

14.Jun.2023

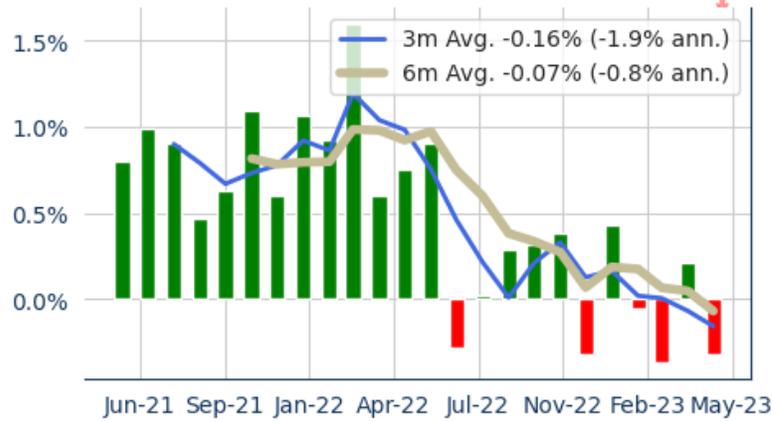
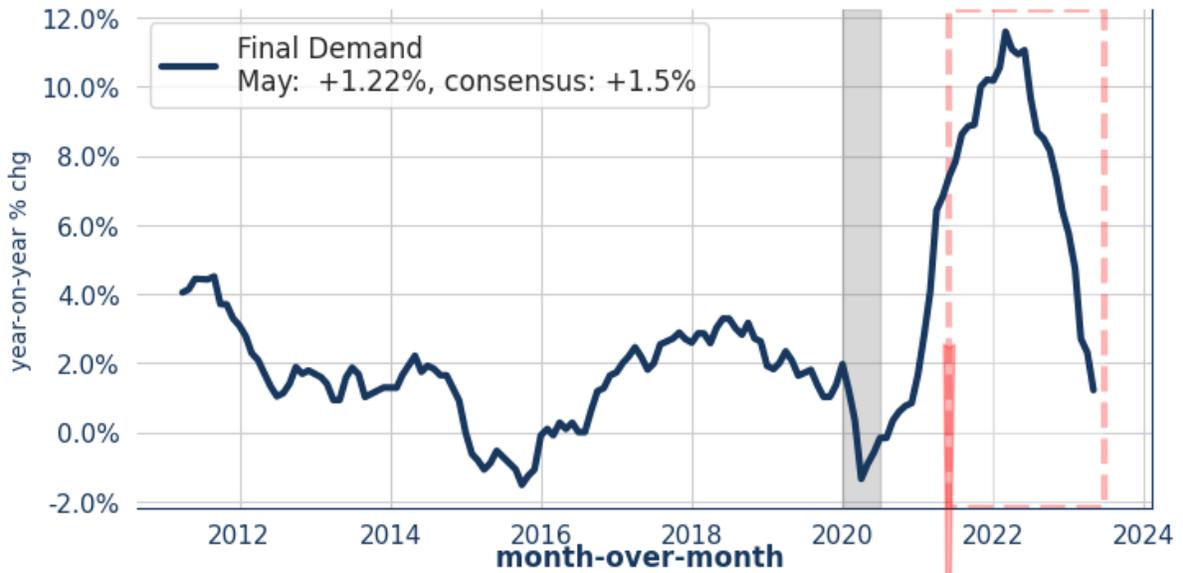
Producer Prices: Fodder For the Doves

Bottom Line: The Producer Price Index fell more than expected in May, with the headline down 0.3% and core prices flat. The year-on-year reading for the headline index was down to just +1.1%. Excluding the volatile food and energy segments, the core reading in the last three months annualized at just 1.7%, below the six-month of 2% and the year-on-year of 2.85%, suggesting the trend is firmly towards disinflation if not outright deflation. Nearly every category fell into the same trend. Only steel mill products saw notably higher prices amid volatile demand in the auto and aerospace sectors. Trade services prices were also higher for the second month, but margins in the transportation and warehouse services sector, a source of significant inflation in 2022, were down again.

