

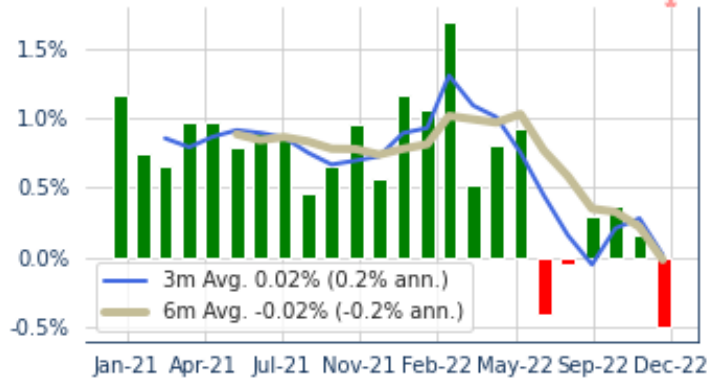
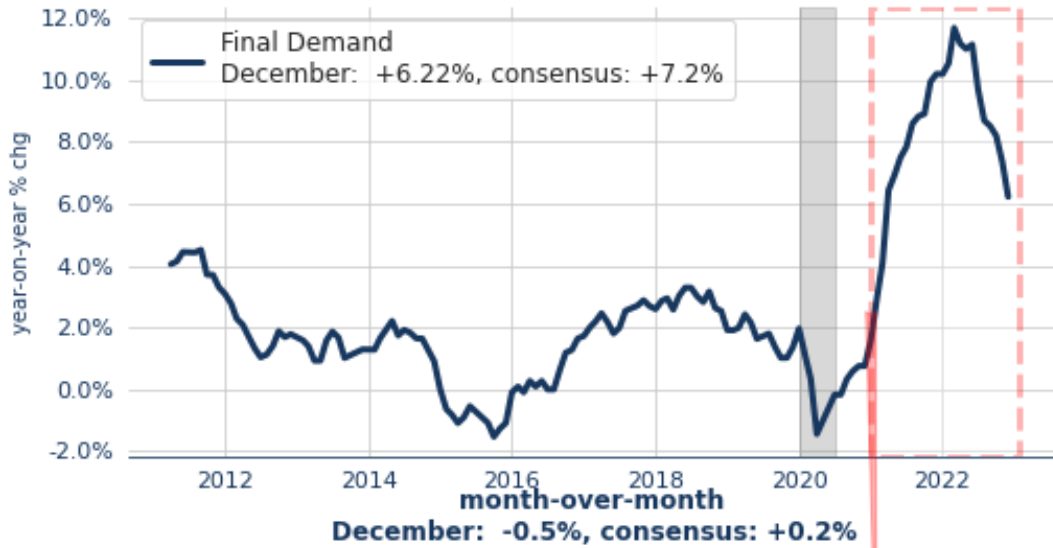
18.Jan.2023

