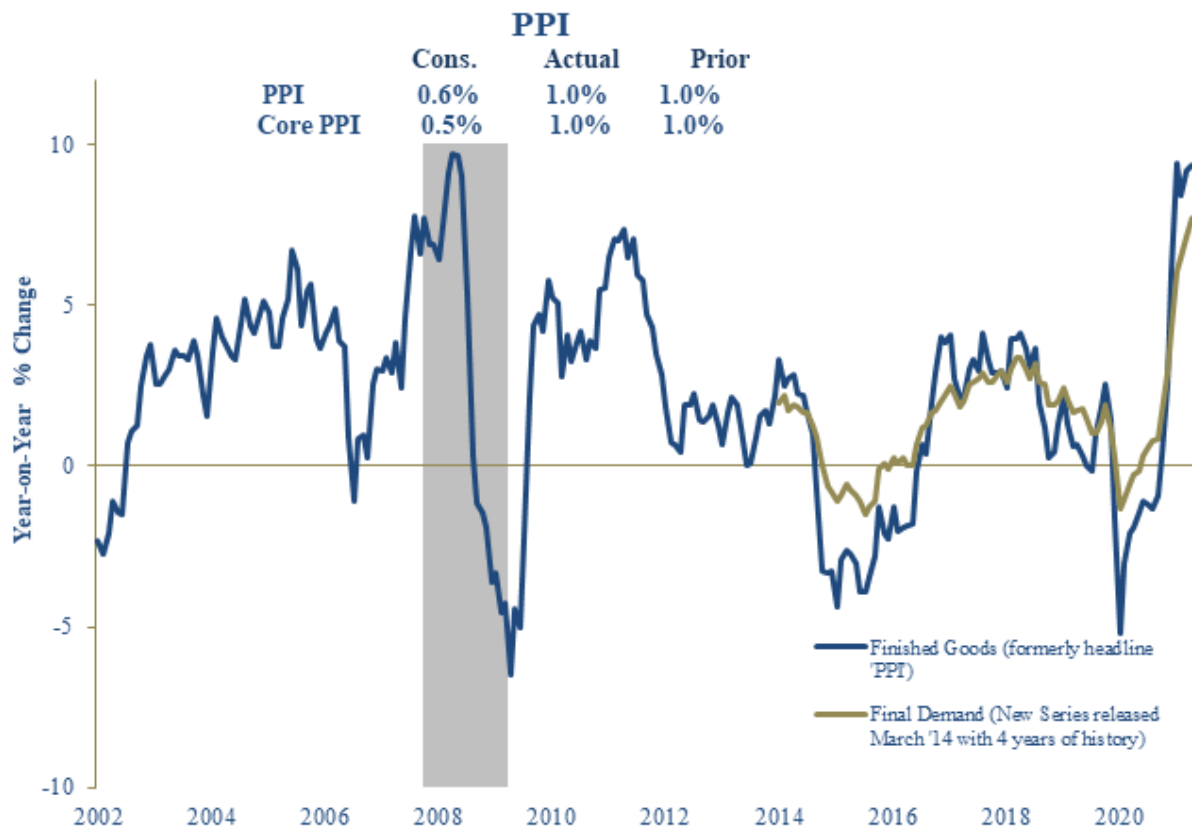


12.Aug.2021

Producer Prices: Sharp Increases Continued

Bottom Line: Producer prices were higher than expected again in July, with margins in the trade and transportations sector driving gains, up 1.7% on the month. Final demand services saw the largest monthly gain in the category's history (available since December 2009). About 20% of the advance in prices for final demand services can be traced to margins for automobiles and automobile parts retailing, which climbed 11.2 percent. Moreover, the indexes for airline passenger services; hospital outpatient care; machinery and equipment wholesaling; traveler accommodation services; and securities brokerage, dealing, investment advice, and related services also increased, while portfolio management service prices fell. While most of the producer price inflation can still be attributed to pandemic-related sectors, prices excluding food and energy have continued to move higher across a broad range of categories. Since the pandemic, supply chains have never been the same 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 producer inflation.



The PPI ROSE by 1.0% in July, compared with market expectations for an increase of 0.6%. Overall producer prices are 7.7% ABOVE the year-ago level.

