

15.Mar.2022

Producer Prices: Core Prices Cool, Watch Steel

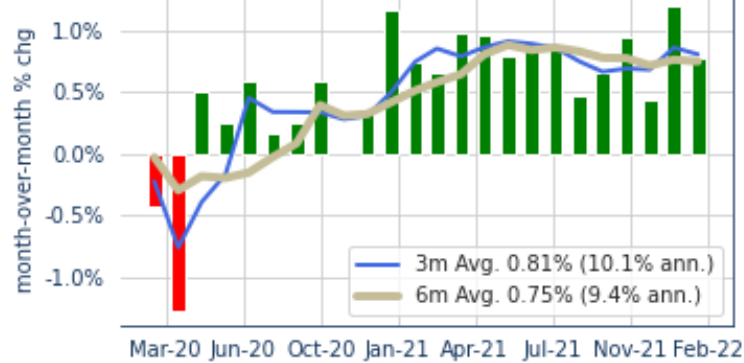
Bottom Line: Producer prices rose as expected at the headline level, but in February, core metrics were slightly slower than expected. Prices in the final demand services category fell slightly on the month, even amid continued upward price pressures in trade services (mostly transportation costs). On the goods side, unprocessed goods, especially food and energy, saw continued upward price pressures. In contrast, processed goods saw notably lower prices, led by declines in milled steel products, which have been falling sharply for the last several months. Overall, pipeline price pressures remain significant but show hints of cooling. That said, it is too early to call a shift in the trend of accelerating inflation as much of the cooling in producer prices has been due to lower steel prices, which are heavily influenced by auto production, which has been incredibly volatile amid shortages of semiconductors that have been severe enough to halt production for many automakers.

Final Demand

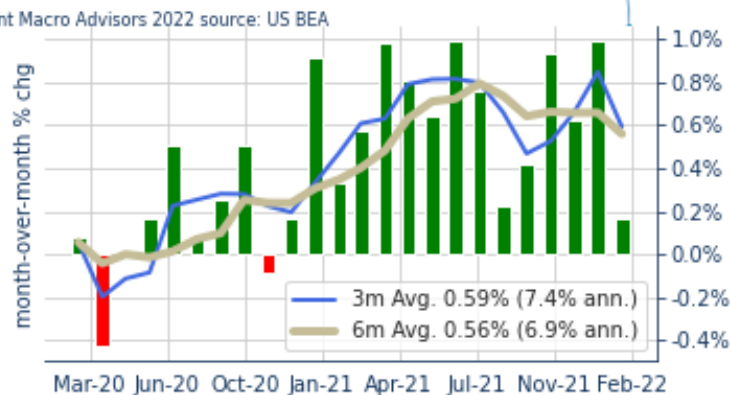
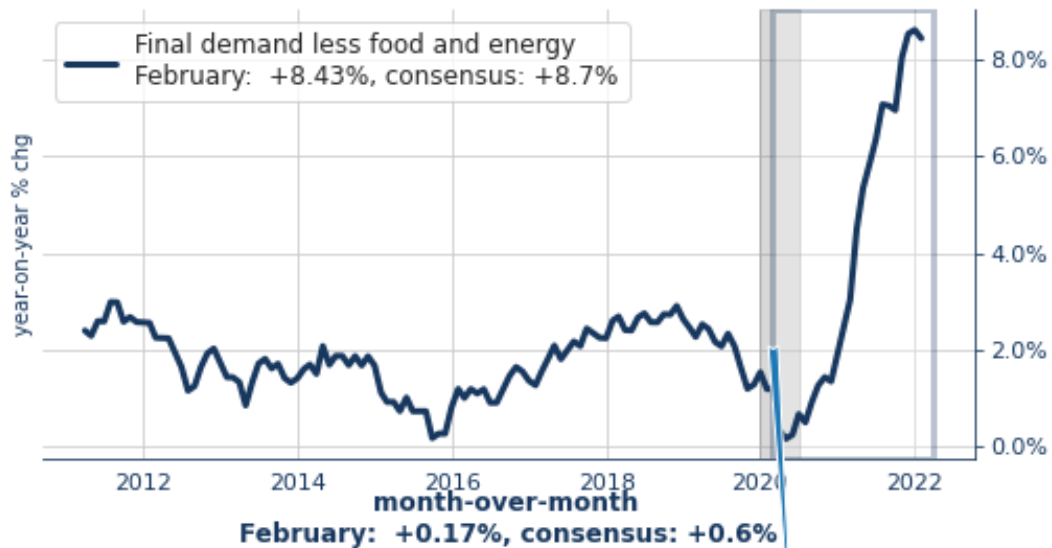
February: +10.12%, consensus: +10%



Contingent Macro Advisors 2022 source: US BEA



Final demand less food and energy February: +8.43%, consensus: +8.7%



The PPI ROSE by 0.8% in February, compared with market expectations for an increase of 0.9%. Overall producer prices are 10.1% ABOVE the year-ago level.