Producer Prices: Pipeline Pressures Continued to Ease

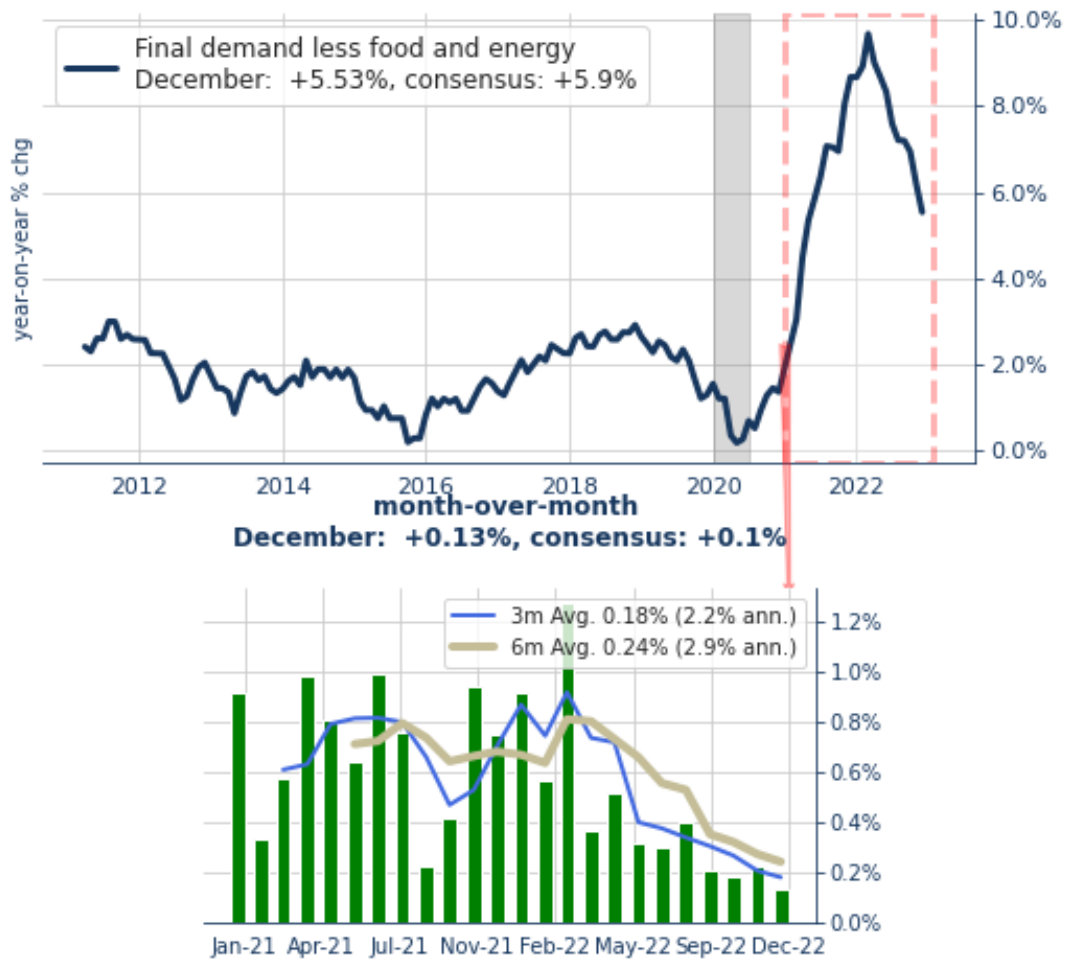
Bottom Line: Producer prices fell more than expected at the headline level in December as energy prices slumped. Core prices saw continued slower inflation as services, especially those related to transportation and warehousing, joined the slowdown in goods prices that started in the 3rd Quarter. Processed goods led the declines in goods, most notably in chemicals, lumber, and steel mill products. Medical-related categories saw modest increases with inpatient healthcare up 0.3% and outpatient care prices edging only slightly higher, potential good barometers for that critical category in the consumer prices report. **Overall, this report confirmed the continued correction in core goods prices and deceleration in services price inflation. Core PPI was running at just 2.2% annualized in the three months that ended in December, well below the pace of the last six- and 12 months, 2.9% and 5.5%, respectively.**

Final Demand

December: +6.22%, consensus: +7.2%



Final demand less food and energy December: +5.53%, consensus: +5.9%



Contingent Macro Advisors 2023 source: US BEA

The PPI FELL by 0.5% in December, compared with market expectations for an increase of 0.4%. Overall producer prices are 6.2% ABOVE the year-ago level.

