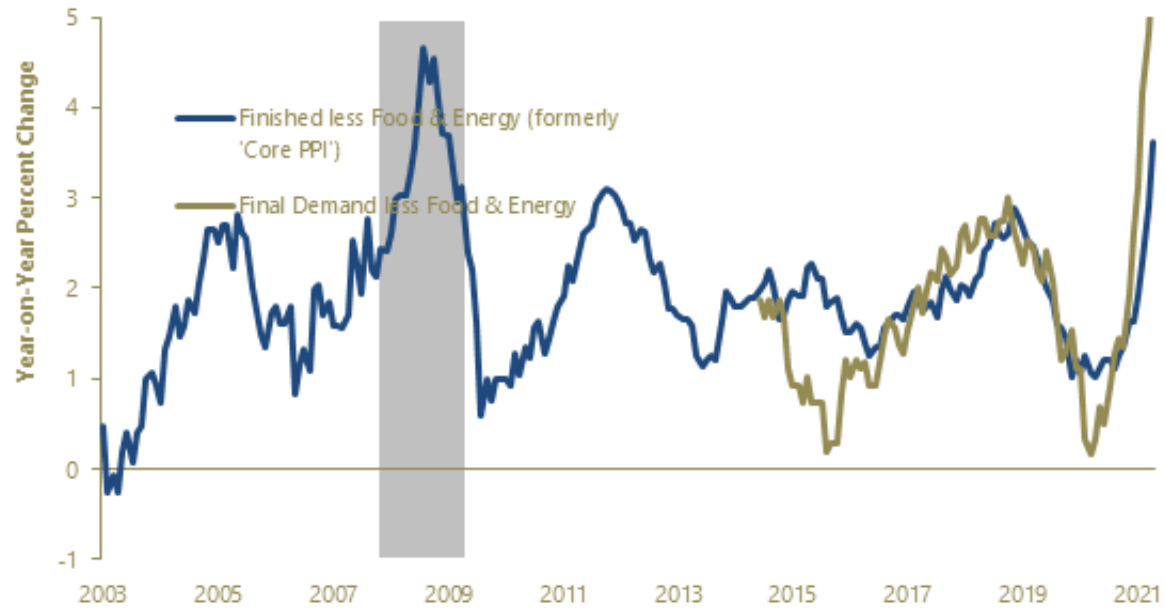
**The Services PPI** ROSE by 0.8% in June and is now 5.2% ABOVE its year-ago level.

**The Core PPI** ROSE by 1.0%, compared with market expectations for an increase of 0.5%. Core producer prices are now 5.6% ABOVE their year-ago level.

## PPI, Energy



## Core PPI



	Relative Weight	Percent Changes								
		Monthly Changes			Annual Rates of Change					
		Jun-21	May-21	Apr-21	Three Month	Six Month	Twelve Month	2018	2017	Five Year
PPI	100.0%	1.0	0.8	0.6	9.8	10.6	7.1	2.5	2.6	1.6
GOODS	34.4%	1.2	1.5	0.6	13.8	17.1	11.6	1.6	3.5	0.4
Foods	5.5%	0.8	2.6	2.1	24.0	19.2	10.6	2.7	2.0	0.5
Energy	6.8%	2.1	2.2	-2.4	7.5	43.8	34.9	-3.3	10.3	-5.0
less Food & Energy	22.1%	1.0	1.1	1.0	12.7	10.4	6.9	2.6	2.2	1.9
SERVICES	63.5%	0.8	0.6	0.6	8.0	7.7	5.2	3.1	2.0	2.3
Core PPI	87.7%	1.0	0.7	0.7	9.5	8.5	5.6	3.0	2.2	2.2

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

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T.J. Connelly, Head of Research

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Steven A. Wood, Senior Economic Adviser