

15.Feb.2022

Producer Prices: Surprise Upside As Medical Care Prices Jump

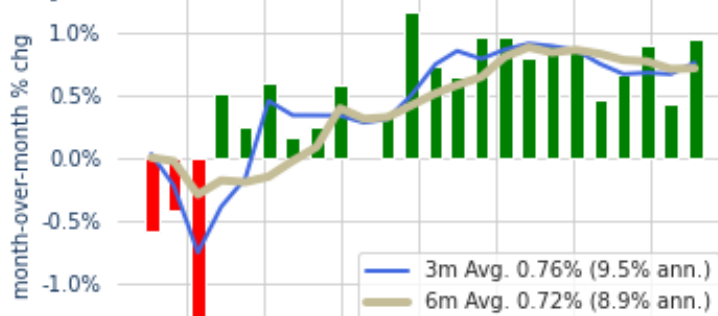
Bottom Line: Producer prices rose sharply more than expected in January, accelerating nearly a percent on the month at the core level versus expectations for 0.4%. Goods prices remained hot, but it was services that surprised the most. Much like in the consumer price report, medical care service prices rose sharply, the first significant break above the trend since the pandemic. Specifically, hospital outpatient services led the increase in PPI's "final demand services" segment. On the goods side, energy prices drove the headline while construction-related materials, especially lumber, led core goods gains. Overall, this report shows only hints of slower pipeline inflation pressures with core goods prices decelerating only slowly, while services inflation begins to tick higher again.

Final Demand

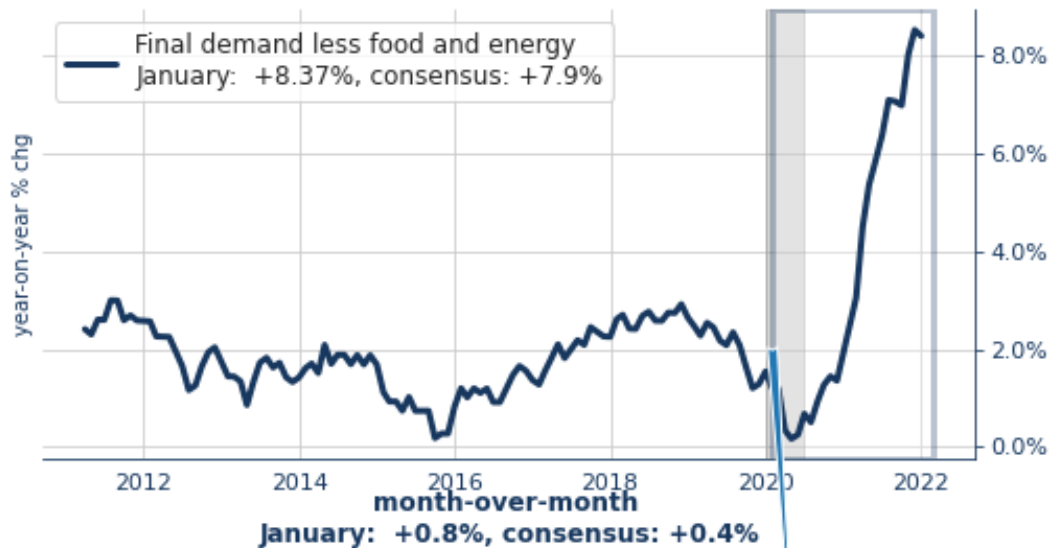
January: +9.76%, consensus: +9.1%



Contingent Macro Advisors 2022 source: US BEA



Final demand less food and energy January: +8.37%, consensus: +7.9%



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.

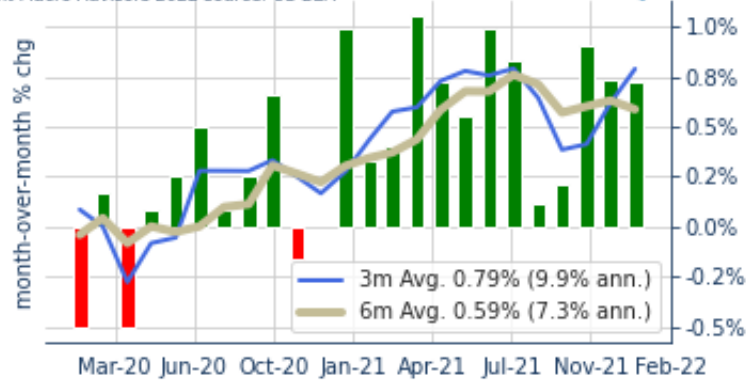
The Core PPI ROSE by 0.5%, compared with market expectations for a increase of 0.5%. Core producer prices are now 8.3% ABOVE their year-ago level.