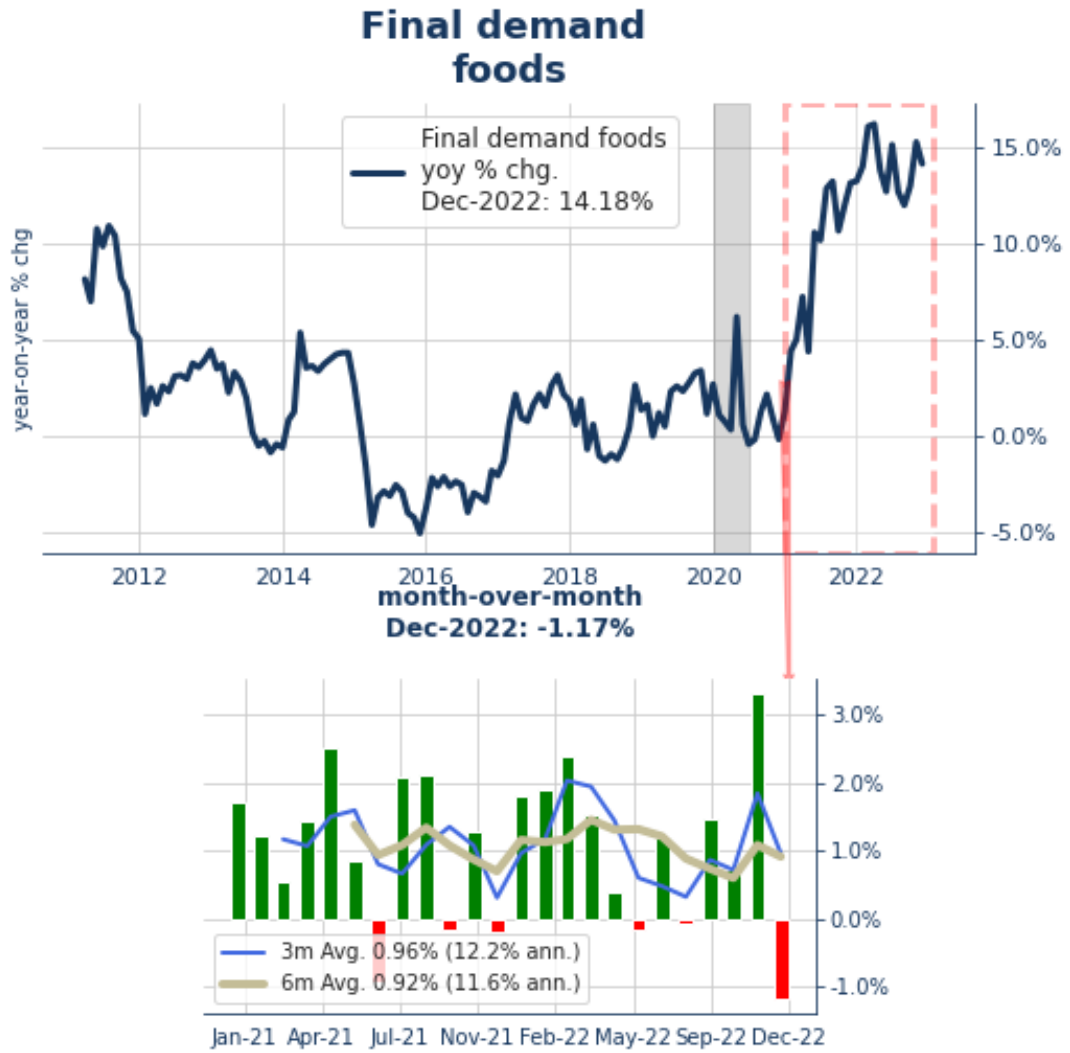
The Goods PPI FELL by 1.6% in December but is now 7.9% ABOVE its year-ago level. Food prices fell by 1.2% but are now 14.2% ABOVE their year-ago level.

Meanwhile, energy prices fell by 7.9%. but are now 8.6% ABOVE their year-ago level. The Goods PPI less food and energy **ROSE** by 0.2%, and is now 6.0% ABOVE its year-ago level.

The Services PPI ROSE by 0.1% in December and is now 5.0% ABOVE its year-ago level.