Overall, while taking a long time to filter through to consumer prices, the disinflationary trend in producer prices will give the doves on the Fed fodder to justify at least holding rates steady for the foreseeable future.

Final Demand

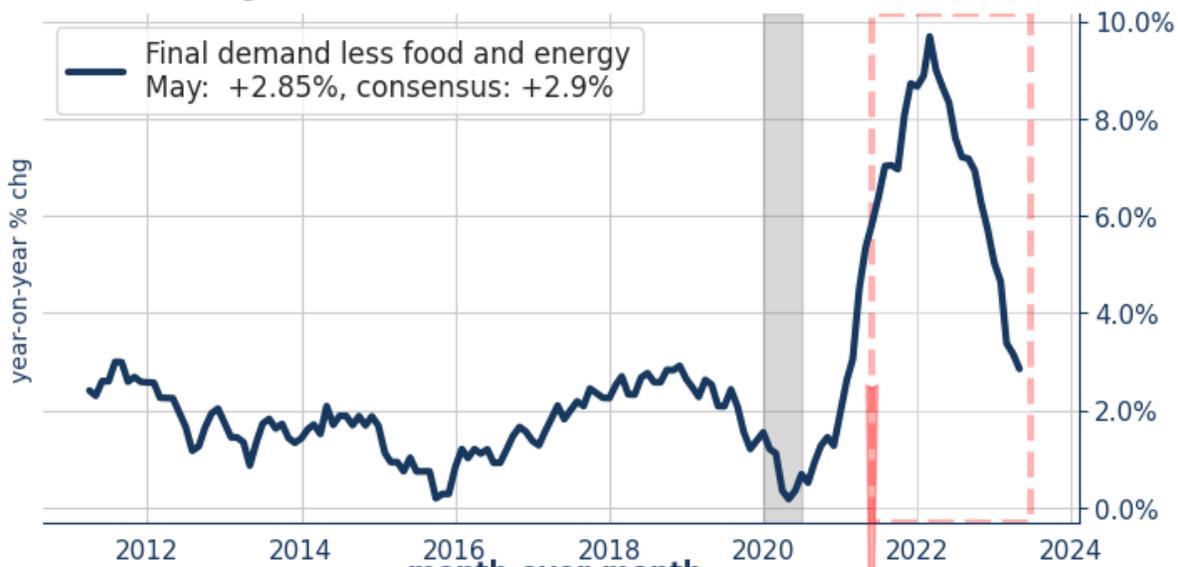
May: +1.22%, consensus: +1.5%



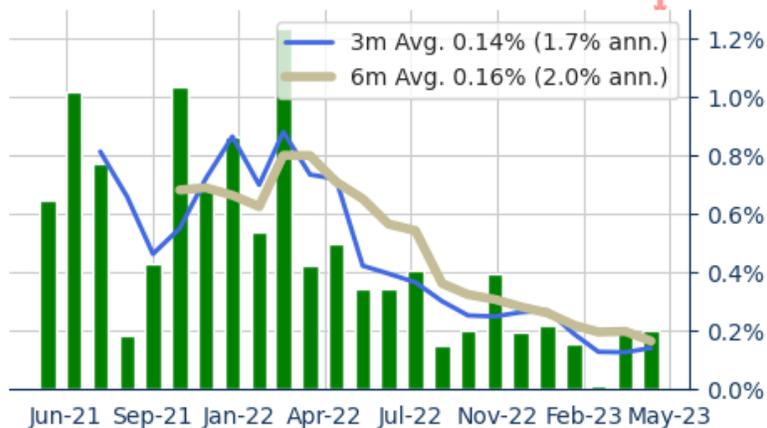
Contingent Macro Advisors 2023 source: US BEA

