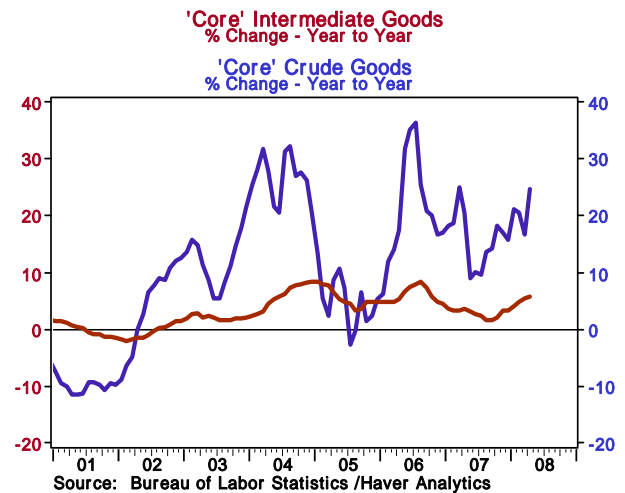
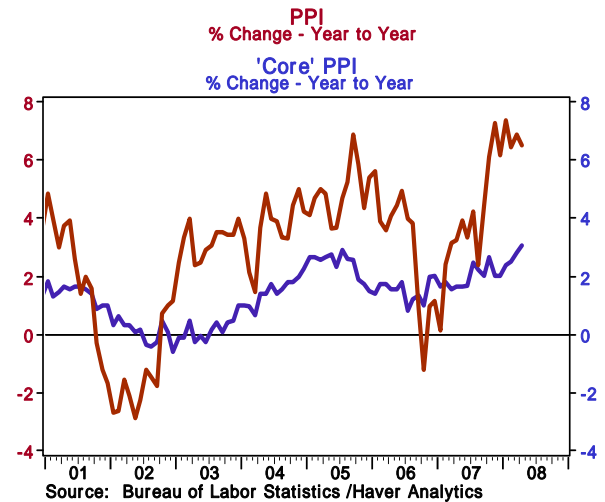


# APRIL PPI

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- The Producer Price Index (PPI) increased 0.2% in April versus a consensus expected rise of 0.4%. The PPI is up 6.4% in the past twelve months (seasonally adjusted).
- None of the increase in the PPI was due to energy and food. Although energy prices are up 17.1% versus last year, they declined 0.2% in April. Food prices are up 5.1% versus a year ago but were unchanged in April. The “core” PPI, which excludes food and energy, was up 0.4% in April and is up 3.0% versus last year, the largest twelve-month gain since 1991.
- Consumer goods prices increased 0.1% in April – a pause after an unusually large 1.3% gain in March. Consumer goods prices are up 7.7% versus a year ago. Capital equipment prices increased 0.4% in April and have risen at a 4.3% annual rate in the past three months.
- Intermediate goods prices rose 0.9% in April and are up 10.4% versus last year. Crude prices increased 3.2% in April and have risen at a 78.7% annual rate in the past three months.

**Implications:** Inflation is a growing problem despite the seemingly benign 0.2% increase in producer prices in April. Producer prices are up 6.4% versus last year while “core” prices are up 3%, the fastest increase since 1991. One factor holding down the overall increase in the PPI was a 4.6% decline in gas prices. We expect this decline to reverse next month. Meanwhile, both intermediate and core price inflation have accelerated in recent months, suggesting worse inflation readings are ahead. Note that price inflation over the past year reflects the stance of monetary policy 18-24 months ago, when the Federal Reserve was not as loose as it is today. This also suggests the general trend in inflation will remain upward over the next couple of years.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Apr-08	Mar-08	Feb-08	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Finished Goods</b>	<b>0.2%</b>	1.1%	0.3%	6.6%	10.0%	6.4%
<b>Ex Food and Energy</b>	<b>0.4%</b>	0.2%	0.5%	5.0%	4.2%	3.0%
<b>Food</b>	<b>0.0%</b>	1.2%	-0.5%	2.8%	7.2%	5.1%
<b>Energy</b>	<b>-0.2%</b>	2.9%	0.8%	14.6%	29.6%	17.1%
<b>Consumer Goods</b>	<b>0.1%</b>	1.3%	0.3%	7.2%	11.9%	7.7%
<b>Capital Equipment</b>	<b>0.4%</b>	0.1%	0.5%	4.3%	3.6%	2.3%
<b>Intermediate Goods</b>	<b>0.9%</b>	2.3%	0.8%	17.3%	17.7%	10.4%
<b>Ex Food &amp; Energy</b>	<b>1.2%</b>	1.1%	0.6%	12.4%	9.4%	5.8%
<b>Energy</b>	<b>0.5%</b>	5.9%	1.1%	33.8%	46.2%	25.0%
<b>Crude Goods</b>	<b>3.2%</b>	8.0%	3.7%	78.7%	67.9%	34.1%
<b>Ex Food &amp; Energy</b>	<b>7.9%</b>	3.5%	3.3%	76.8%	46.6%	24.5%
<b>Energy</b>	<b>4.1%</b>	13.4%	5.6%	141.2%	108.5%	51.9%

Source: Bureau of Labor Statistics