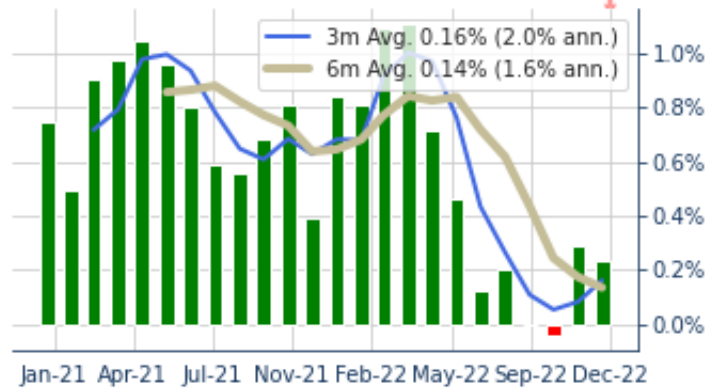
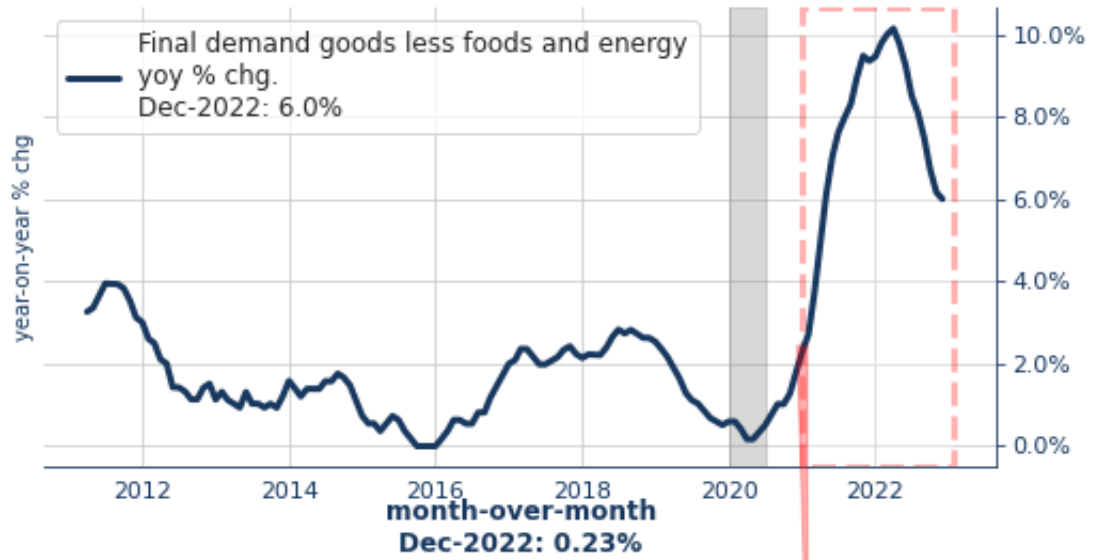
The Core PPI ROSE by 0.1%, compared with market expectations for an increase of

0.3%. Core producer prices are now 5.5% ABOVE their year-ago level.

