

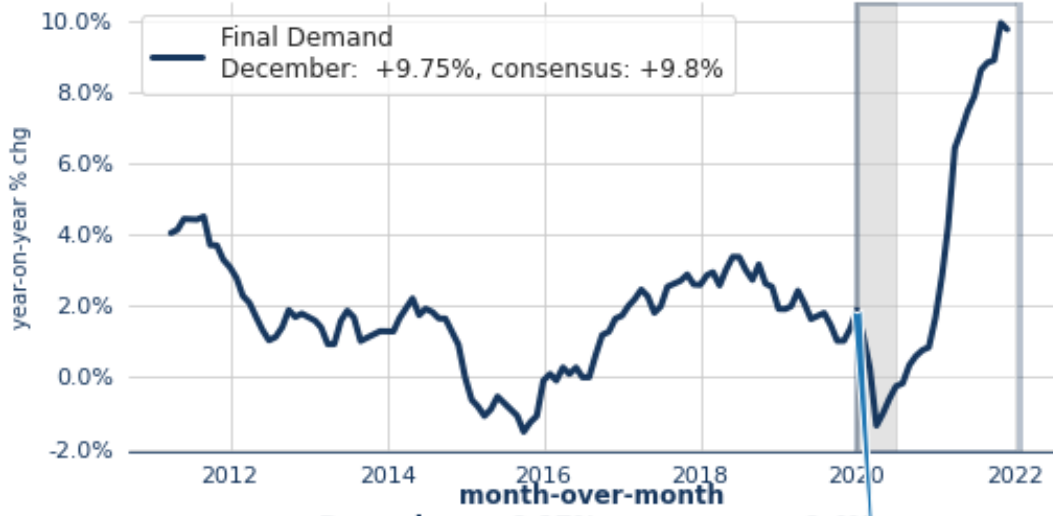
13.Jan.2022

Producer Prices: Good Ease, Hints of Deceleration After Record

Bottom Line: Producer prices rose less than expected as goods prices fell for the first time since April 2020. While still a record year-on-year increase, the report offered hints of decelerating inflation pressure. Final demand services were up 0.5% after November's upwardly revised 1.1% reading, led once again by upward pressure on margins in the trade services sector. But excluding that volatile sector, services were up just 0.2%. Auto-related retailing also saw downward margin pressure after more than a year of increases. Overall, producer prices pressures remain historic, but the December report offered hints of a respite as goods price pressures eased and margin growth in many services sectors slowed.

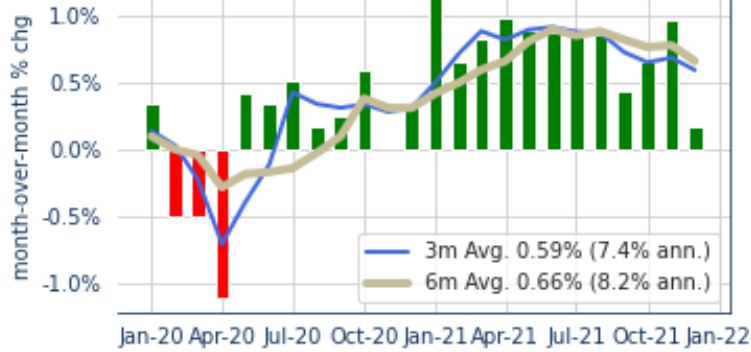
Final Demand

December: +9.75%, consensus: +9.8%



December: +0.17%, consensus: +0.4%

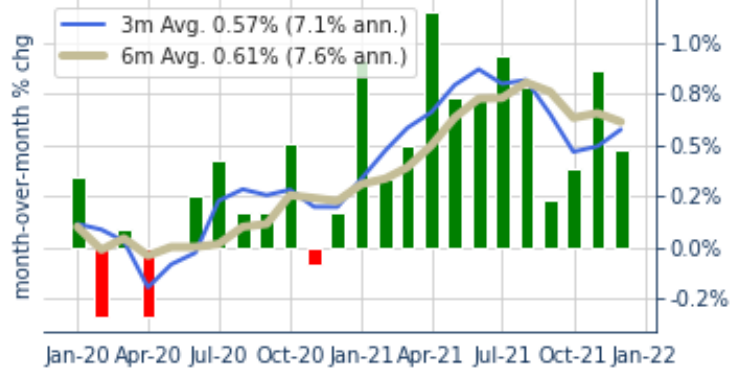
Contingent Macro Advisors 2022 source: US BEA



Final demand less food and energy December: +8.31%, consensus: +8.0%



Contingent Macro Advisors 2022 source: US BEA



The PPI ROSE by 0.2% in December, compared with market expectations for an increase of 0.4%. Overall producer prices are 9.8% ABOVE the year-ago level.