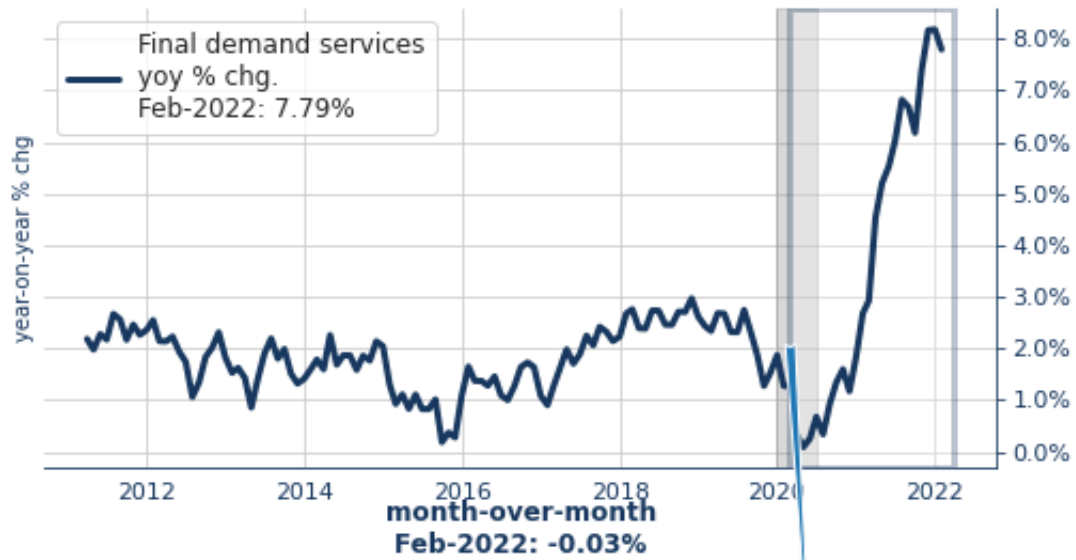
The Goods PPI ROSE by 2.4% in February and is now 14.6% ABOVE its year-ago level. Food prices rose by 1.9% and are now 13.8% ABOVE their year-ago level.

Meanwhile energy prices rose by 8.2%. and are now 34.6% ABOVE their year-ago level. **The Goods PPI less food and energy** ROSE by 0.7%, and is now 9.6% ABOVE its year-ago level.

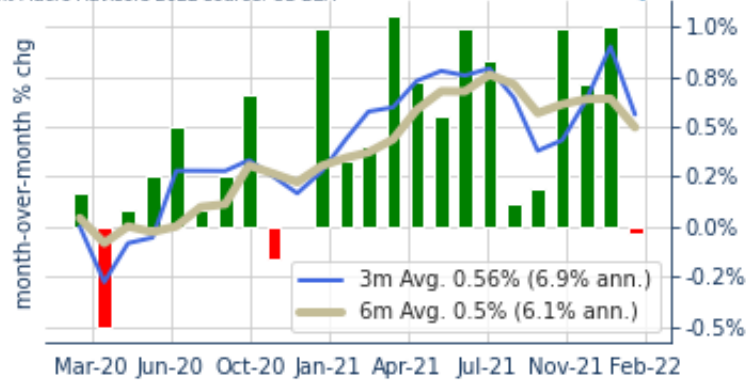
The Services PPI FELL by 0.0% in February but is now 7.8% ABOVE its year-ago level.

The Core PPI ROSE by 0.2%, compared with market expectations for an increase of 0.6%. Core producer prices are now 8.4% ABOVE their year-ago level.