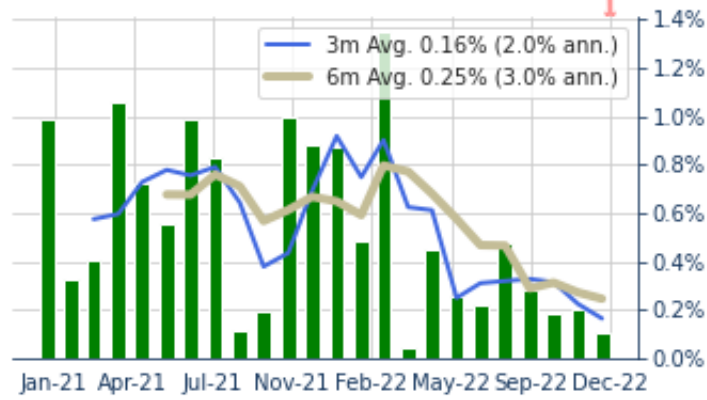
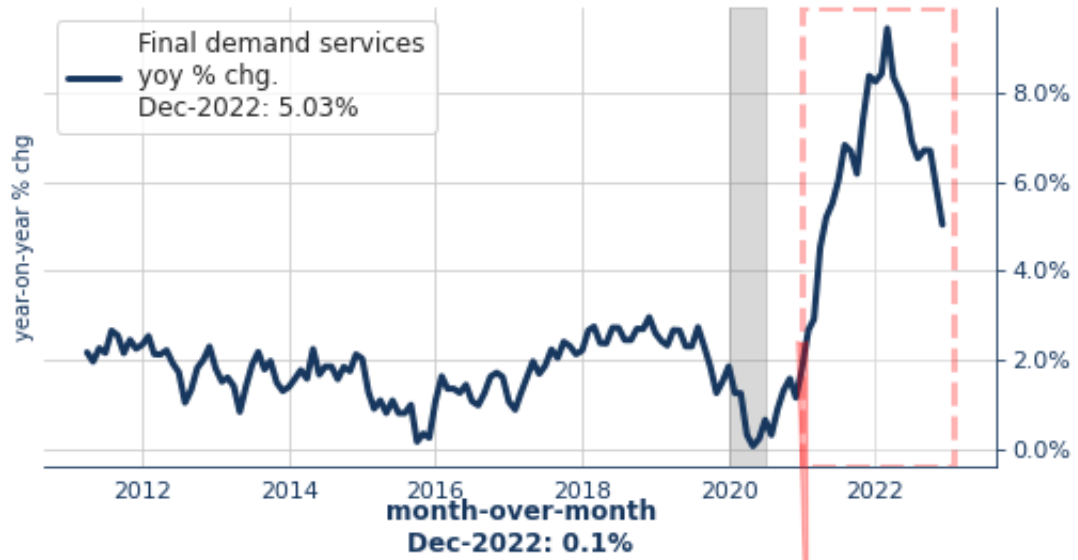


Contingent Macro Advisors 2023 source: US BEA

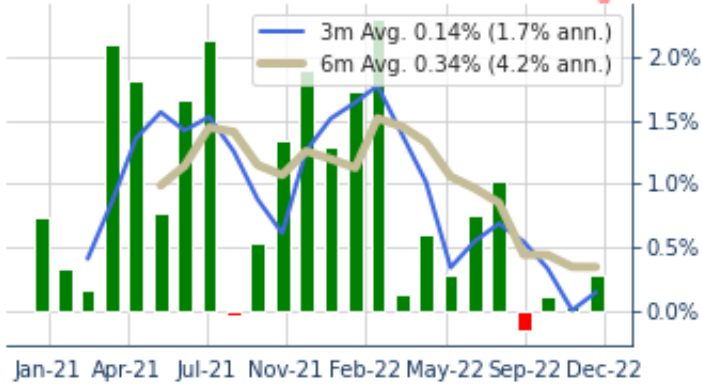
Final demand goods less foods and energy