The Goods PPI FELL by 0.4% in December but is now 13.6% ABOVE its year-ago level. Food prices fell by 0.6% but are now 12.9% ABOVE their year-ago level.

Meanwhile energy prices fell by 3.3%. but are now 31.9% ABOVE their year-ago level. The Goods PPI less food and energy ROSE by 0.5% and is now 9.4% ABOVE its year-ago level.

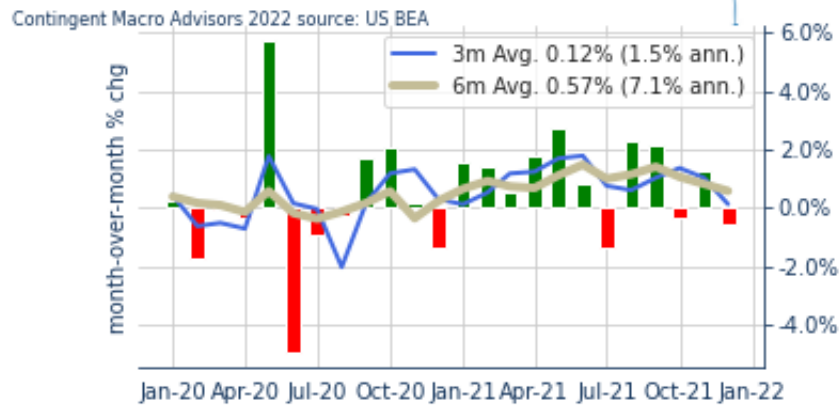
The Services PPI ROSE by 0.5% in December and is now 7.9% ABOVE its year-ago level.

The Core PPI ROSE by 0.5%, compared with market expectations for a increase of 0.5%. Core producer prices are now 8.3% ABOVE their year-ago level.

