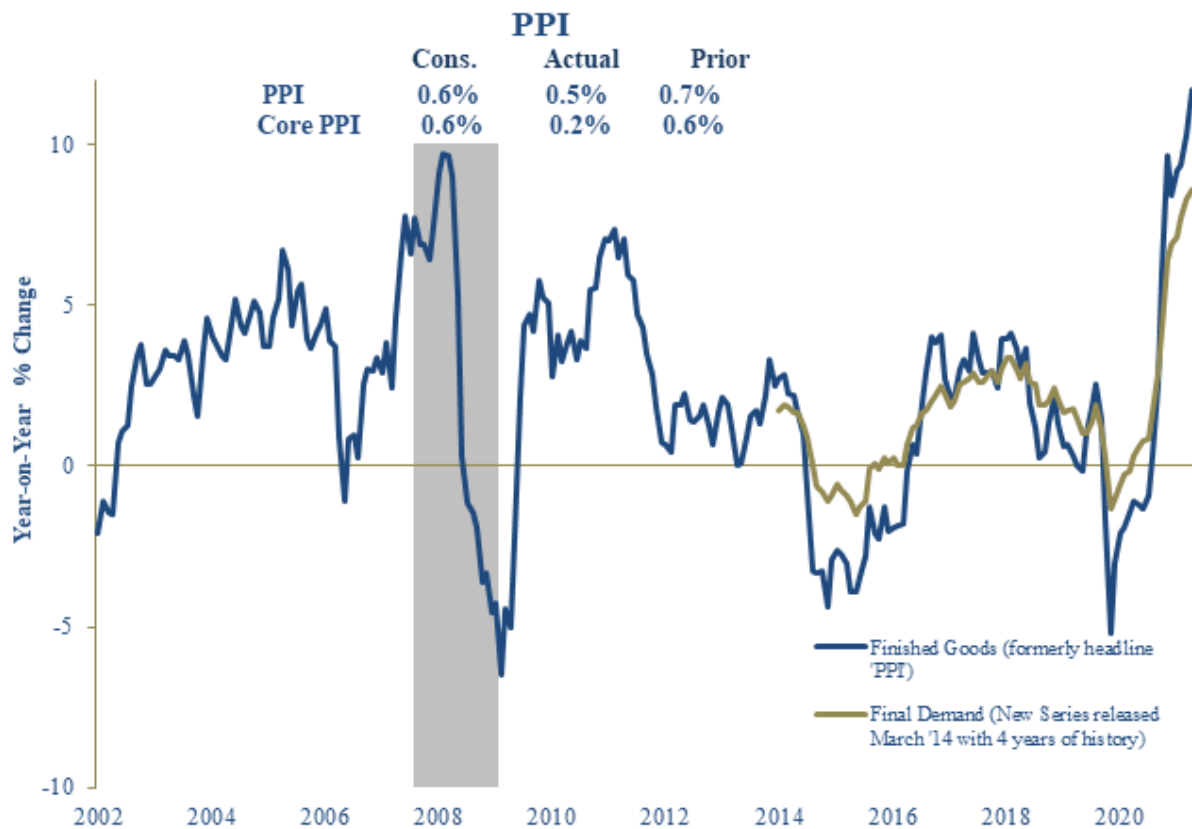


14.Oct.2021

Producer Prices: Core Pressures Ease A Touch More

Bottom Line: Producer prices rose more slowly in September, with the core index coming in below expectations, its slowest pace of gains in nine months, as service prices rose just 0.2% on the month. After months of moving higher, the final demand transportation and warehousing services index fell, dropping 4.0% as margins in the sector eased. The indexes for machinery and equipment wholesaling, hospital inpatient care, automobiles, automobile parts retailing, portfolio management, and truck transportation of freight moved up, but prices for airline passenger services fell 16.9 percent. The indexes for health, beauty, and optical goods retailing and bundled wired telecommunications access services also declined. Since the pandemic, supply chains have never been the same and likely won't normalize for several more 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 0.5% in September, compared with market expectations for an increase of 0.6%. Overall producer prices are 8.6% ABOVE the year-ago level.

