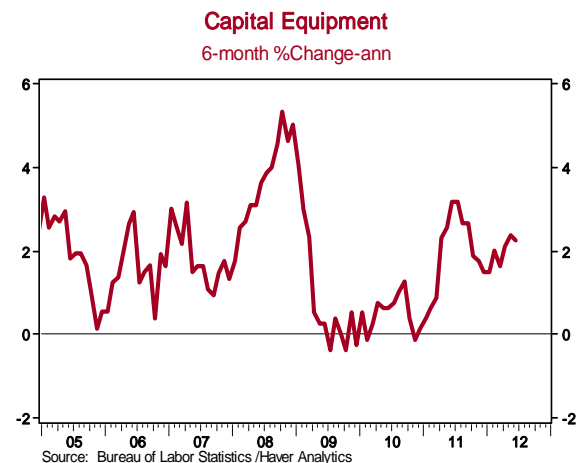
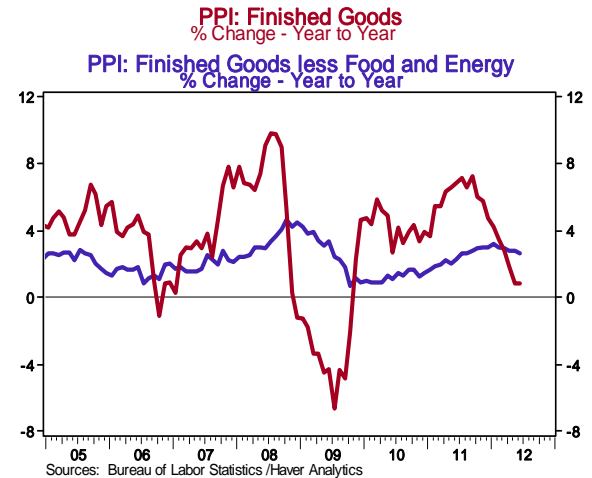


June PPI

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- The Producer Price Index (PPI) rose 0.1% in June, coming in well above the consensus expected drop of 0.4%. Producer prices are up 0.7% versus a year ago.
- Energy prices fell 0.9% but food prices rose 0.5%. The “core” PPI, which excludes food and energy, increased 0.2%.
- Consumer goods prices were flat in June, but are up 0.4% versus last year. Capital equipment prices rose 0.2% in June and are up 1.9% in the past year.
- Core intermediate goods prices fell 0.7% in June and are down 0.3% versus a year ago. Core crude prices were down 4.0% in June, and are down 9.4% versus a year ago.

Implications: Despite a drop in energy prices, producer prices rose 0.1% in June, coming in much higher than the consensus expected decline of 0.4%. The increase in the PPI was the first in four months. Energy prices are down at a 23.5% annual rate over the last three months. “Core” prices, which exclude food and energy, and which the Federal Reserve claims are more important than the overall number, were up 0.2% for the fourth straight month in June. Core prices are now up 2.6% from last year, which is much faster than the overall PPI. In the past six months, the core PPI is up at a 2.8% annual rate while overall prices are down at a 1.2% rate. Core prices for intermediate and crude goods, further up the production pipeline, were down in June, but that will likely reverse in coming months as commodity prices rebound outside the food and energy sector. In other recent inflation news, import prices were down 2.7% in June and are now down 2.6% in the past year. Most of the drop was due to oil, but import prices ex-petroleum were down 0.3% in June and are down 0.2% versus a year ago. Export prices dropped 1.7% in June and are 2.1% below last year. Even excluding farm products, export prices fell 1.4% in June and are 1.6% below last year. However, we already know oil and other commodity prices are up in July and, given loose monetary policy, prices for traded goods are likely headed up from here. In other recent news, new claims for unemployment insurance fell 26,000 last week to 350,000, the lowest since March 2008. Continuing claims fell 14,000 to 3.30 million. Don’t put too much weight on the drop in initial claims, at least not yet. The drop was likely due to problems in seasonally adjusting claims for auto plant retooling. The underlying trend might take a few more weeks to reassert itself.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Jun-12	May-12	Apr-12	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Finished Goods	0.1%	-1.0%	-0.2%	-4.7%	-1.2%	0.7%
Ex Food and Energy	0.2%	0.2%	0.2%	2.2%	2.8%	2.6%
Food	0.5%	-0.6%	0.2%	0.6%	-0.2%	2.8%
Energy	-0.9%	-4.3%	-1.4%	-23.5%	-11.7%	-5.5%
Consumer Goods	0.0%	-1.5%	-0.3%	-6.8%	-2.5%	0.4%
Capital Equipment	0.2%	0.1%	0.2%	2.0%	2.2%	1.9%
Intermediate Goods	-0.5%	-0.8%	-0.5%	-7.1%	-0.7%	-1.2%
Ex Food & Energy	-0.7%	-0.2%	0.2%	-2.8%	2.2%	-0.3%
Energy	-0.2%	-3.3%	-2.7%	-22.3%	-10.2%	-5.4%
Crude Goods	-3.6%	-3.2%	-4.4%	-36.6%	-21.8%	-11.6%
Ex Food & Energy	-4.0%	-1.3%	-1.8%	-25.1%	-9.0%	-9.4%
Energy	-5.1%	-5.0%	-6.8%	-50.2%	-40.9%	-20.1%

Source: Bureau of Labor Statistics