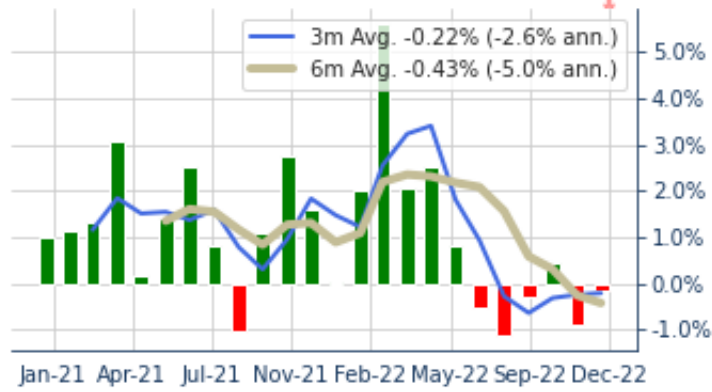
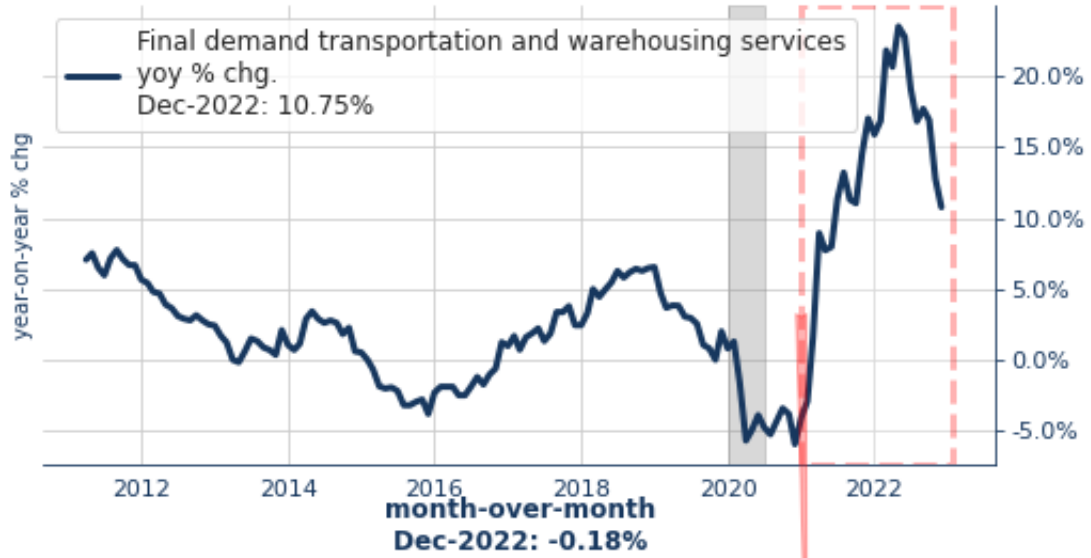
Final demand services



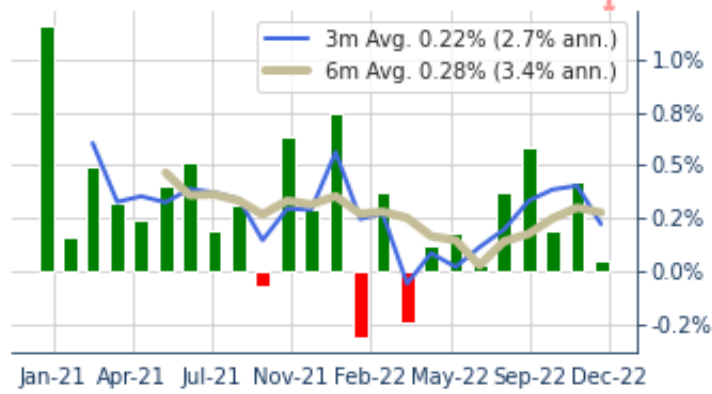
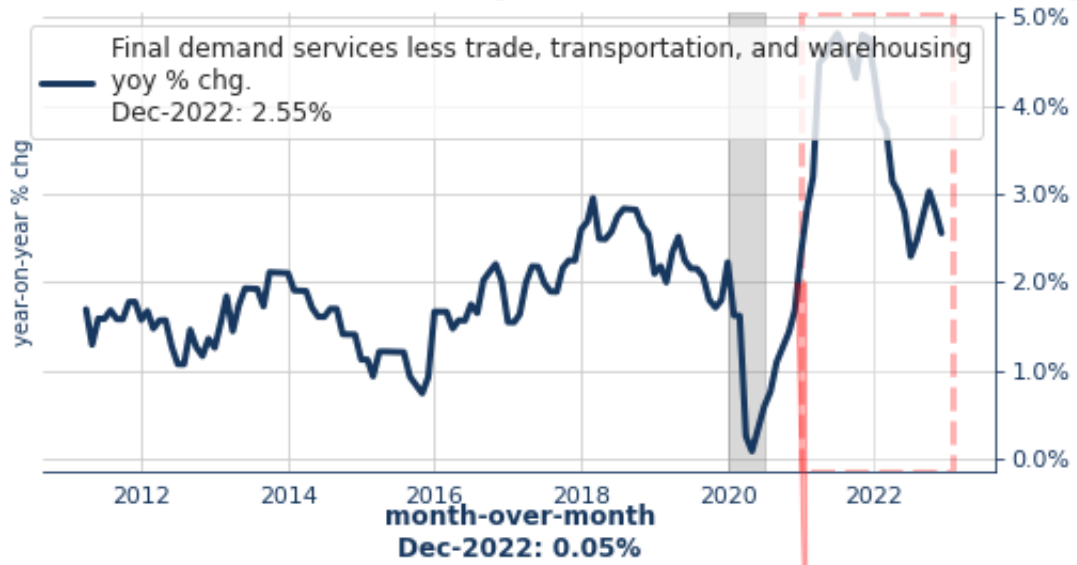
Final demand trade services