Final demand less food and energy

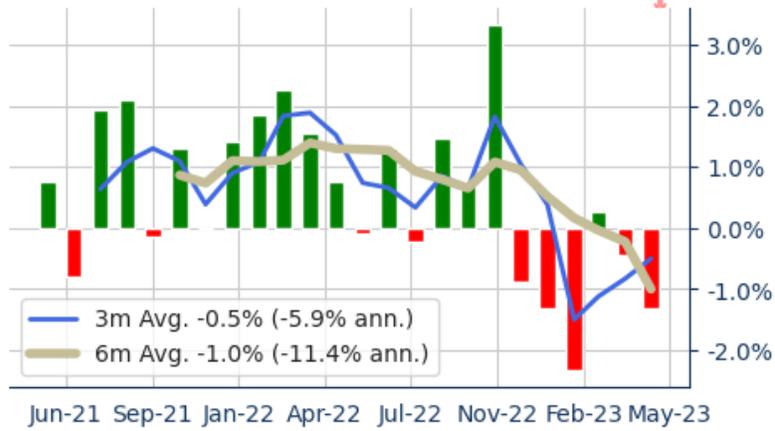
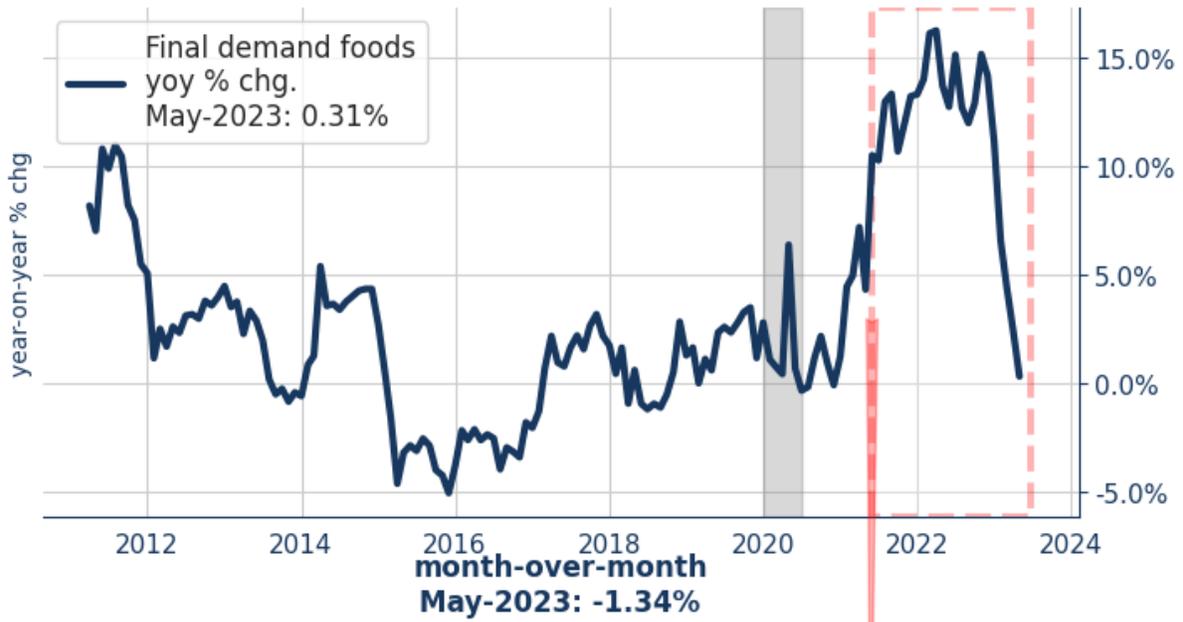
May: +2.85%, consensus: +2.9%



