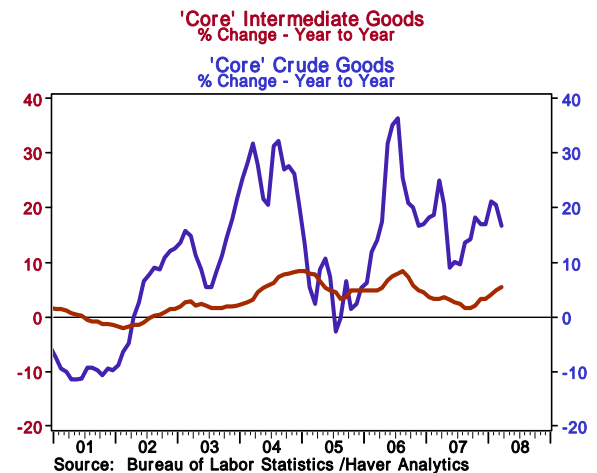
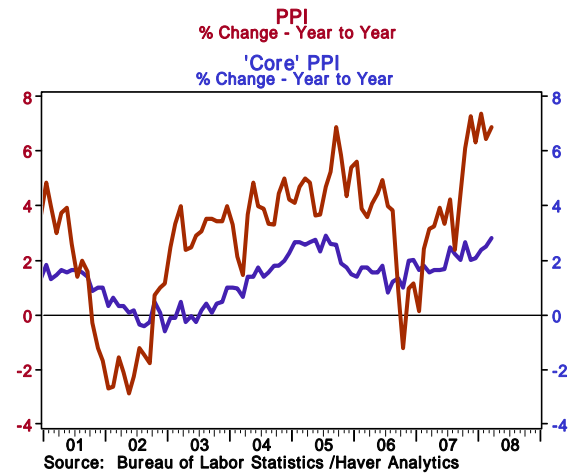


MARCH PPI

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- The Producer Price Index (PPI) increased 1.1% in March versus a consensus expected rise of 0.6%. The PPI is up 6.9% in the past twelve months (seasonally adjusted).
- The increase in the PPI was concentrated in energy and food. Energy prices increased 2.9% in March and are up 20.4% versus last year. Food prices increased 1.2% in March and are up 5.6% versus a year ago. The “core” PPI, which excludes food and energy, was up 0.2% in March and is up 2.8% versus last year (seasonally adjusted).
- Consumer goods prices increased 1.3% in March and are up 8.3% versus a year ago. Capital equipment prices increased 0.1% in March – a lull after unusually large increases in January and February – and are up 2.0% in the past year.
- Intermediate goods prices rose 2.3% in March and are up 10.6% versus last year. Crude prices increased 8.0% in March and are up 31.3% versus a year ago.

Implications: Inflation is an important economic problem and the current stance of monetary policy is going to make it worse. In the past six months, producer prices are up at a 10.8% annual rate, the fastest increase since 1981. Even the core PPI is up at a 3.6% rate in the past six months. Given energy price increases so far in April (particularly oil and natural gas) the upward drift of inflation is not going to stop anytime soon. In other news this morning, the Empire State Index, a measure of manufacturing in New York, was substantially stronger than expected, rising to +0.6 in April versus -22.2 in March (and a smaller consensus expected improvement to -17.0). The shipments and new orders components of the index both jumped into positive territory, signaling expansion. Meanwhile, the prices paid component of the index hit 57.3, the highest level in more than two years. Also in the news, the International Council of Shopping Centers reported that so far in April chain-store sales are up 4.1% versus last year (on a same-store sales basis).



Producer Price Index <i>All Data Seasonally Adjusted</i>	Mar-08	Feb-08	Jan-08	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Finished Goods	1.1%	0.3%	1.0%	10.2%	10.8%	6.9%
Ex Food and Energy	0.2%	0.5%	0.4%	5.0%	3.6%	2.8%
Food	1.2%	-0.5%	1.7%	10.1%	9.9%	5.6%
Energy	2.9%	0.8%	1.5%	22.5%	32.9%	20.4%
Consumer Goods	1.3%	0.3%	1.1%	11.6%	13.2%	8.3%
Capital Equipment	0.1%	0.5%	0.4%	4.3%	3.0%	2.0%
Intermediate Goods	2.3%	0.8%	1.4%	19.4%	16.9%	10.6%
Ex Food & Energy	1.1%	0.6%	0.8%	10.7%	7.6%	5.5%
Energy	5.9%	1.1%	2.8%	46.4%	48.5%	26.8%
Crude Goods	8.0%	3.7%	2.5%	73.4%	70.5%	31.3%
Ex Food & Energy	3.5%	3.3%	4.0%	52.6%	29.7%	16.7%
Energy	13.4%	5.6%	1.8%	120.7%	125.3%	47.1%

Source: Bureau of Labor Statistics

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