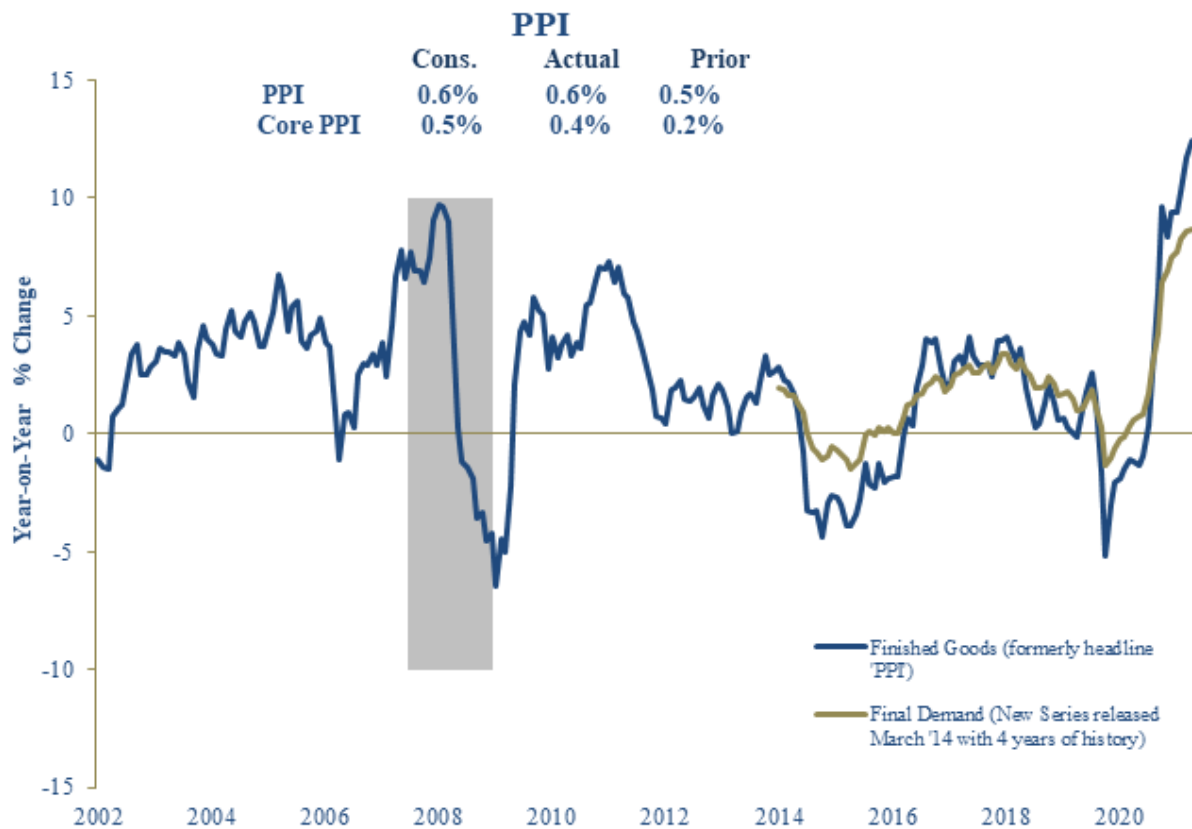


09.Nov.2021

## **Producer Prices: Goods Still Hot, Services Hint At Deceleration**

**Bottom Line:** Producer prices rose slightly more than expected as goods prices continued to see upward pressure. Higher gasoline prices drove the headline figure, while services inflation showed hints of deceleration. Nearly 80% of the increase in final demand services was due to higher margins in the vehicle retailing sector, which appears to be a one-off boost due to higher auto prices and the BLS's annual adjustment to auto price assumptions. Transportation and warehousing services, a steady driver of services inflation in PPI throughout the pandemic, saw continued growth in margins but offered hints of deceleration on a trend basis.

Services inflation was 4.2% annualized over the last three months, below the six- and 12-month averages of 6.2 and 5.8%. Goods inflation, meanwhile, was 14.3% annualized over the last three months, still in line with the six- and 12-month pace. That said, 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 0.6% in October, in line with market expectations. Overall producer prices are 8.6% ABOVE the year-ago level.