May: +0.2%, consensus: +0.2%

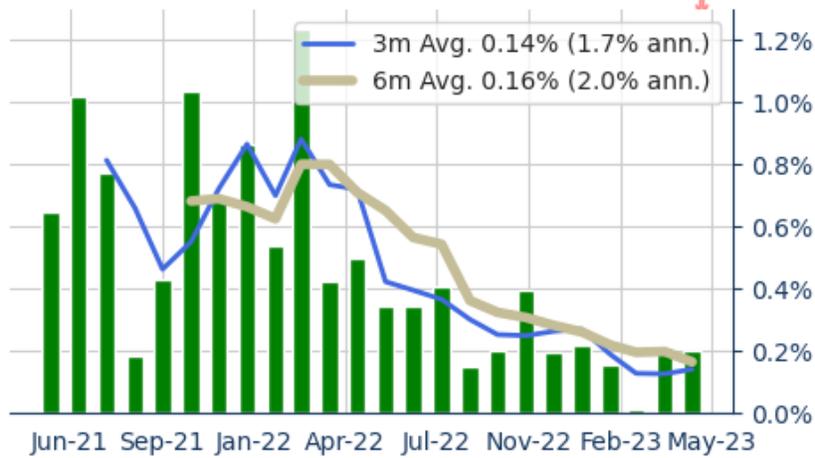
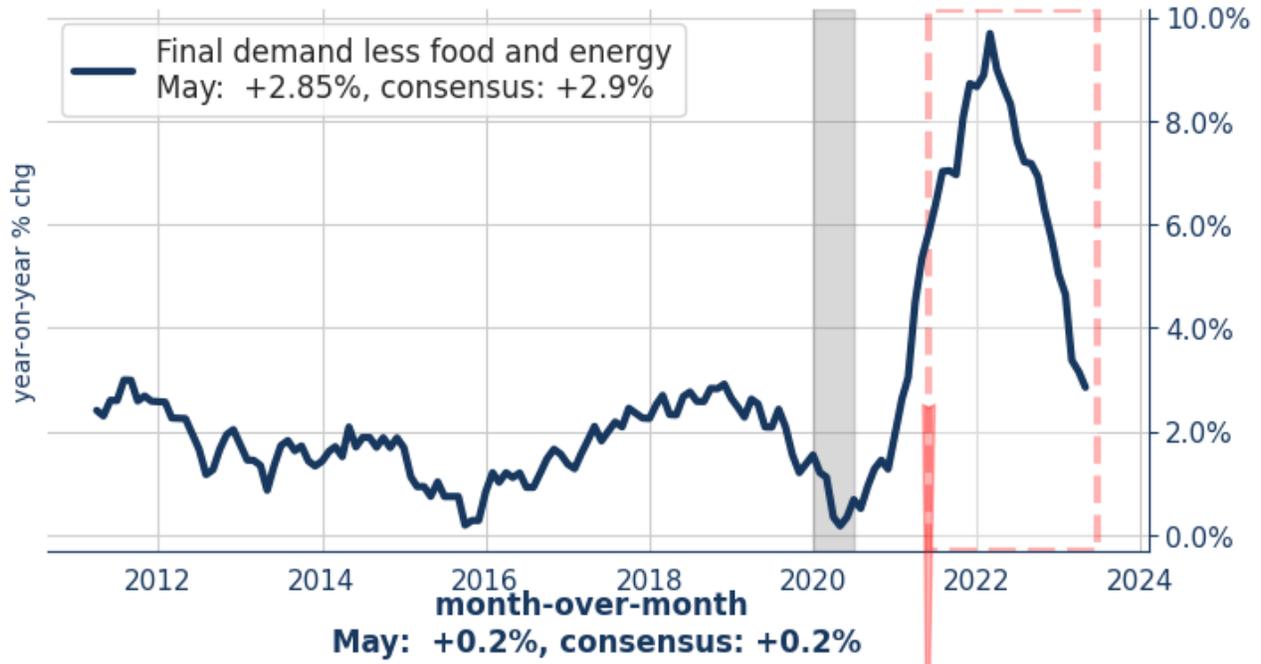