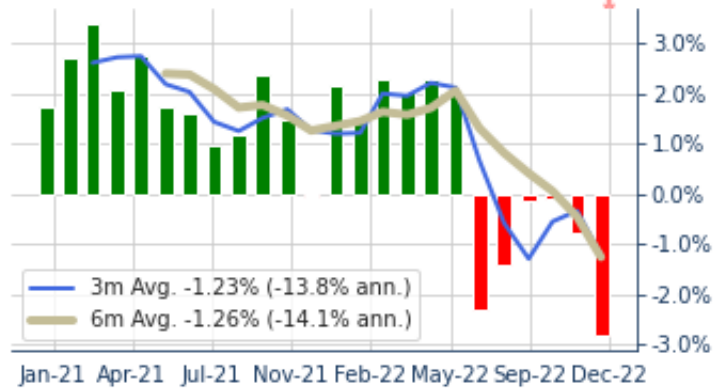
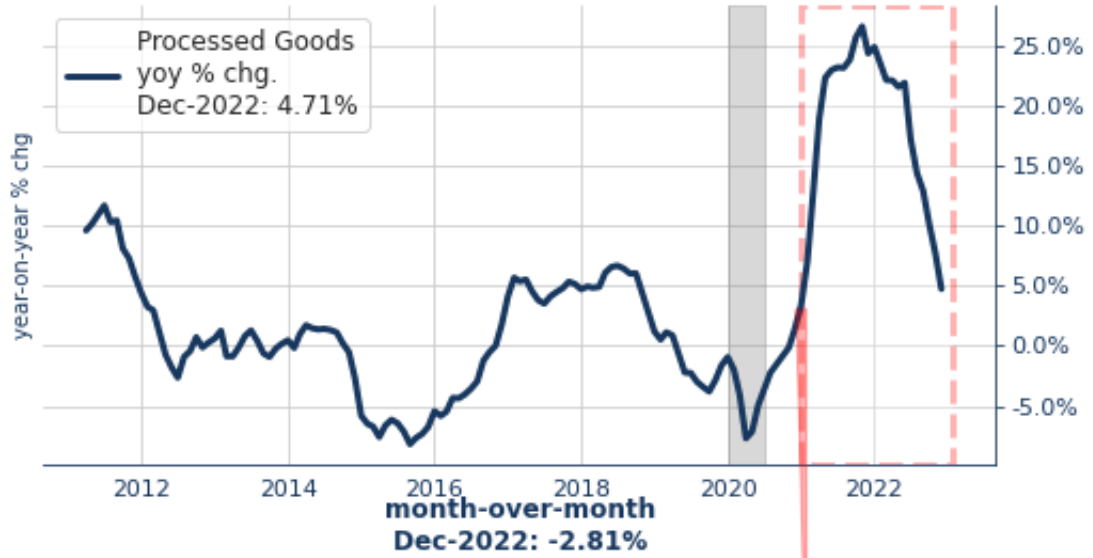
Final demand transportation and warehousing services