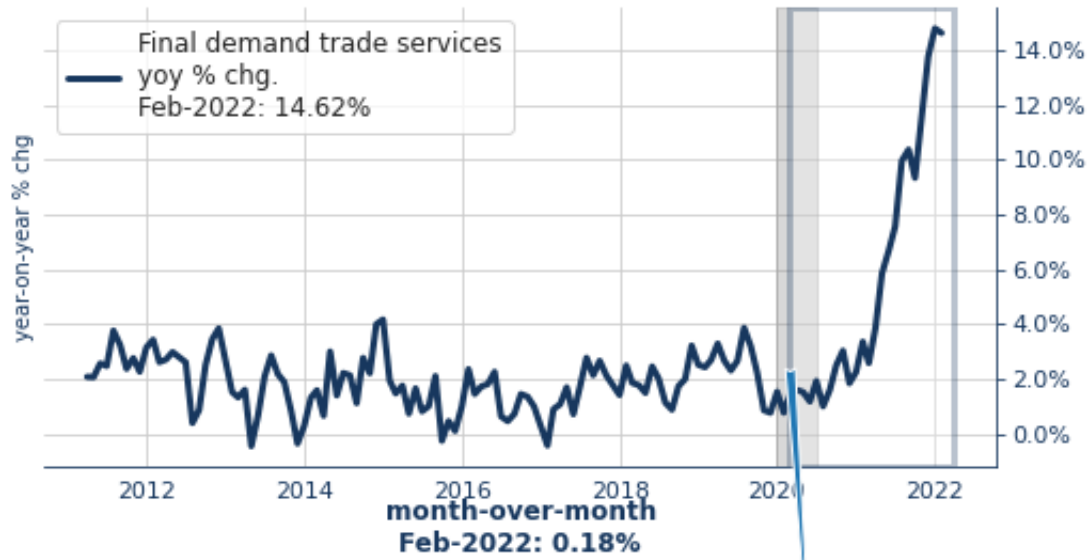
Final demand services



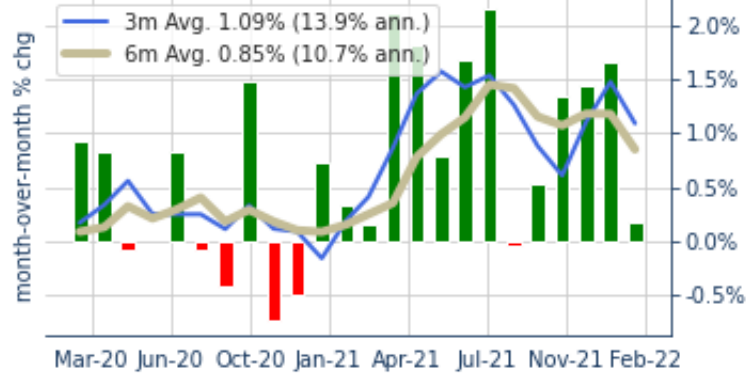
Contingent Macro Advisors 2022 source: US BEA



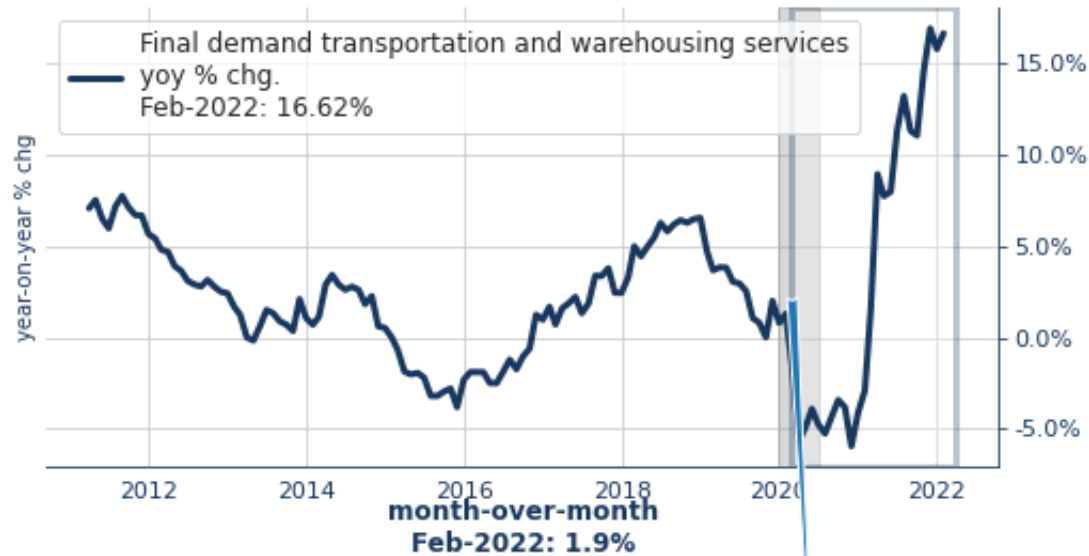
Final demand trade services



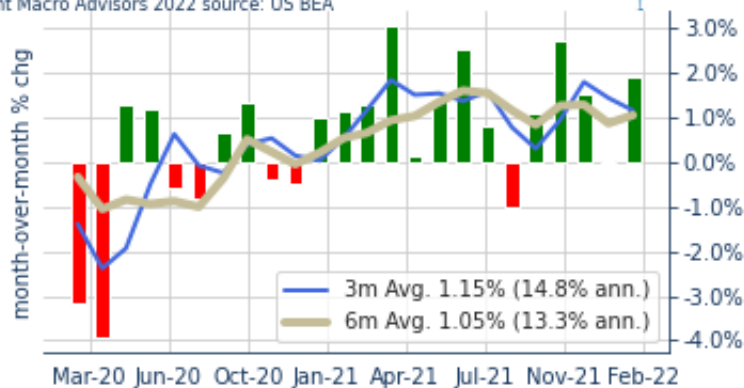
Contingent Macro Advisors 2022 source: US BEA