Final demand foods

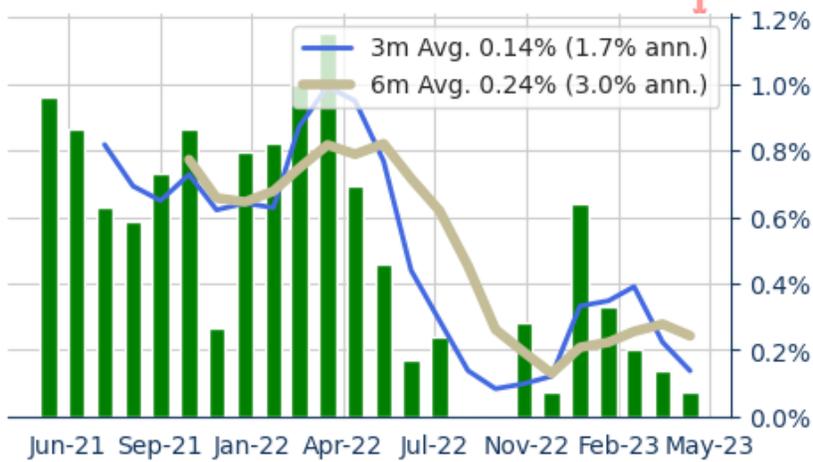
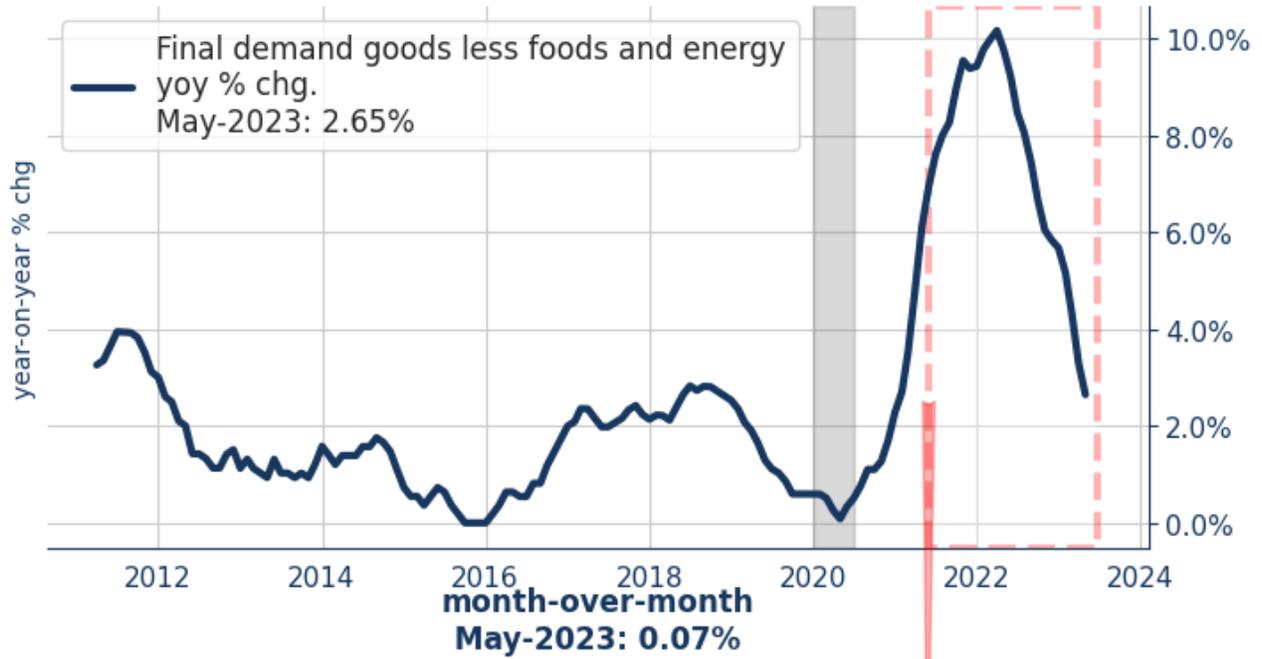