The Goods PPI ROSE by 0.6% in July and is now 11.7% ABOVE its year-ago level. **Food prices** fell by 2.1% but are now 9.3% ABOVE their year-ago level. Meanwhile, **energy prices** rose by 2.6%. and are now 32.9% ABOVE their year-ago level. **The Goods PPI less food and energy** ROSE by 1.0%, and is now 7.5% ABOVE its year-ago level.

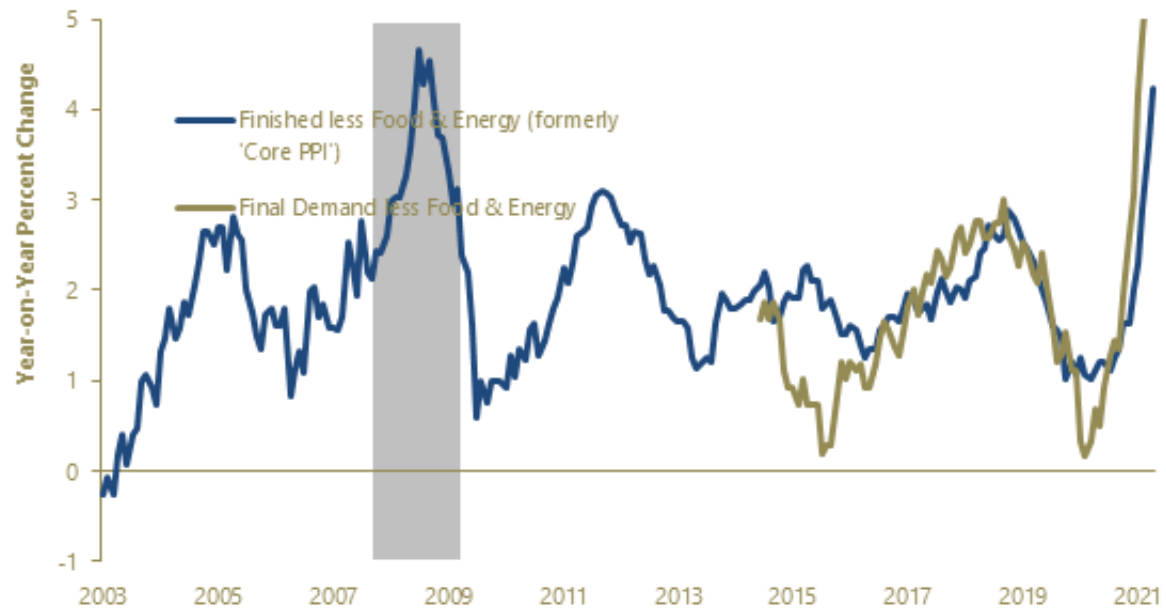
The Services PPI ROSE by 1.1% in July and is now 5.8% ABOVE its year-ago level.

The Core PPI ROSE by 1.0%, compared with market expectations for a increase of 0.5%. Core producer prices are now 6.2% ABOVE their year-ago level.

PPI, Energy



Core PPI



	Relative Weight	Percent Changes								
		Monthly Changes			Annual Rates of Change					
		Jul-21	Jun-21	May-21	Three Month	Six Month	Twelve Month	2018	2017	Five Year
PPI	100.0%	1.0	1.0	0.8	11.8	10.3	7.7	2.5	2.6	1.6
GOODS	34.4%	0.6	1.2	1.5	14.1	15.0	11.7	1.6	3.5	0.4
Foods	5.5%	-2.1	0.8	2.6	4.8	10.7	9.3	2.7	2.0	0.5
Energy	6.8%	2.6	2.1	2.2	31.2	36.9	32.9	-3.3	10.3	-5.0
less Food & Energy	22.1%	1.0	1.0	1.1	12.5	10.9	7.5	2.6	2.2	1.9
SERVICES	63.5%	1.1	0.8	0.6	10.4	8.0	5.8	3.1	2.0	2.3
Core PPI	87.7%	1.0	1.0	0.7	11.2	8.8	6.2	3.0	2.2	2.2

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

Copyright © 2018 Contingent Macro Advisors, LLC. All rights reserved. Reproduction and/or redistribution are expressly prohibited. "Economic Advisory Service" is a registered trademark of Contingent

T.J. Connelly, Head of Research

August 12, 2021

Steven A. Wood, Senior Economic Adviser