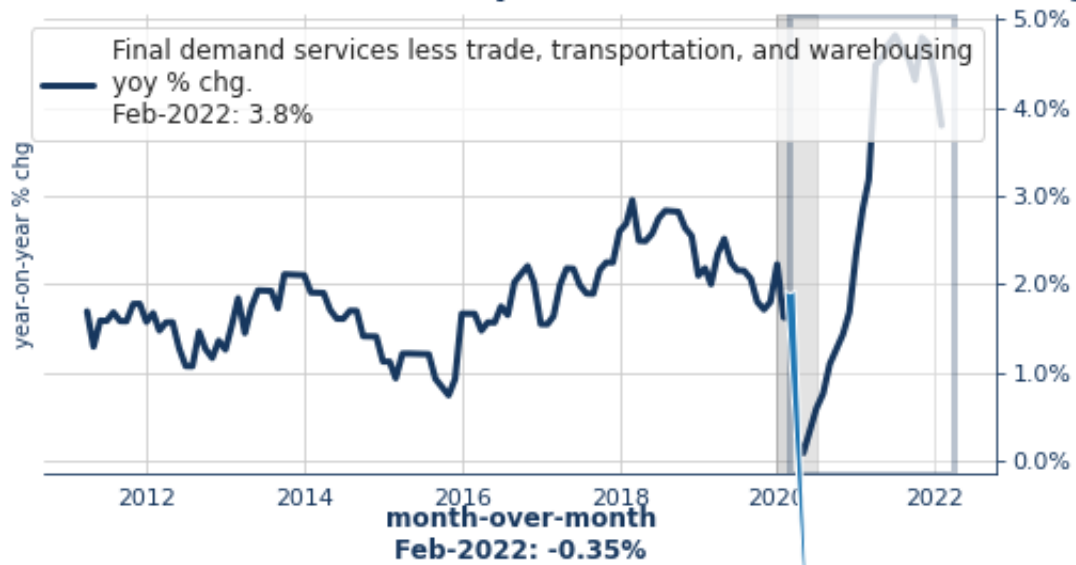
Final demand transportation and warehousing services



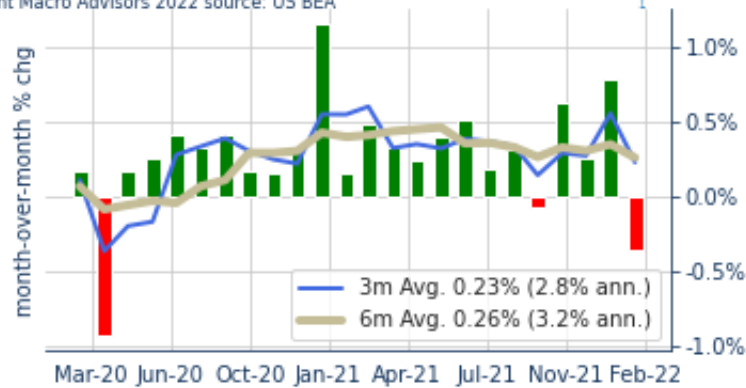
Contingent Macro Advisors 2022 source: US BEA



Final demand services less trade, transportation, and warehousing



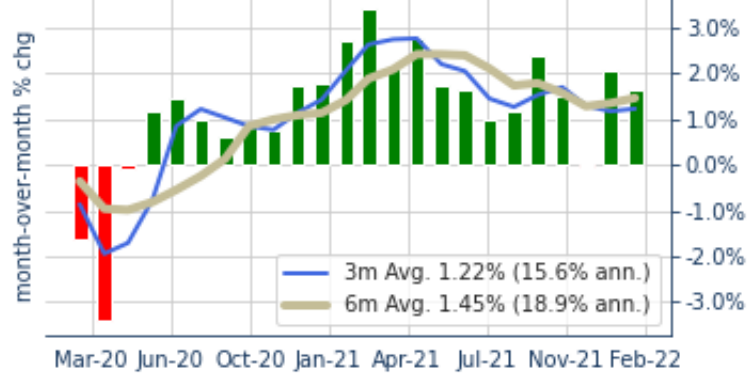
Contingent Macro Advisors 2022 source: US BEA



