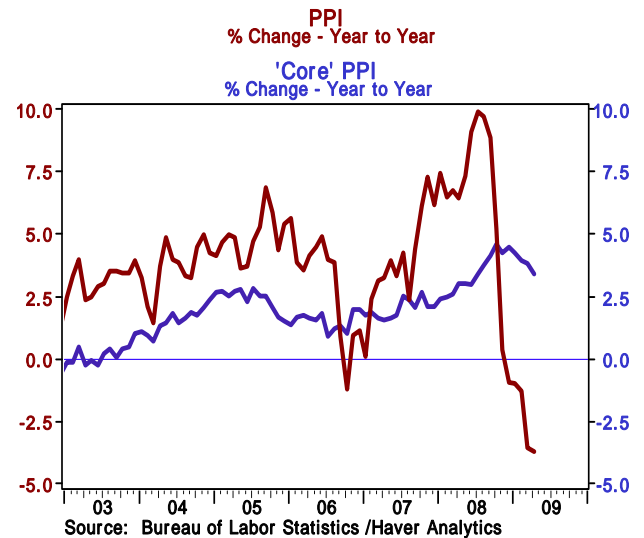


APRIL PPI

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- The Producer Price Index (PPI) increased 0.3% in April versus a consensus expected 0.2%. Due to large declines late last year, the PPI is down 3.7% versus a year ago.
- The rise in the PPI in April was largely due to food, which increased 1.5%. Energy prices declined 0.1%. The “core” PPI, which excludes food and energy, was up 0.1%.
- Consumer goods prices increased 0.4% in April but are down 5.5% versus last year. Capital equipment prices declined 0.1% in April but are up 2.8% versus a year ago.
- Intermediate goods prices fell 0.5% in April and are down 10.4% in the past year. Crude prices spiked up 3.0% in April but are down 39.9% versus last year.

Implications: The increase in producer prices in April is a leading sign of higher inflation numbers to come. Prices for finished goods increased 0.3% in April and with higher commodity prices in the past few weeks, particularly for oil, the PPI for May will also be up. The 3% increase in crude prices in April, driven by energy, is the steepest increase since July 2008. Some analysts are highlighting the steep drop in producer prices versus a year ago. But that is due to the huge drop in prices late last year in the aftermath of the failure of Lehman Brothers and a massive contraction in monetary velocity. At this point, focusing on comparisons versus last year hides the underlying trend, which is that the inflation problem that preceded September 2008 is starting to resurface. In other news this morning, new claims for unemployment insurance rebounded 32,000 to 637,000, very close to where claims were two weeks ago. This week’s data were probably affected by unusual early shutdowns in the auto industry. Meanwhile, continuing claims for benefits increased 202,000 to 6.56 million.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Apr-09	Mar-09	Feb-09	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Finished Goods	0.3%	-1.2%	0.1%	-3.0%	-8.6%	-3.7%
<i>Ex Food and Energy</i>	0.1%	0.0%	0.2%	1.2%	1.7%	3.4%
Food	1.5%	-0.7%	-1.6%	-3.1%	-4.8%	0.3%
Energy	-0.1%	-5.5%	1.3%	-16.1%	-37.6%	-25.2%
Consumer Goods	0.4%	-1.5%	0.1%	-3.8%	-11.3%	-5.5%
Capital Equipment	-0.1%	-0.2%	0.1%	-0.8%	0.8%	2.8%
Intermediate Goods	-0.5%	-1.5%	-0.9%	-11.1%	-21.4%	-10.4%
<i>Ex Food & Energy</i>	-0.9%	-0.3%	-0.6%	-6.9%	-13.9%	-3.8%
Energy	0.7%	-6.3%	-2.0%	-27.1%	-45.4%	-31.1%
Crude Goods	3.0%	-0.3%	-4.5%	-7.6%	-39.7%	-39.9%
<i>Ex Food & Energy</i>	-0.6%	-1.6%	1.5%	-3.0%	-37.3%	-39.7%
Energy	2.9%	1.6%	-8.5%	-16.4%	-58.7%	-54.3%

Source: Bureau of Labor Statistics