Final demand foods



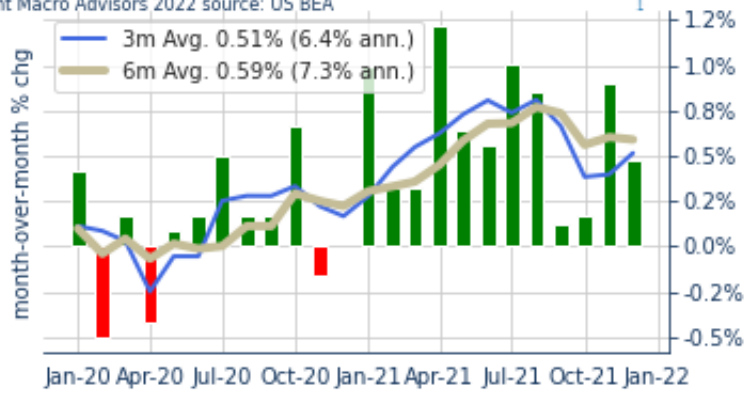
month-over-month



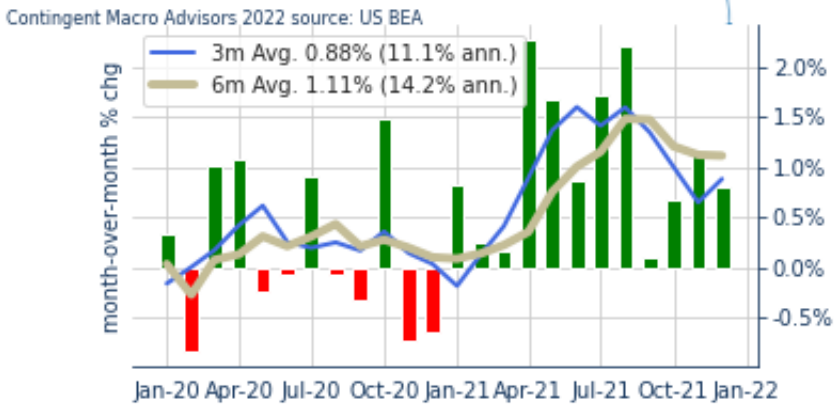
Final demand services



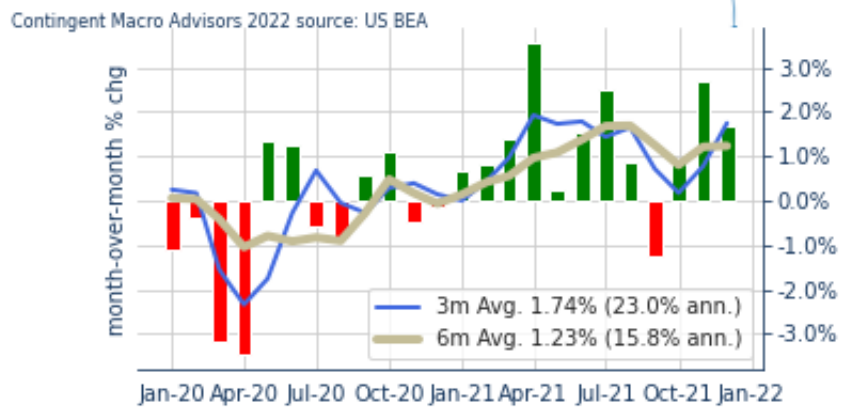
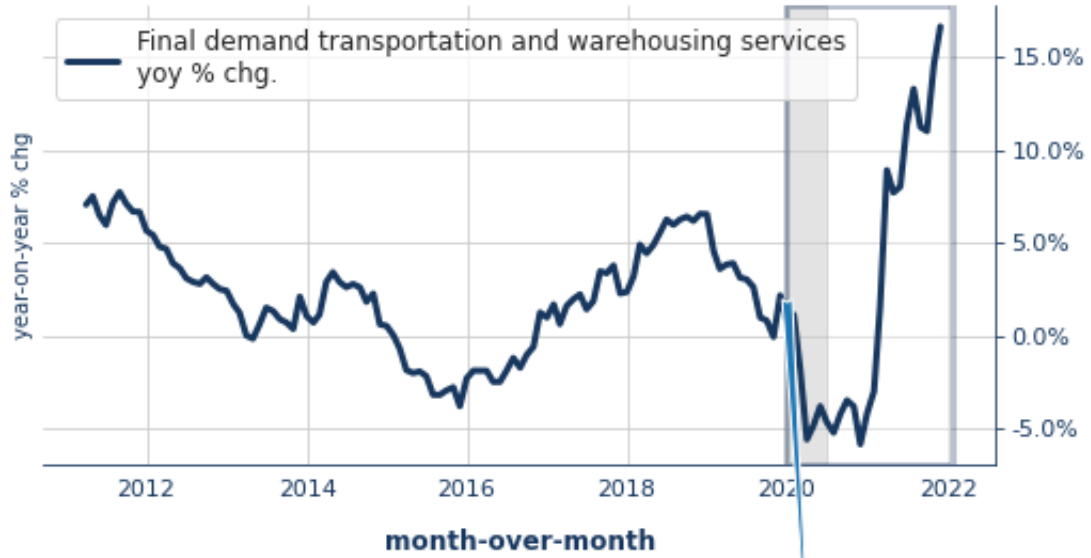
Contingent Macro Advisors 2022 source: US BEA