Final demand services

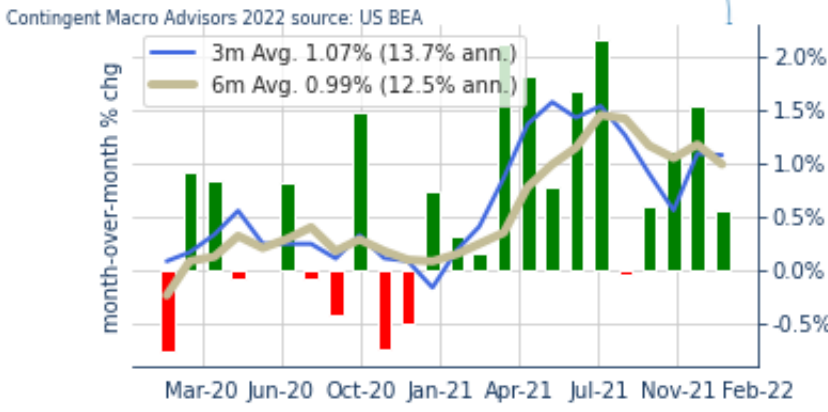


month-over-month

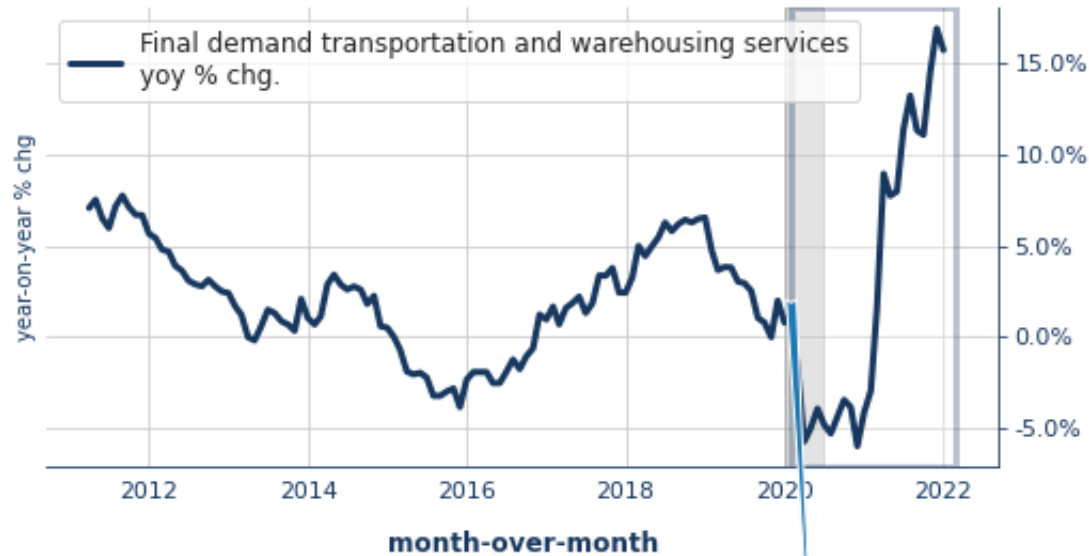
Contingent Macro Advisors 2022 source: US BEA



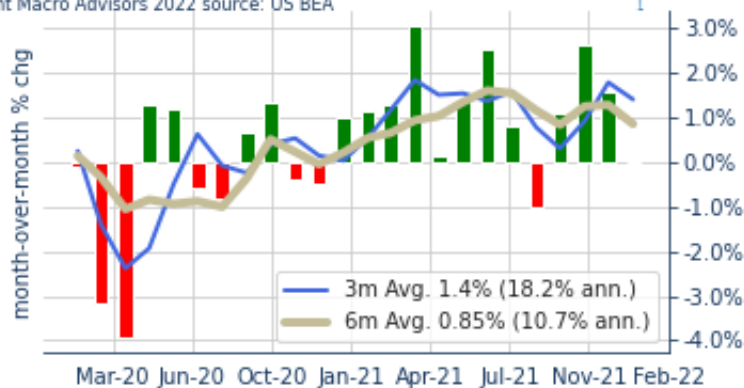
Final demand trade services



Final demand transportation and warehousing services



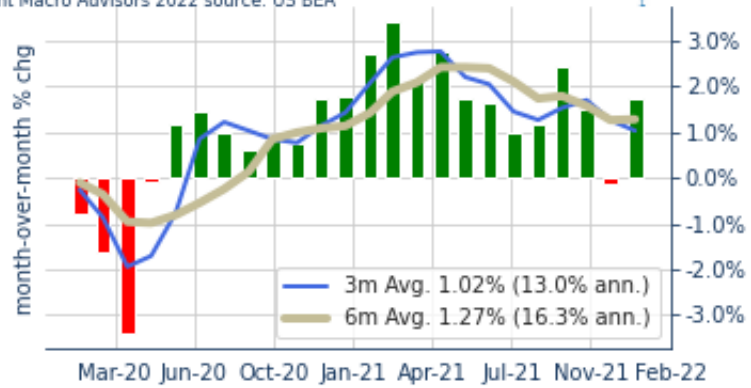
Contingent Macro Advisors 2022 source: US BEA