The Goods PPI ROSE by 1.3% in September and is now 13.3% ABOVE its year-ago level. Food prices rose by 2.0% and are now 13.1% ABOVE their year-ago level. Meanwhile, energy prices rose by 2.8%. and are now 36.3% ABOVE their year-ago level. The Goods PPI less food and energy ROSE by 0.6% and is now 8.3% ABOVE its year-ago level.

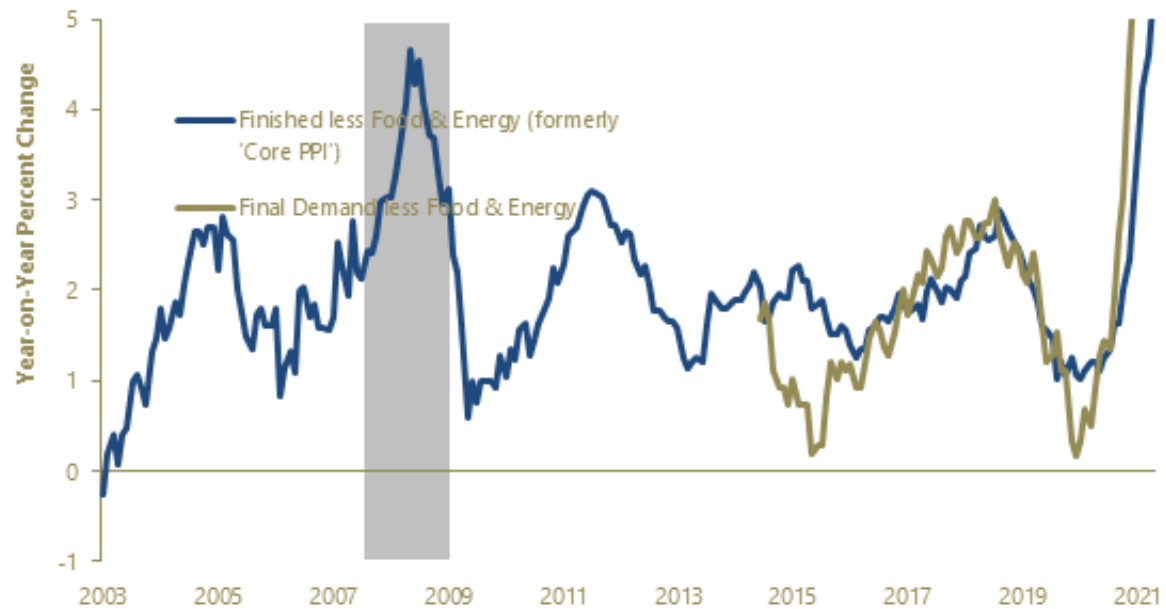
The Services PPI ROSE by 0.2% in September and is now 6.4% ABOVE its year-ago level.

The Core PPI ROSE by 0.2%, compared with market expectations for an increase of 0.6%. Core producer prices are now 6.8% ABOVE their year-ago level.

PPI, Energy



Core PPI



	Relative Weight	Percent Changes								
		Monthly Changes			Annual Rates of Change					
		Sep-21	Aug-21	Jul-21	Three Month	Six Month	Twelve Month	2018	2017	Five Year
PPI	100.0%	0.5	0.7	1.0	9.5	9.8	8.6	2.5	2.6	1.6
GOODS	34.4%	1.3	1.0	0.6	12.0	12.9	13.3	1.6	3.5	0.4
Foods	5.5%	2.0	2.9	-2.1	11.4	17.3	13.1	2.7	2.0	0.5
Energy	6.8%	2.8	0.4	2.6	25.7	17.2	36.3	-3.3	10.3	-5.0
less Food & Energy	22.1%	0.6	0.6	1.0	9.2	10.7	8.3	2.6	2.2	1.9
SERVICES	63.5%	0.2	0.7	1.1	8.2	8.5	6.4	3.1	2.0	2.3
Core PPI	87.7%	0.2	0.6	1.0	7.9	8.9	6.8	3.0	2.2	2.2

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

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