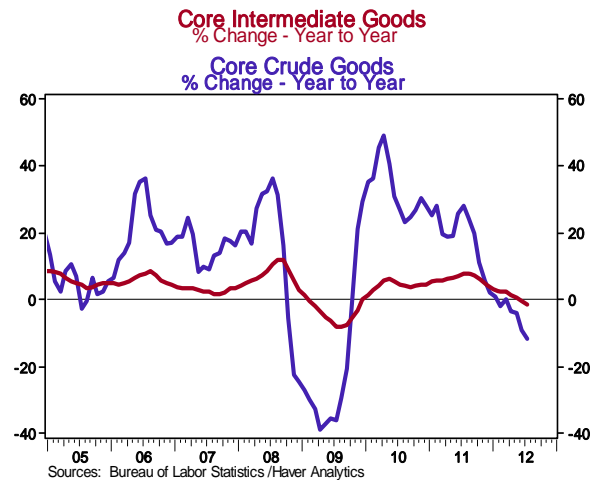
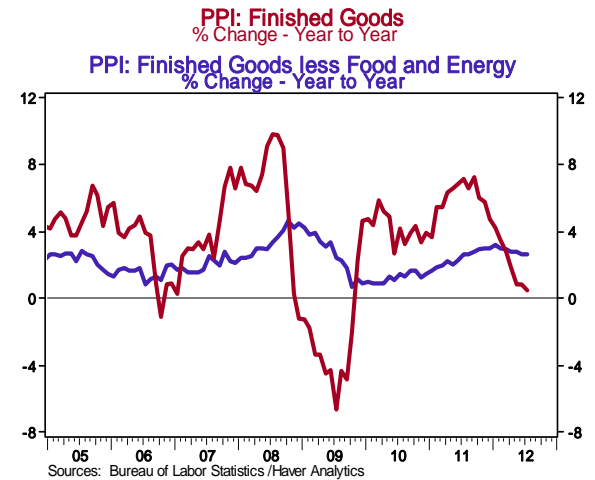


# July PPI

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- The Producer Price Index (PPI) rose 0.3% in July, coming in above the consensus expected gain of 0.2%. Producer prices are up 0.5% versus a year ago.
- Energy prices fell 0.4% but food prices rose 0.5%. The “core” PPI, which excludes food and energy, increased 0.4%.
- Consumer goods prices were up 0.2% in July, but are flat versus last year. Capital equipment prices rose 0.2% in July and are up 1.8% in the past year.
- Core intermediate goods prices fell 0.9% in July and are down 1.5% versus a year ago. Core crude prices were down 1.1% in July, and are down 11.5% versus a year ago.

**Implications:** Despite another drop in energy prices, producer prices rose 0.3% in July, a faster gain than the consensus expected. Energy prices are down at a 20.5% annual rate in 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 0.4% in July and are up at a 3.3% annual rate in the past three months. Some analysts may suggest that with the PPI only up 0.5% from a year ago – tame by any standard – the Federal Reserve has room for another round of quantitative easing. But this has all been due to the large decline in energy prices over the past year. Now, commodity data show energy prices already heading up again, droughts are pushing up food prices, and we expect core prices to remain on an upward path. Put that together and another round of QE would be a big mistake. In other recent inflation news, trade prices were generally down in July, both for the month and compared to a year ago. Import prices declined 0.6% in July and are down 3.2% from a year ago. Much of the drop is related to oil, but not all of it. Ex-petroleum, import prices were down 0.3% in July and are down 0.5% from a year ago. Due to a surge in food prices, export prices were up 0.5% in July, although still down 1.2% from a year ago. Excluding agriculture, export prices dipped 0.3% in July and are down 1.9% from a year ago.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Jul-12	Jun-12	May-12	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Finished Goods</b>	<b>0.3%</b>	0.1%	-1.0%	-2.9%	-1.2%	0.5%
<b>Ex Food and Energy</b>	<b>0.4%</b>	0.2%	0.2%	3.3%	2.6%	2.5%
<b>Food</b>	<b>0.5%</b>	0.5%	-0.6%	1.8%	1.0%	2.2%
<b>Energy</b>	<b>-0.4%</b>	-0.9%	-4.3%	-20.5%	-12.1%	-6.1%
<b>Consumer Goods</b>	<b>0.2%</b>	0.0%	-1.5%	-4.8%	-2.5%	0.0%
<b>Capital Equipment</b>	<b>0.2%</b>	0.2%	0.1%	2.2%	2.1%	1.8%
<b>Intermediate Goods</b>	<b>-0.9%</b>	-0.5%	-0.8%	-8.6%	-2.5%	-2.6%
<b>Ex Food &amp; Energy</b>	<b>-0.9%</b>	-0.7%	-0.2%	-7.2%	-0.4%	-1.5%
<b>Energy</b>	<b>-1.6%</b>	-0.2%	-3.3%	-18.7%	-11.3%	-7.6%
<b>Crude Goods</b>	<b>1.8%</b>	-3.6%	-3.2%	-18.6%	-20.6%	-9.8%
<b>Ex Food &amp; Energy</b>	<b>-1.1%</b>	-4.0%	-1.3%	-23.1%	-15.1%	-11.5%
<b>Energy</b>	<b>0.6%</b>	-5.1%	-5.0%	-32.5%	-39.5%	-18.7%

Source: Bureau of Labor Statistics

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