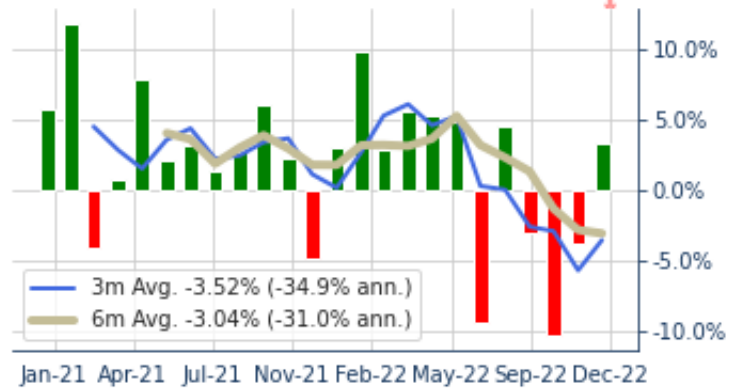
Final demand services less trade, transportation, and warehousing



Processed Goods



Unprocessed Goods



Contingent Macro Advisors 2023 source: US BEA

US Producer Price Inflation	Dec-22	Nov-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Final Demand	-0.50%	0.17%	0.19%	-0.22%	6.22%	10.18%	0.76%	4.51%
Final demand less food and energy	0.13%	0.22%	2.18%	2.94%	5.53%	8.67%	1.35%	4.23%
Final demand goods	-1.65%	0.10%	-3.72%	-6.74%	7.89%	13.69%	-0.09%	5.16%
Final demand goods less foods and energy	0.23%	0.29%	1.96%	1.63%	6.00%	9.35%	1.78%	4.34%
Final demand services	0.10%	0.20%	1.99%	2.99%	5.03%	8.36%	1.17%	4.07%
Final demand trade services	0.28%	0.04%	1.73%	4.18%	8.70%	14.30%	1.83%	6.31%

Final demand transportation and warehousing services	-0.18%	-0.89%	-2.57%	-5.05%	10.75%	17.00%	-5.95%	6.46%
Final demand construction	0.04%	0.08%	11.69%	17.32%	18.54%	12.17%	1.16%	9.39%

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-22	Nov-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Processed Goods	-2.81%	-0.78%	-13.84%	-14.17%	4.71%	24.31%	1.42%	6.70%
Unprocessed Goods	3.37%	-3.72%	-36.19%	-32.36%	11.70%	39.75%	1.33%	10.31%
Motor Vehicles	0.36%	0.21%	1.34%	2.33%	4.68%	2.50%	0.70%	1.73%
Pharmaceutical	0.17%	0.15%	2.06%	3.30%	2.25%	1.33%	1.81%	2.55%
Chemicals	-3.37%	-0.58%	-19.73%	-24.19%	-1.56%	39.84%	-2.79%	4.84%
Lumber	-5.72%	-2.61%	-37.22%	-32.36%	-24.62%	18.98%	38.86%	3.38%
Steel Mill Products	-2.73%	-3.01%	-36.72%	-41.84%	-28.75%	128.05%	5.23%	14.29%
Outpatient healthcare	0.05%	0.19%	0.28%	0.67%	1.67%	3.20%	2.30%	2.28%
Inpatient healthcare	0.32%	0.12%	4.87%	4.76%	4.44%	2.70%	3.63%	3.52%
Food and alcohol retailing	0.53%	-0.96%	9.12%	14.65%	17.89%	8.39%	-0.66%	6.76%
Apparel and jewelry retailing	-1.81%	-0.06%	-9.97%	-7.93%	-3.76%	16.64%	-3.38%	1.48%
Airline passenger services	3.06%	-5.19%	2.66%	-3.99%	17.33%	21.77%	-24.62%	4.43%
Inv Mgmt & Brokerage	0.37%	10.72%	78.93%	54.85%	20.67%	8.43%	3.47%	6.58%
Business Loans	-1.42%	14.14%	69.18%	120.88%	71.07%	14.17%	-12.04%	15.65%
Legal Services	0.24%	0.43%	4.46%	5.38%	4.76%	4.20%	4.28%	4.39%
Truck Transport	-1.68%	0.75%	-6.05%	-8.68%	8.18%	17.90%	2.23%	7.78%
Machinery & Equip. Wholesaling	-0.03%	2.07%	7.03%	5.78%	9.05%	14.77%	3.06%	7.54%

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.