Final demand less food and energy

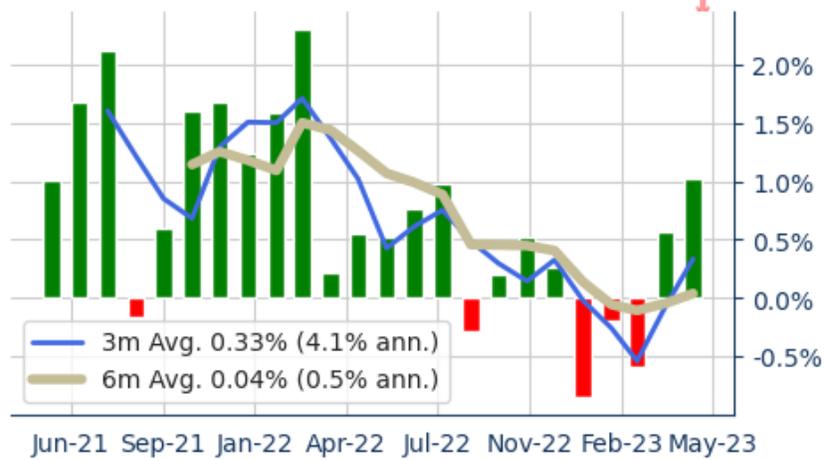
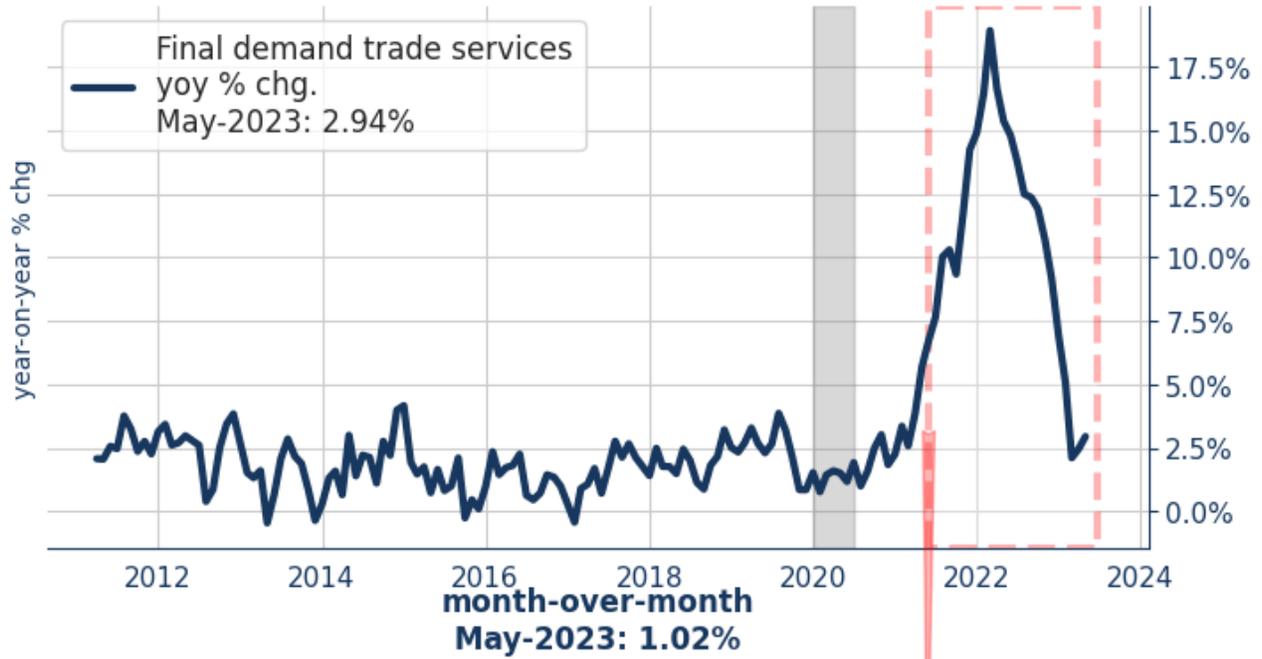
May: +2.85%, consensus: +2.9%



Final demand goods less foods and energy



Final demand trade services



Contingent Macro Advisors 2023 source: US BEA