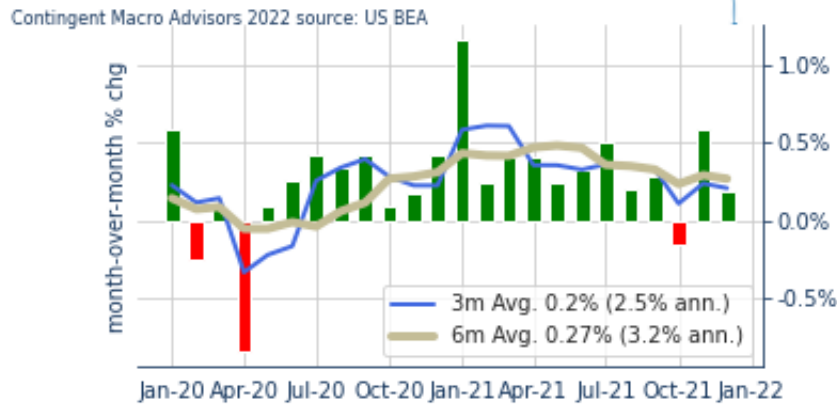
Final demand trade services



Final demand transportation and warehousing services



Final demand services less trade, transportation, and warehousing



US Producer Price Inflation	Dec-21	Nov-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Final Demand	0.17%	0.96%	7.35%	8.20%	9.75%	0.84%	1.37%	3.61%
Final demand less food and energy	0.47%	0.86%	7.10%	7.59%	8.31%	1.35%	1.29%	3.40%
Final demand goods	-0.43%	1.12%	8.29%	9.85%	13.57%	-0.09%	1.04%	4.11%
Final demand goods less foods and energy	0.47%	0.81%	7.79%	7.99%	9.38%	1.78%	0.51%	3.48%
Final demand services	0.48%	0.90%	6.34%	7.29%	7.86%	1.25%	1.44%	3.30%
Final demand trade services	0.81%	1.15%	11.07%	14.14%	13.40%	1.83%	0.76%	4.42%

Final demand transportation and warehousing services	1.66%	2.68%	22.99%	15.67%	16.66%	-5.86%	2.16%	4.45%
Final demand construction	0.32%	0.29%	29.53%	19.22%	12.37%	1.16%	3.87%	5.59%

Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes.

US PPI - Details	Dec-21	Nov-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Processed Goods	-0.31%	1.60%	15.85%	15.55%	24.29%	1.42%	-1.65%	6.76%
Unprocessed Goods	-5.63%	2.12%	8.12%	20.49%	38.06%	1.33%	-7.43%	8.11%
Motor Vehicles	0.21%	0.09%	-3.21%	0.20%	2.83%	0.64%	-0.25%	0.90%
Pharmaceutical	0.29%	0.22%	3.20%	1.89%	1.34%	1.84%	1.80%	3.56%
Chemicals	-0.14%	2.31%	16.21%	15.06%	41.68%	-2.79%	-5.91%	8.16%
Lumber	16.12%	4.26%	171.23%	-36.37%	18.43%	39.19%	-0.47%	14.13%
Steel Mill Products	0.20%	2.70%	31.31%	70.17%	127.16%	5.23%	-15.96%	31.52%
Outpatient healthcare	0.17%	0.15%	2.10%	2.29%	3.33%	2.30%	1.91%	2.18%
Inpatient healthcare	0.36%	0.16%	0.35%	2.88%	2.56%	3.64%	2.46%	2.89%
Food and alcohol retailing	1.66%	1.58%	19.55%	17.52%	8.89%	-0.73%	1.34%	2.48%
Apparel and jewelry retailing	0.35%	3.24%	2.85%	12.35%	16.18%	-3.39%	0.99%	2.37%
Airline passenger services	5.32%	4.49%	34.55%	15.57%	20.81%	-24.37%	5.54%	0.21%
Inv Mgmt & Brokerage	-0.51%	6.14%	-4.59%	1.58%	7.48%	3.47%	-9.77%	3.67%
Business Loans	-1.27%	4.34%	-1.76%	5.24%	14.22%	-12.04%	-11.73%	1.65%
Legal Services	0.49%	0.30%	5.44%	4.04%	3.92%	4.28%	4.79%	4.04%
Truck Transport	0.45%	2.71%	23.00%	18.14%	17.74%	2.23%	0.00%	6.80%
Machinery & Equip. Wholesaling	1.59%	1.79%	26.73%	20.70%	12.79%	3.06%	2.49%	5.31%

Month-over-month % change for most recent months, followed by annualized % changes for periods

noted. 5- and 10-year are simple averages of annual % changes.