**The Goods PPI** ROSE by 1.2% in October and is now 14.1% ABOVE its year-ago level. Food prices fell by 0.1% but are now 10.6% ABOVE their year-ago level. Meanwhile energy prices rose by 4.8%. and are now 42.1% ABOVE their year-ago level. **The Goods PPI less food and energy** ROSE by 0.5%, and is now 8.8% ABOVE its year-ago level.

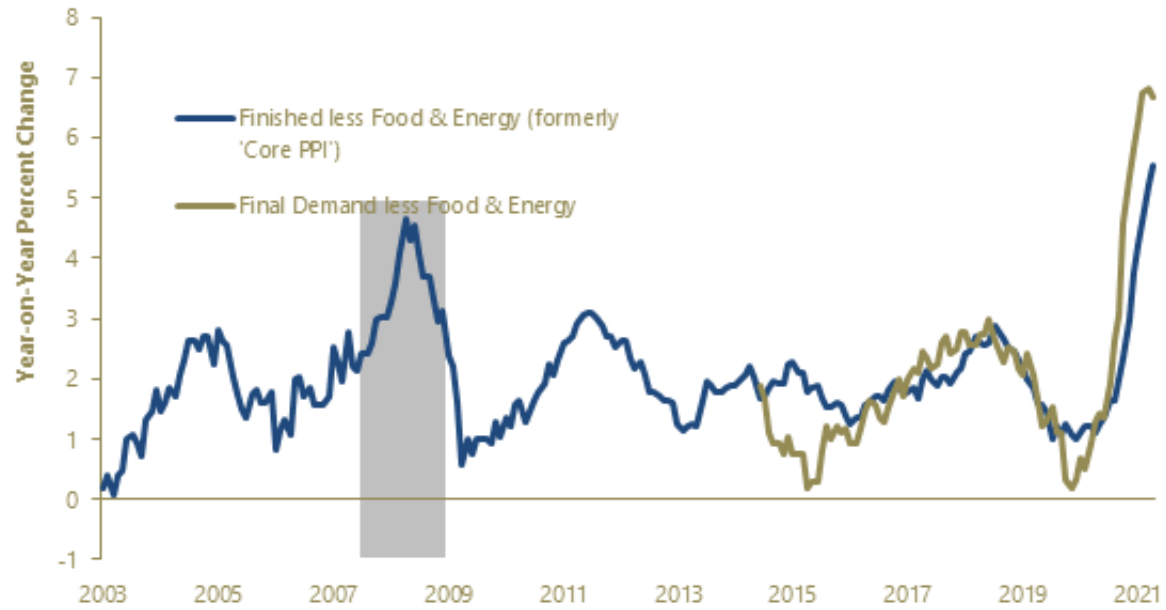
**The Services PPI** ROSE by 0.2% in October and is now 5.8% ABOVE its year-ago level.

**The Core PPI** ROSE by 0.4%, compared with market expectations for an increase of 0.5%. Core producer prices are now 6.7% ABOVE their year-ago level.

## PPI, Energy



## Core PPI



	Relative Weight	Percent Changes								
		Monthly Changes			Annual Rates of Change					
		Oct-21	Sep-21	Aug-21	Three Month	Six Month	Twelve Month	2018	2017	Five Year
PPI	100.0%	0.6	0.5	0.7	7.8	9.1	8.6	2.5	2.6	1.6
GOODS	34.4%	1.2	1.3	1.0	14.3	13.8	14.1	1.6	3.5	0.4
Foods	5.5%	-0.1	2.0	2.9	20.6	13.0	10.6	2.7	2.0	0.5
Energy	6.8%	4.8	2.8	0.4	37.2	32.0	42.1	-3.3	10.3	-5.0
less Food & Energy	22.1%	0.5	0.6	0.6	7.1	9.6	8.8	2.6	2.2	1.9
SERVICES	63.5%	0.2	0.2	0.7	4.2	6.2	5.8	3.1	2.0	2.3
Core PPI	87.7%	0.4	0.2	0.6	5.2	7.3	6.7	3.0	2.2	2.2

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

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