Processed Goods



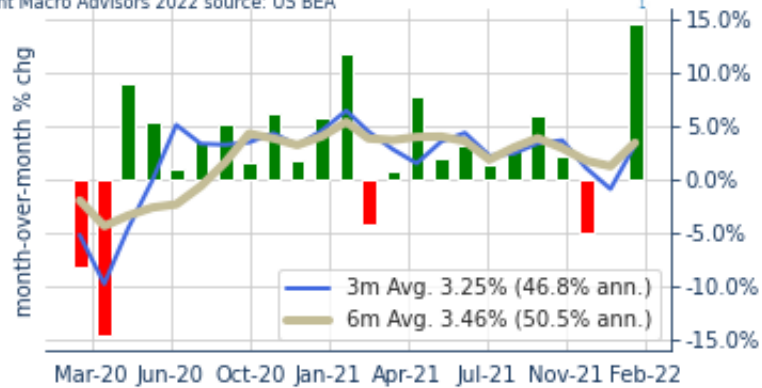
Contingent Macro Advisors 2022 source: US BEA



Unprocessed Goods



Contingent Macro Advisors 2022 source: US BEA



US Producer Price Inflation	Feb-22	Jan-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Final Demand	0.78%	1.20%	10.14%	9.39%	10.12%	10.05%	0.76%	3.51%
Final demand less food and energy	0.17%	0.99%	7.36%	6.92%	8.43%	8.53%	1.35%	3.20%
Final demand goods	2.37%	1.46%	16.08%	15.28%	14.61%	13.67%	-0.09%	4.22%
Final demand goods less foods and energy	0.75%	0.75%	7.75%	8.14%	9.61%	9.34%	1.78%	3.30%
Final demand services	-0.03%	1.00%	6.92%	6.11%	7.79%	8.16%	1.17%	3.10%
Final demand trade services	0.18%	1.65%	13.84%	10.62%	14.62%	13.75%	1.83%	4.53%

Final demand transportation and warehousing services	1.90%	0.03%	14.72%	13.24%	16.62%	16.88%	-5.95%	4.33%
Final demand construction	0.63%	3.58%	19.24%	24.05%	16.58%	12.28%	1.16%	5.87%

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	Feb-22	Jan-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Processed Goods	1.65%	2.03%	15.54%	18.82%	23.40%	24.34%	1.42%	6.45%
Unprocessed Goods	14.57%	0.10%	41.36%	47.57%	35.41%	39.60%	1.33%	11.09%
Motor Vehicles	0.59%	0.33%	3.35%	0.86%	2.85%	2.50%	0.70%	0.95%
Pharmaceutical	0.55%	-0.42%	1.06%	1.84%	1.50%	1.33%	1.81%	2.08%
Chemicals	1.40%	-0.34%	-2.40%	4.65%	26.20%	39.93%	-2.79%	5.52%
Lumber	1.82%	17.85%	257.59%	118.72%	22.63%	18.98%	38.86%	17.23%
Steel Mill Products	-9.87%	-1.50%	-37.46%	-0.01%	74.42%	127.94%	5.23%	22.70%
Outpatient healthcare	0.21%	0.73%	4.15%	3.15%	2.71%	3.20%	2.30%	2.12%
Inpatient healthcare	-0.11%	0.89%	4.23%	3.81%	2.96%	2.70%	3.63%	2.70%
Food and alcohol retailing	1.77%	1.11%	19.89%	16.52%	11.16%	8.35%	-0.66%	3.35%
Apparel and jewelry retailing	-2.19%	-1.23%	-10.13%	0.05%	10.45%	16.64%	-3.38%	1.56%
Airline passenger services	3.04%	-4.53%	9.37%	-3.86%	16.72%	21.32%	-24.62%	0.41%
Inv Mgmt & Brokerage	1.55%	-0.48%	-0.74%	1.05%	2.63%	8.43%	3.47%	2.26%
Business Loans	-4.03%	4.26%	-4.97%	3.83%	8.54%	14.17%	-12.04%	0.85%
Legal Services	0.33%	1.01%	7.40%	6.92%	5.82%	4.20%	4.28%	3.60%
Truck Transport	1.99%	1.60%	19.04%	22.49%	19.15%	17.85%	2.23%	6.59%
Machinery & Equip. Wholesaling	0.71%	3.26%	18.52%	20.99%	16.93%	12.94%	3.06%	5.85%

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.