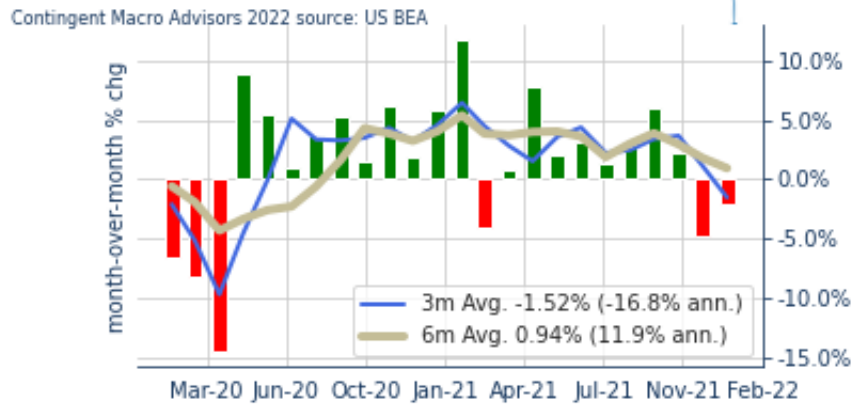
Processed Goods



Contingent Macro Advisors 2022 source: US BEA



Unprocessed Goods



US Producer Price Inflation	Jan-22	Dec-21	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Final Demand	0.95%	0.44%	9.53%	8.94%	9.76%	10.00%	0.76%	3.26%
Final demand less food and energy	0.80%	0.64%	9.68%	7.72%	8.37%	8.50%	1.35%	3.11%
Final demand goods	1.26%	-0.13%	8.43%	11.57%	13.28%	13.61%	-0.09%	3.60%
Final demand goods less foods and energy	0.82%	0.38%	8.40%	7.94%	9.41%	9.34%	1.78%	3.15%
Final demand services	0.72%	0.73%	9.88%	7.26%	7.83%	8.12%	1.17%	3.03%
Final demand trade services	0.56%	1.54%	13.66%	12.49%	13.52%	13.72%	1.83%	4.22%

Final demand transportation and warehousing services	-0.02%	1.59%	18.11%	10.64%	15.67%	16.85%	-5.95%	3.86%
Final demand construction	3.64%	0.29%	18.39%	23.61%	16.14%	12.32%	1.16%	5.73%

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	Jan-22	Dec-21	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Processed Goods	1.72%	-0.14%	12.92%	16.29%	24.18%	24.21%	1.42%	5.92%
Unprocessed Goods	-2.01%	-4.80%	-17.20%	11.13%	29.49%	39.79%	1.33%	6.60%
Motor Vehicles	0.36%	-0.09%	2.02%	0.52%	2.37%	2.51%	0.70%	0.84%
Pharmaceutical	-0.13%	0.15%	0.67%	1.89%	1.50%	1.34%	1.81%	2.02%
Chemicals	-1.35%	-1.69%	-2.28%	6.52%	30.85%	39.77%	-2.79%	4.88%
Lumber	17.65%	14.09%	285.20%	45.38%	22.67%	18.68%	38.86%	16.41%
Steel Mill Products	-1.61%	0.20%	6.31%	35.39%	112.68%	128.01%	5.23%	27.34%
Outpatient healthcare	0.74%	0.08%	3.92%	2.89%	2.68%	3.19%	2.30%	2.08%
Inpatient healthcare	0.74%	0.27%	5.09%	4.29%	3.14%	2.61%	3.63%	2.67%
Food and alcohol retailing	-0.39%	1.31%	10.13%	11.88%	6.66%	7.95%	-0.66%	2.52%
Apparel and jewelry retailing	4.18%	1.15%	48.03%	22.16%	22.14%	17.24%	-3.38%	3.37%
Airline passenger services	-4.21%	4.15%	19.99%	-7.02%	14.56%	21.14%	-24.62%	-0.16%
Inv Mgmt & Brokerage	-0.48%	-1.29%	27.77%	-8.67%	6.71%	8.38%	3.47%	1.91%
Business Loans	4.34%	-1.31%	33.23%	13.55%	11.74%	14.18%	-12.04%	1.74%
Legal Services	1.27%	0.45%	8.73%	6.89%	5.82%	4.20%	4.28%	3.58%
Truck Transport	1.32%	0.81%	19.77%	19.08%	18.30%	17.85%	2.23%	6.00%
Machinery & Equip. Wholesaling	1.21%	0.11%	15.88%	13.12%	13.83%	11.44%	3.06%	4.82%

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.