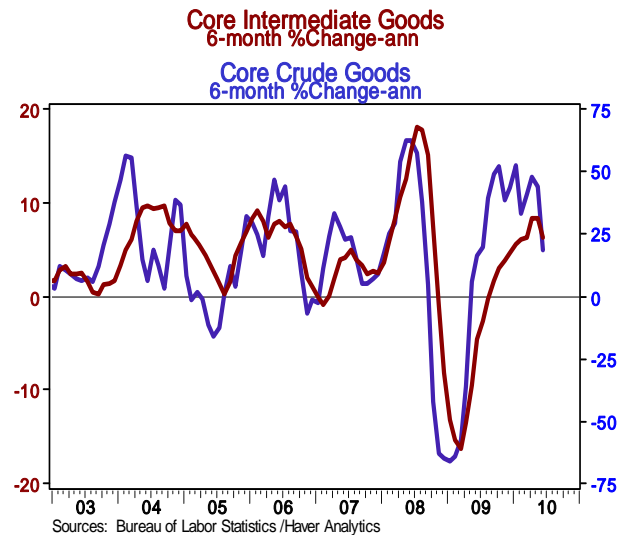
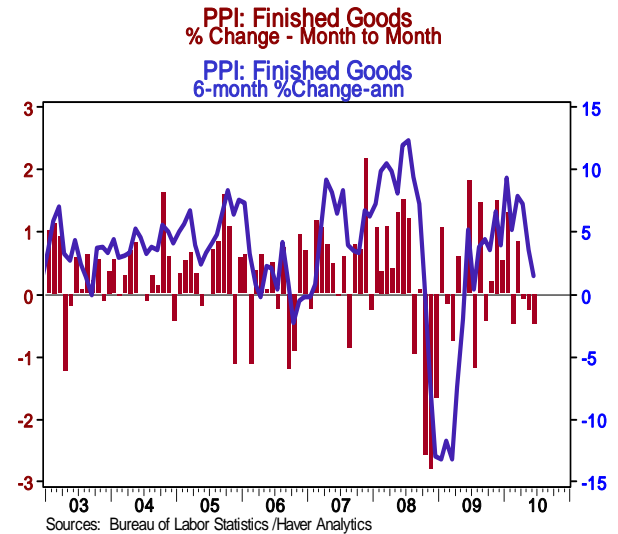


# JUNE PPI

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- The Producer Price Index (PPI) fell 0.5% in June versus a consensus expected drop of 0.1%. The PPI is up 2.8% versus a year ago.
- The June decline in the PPI was mostly due to food, which fell 2.2%. Energy prices also fell 0.5%. The “core” PPI, which excludes food and energy, was up 0.1%, matching consensus expectations.
- Consumer goods prices declined 0.6% in June but are up 3.6% versus last year. Capital equipment prices were flat in June and are up 0.3% in the past year.
- Intermediate goods prices declined 0.9% in June but are up 6.3% versus a year ago. Crude prices fell 2.4% in June but are still up 13.7% in the past twelve months.

**Implications:** Producer prices have dropped in the past three months, driven by commodities. Food prices, for example, dropped 2.2% in June, the second steepest drop for any month since the volatile price era of the early 1970s. Meanwhile, “core” producer price inflation, which excludes food and energy, has accelerated slightly. Cutting through recent volatility, overall producer prices are still up 2.8% in the past year and, given what we already know about oil prices in July, we expect this upward trend to revive next month. Further up the production process, intermediate goods prices took a breather in June, falling 0.9% overall while core intermediate prices fell 0.4%. However, in the past year, these prices are up 6.3% and 5.4%, respectively. There’s a similar story for crude prices, which fell 2.4% in June and 4.8% excluding food and energy. In the past year, crude prices are up 13.7% and core crude prices are up 30.4%. Given the loose stance of monetary policy, we anticipate the trend will continue to be upward. In other news this morning, new claims for unemployment insurance plummeted last week by 29,000 to 429,000. Continuing claims increased 247,000 to 4.68 million, a rebound from the prior week’s drop of 203,000. This time of year, data on claims are often roiled by re-tooling at auto plants, or the lack thereof. However, we think a consistent downward trend in claims will be clear by late Summer.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Jun-10	May-10	Apr-10	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Finished Goods</b>	<b>-0.5%</b>	-0.3%	-0.1%	-3.5%	1.5%	2.8%
<i>Ex Food and Energy</i>	<b>0.1%</b>	0.2%	0.2%	2.1%	2.0%	1.1%
<b>Food</b>	<b>-2.2%</b>	-0.6%	-0.2%	-11.3%	0.1%	2.4%
<b>Energy</b>	<b>-0.5%</b>	-1.5%	-0.8%	-10.6%	1.0%	8.0%
<b>Consumer Goods</b>	<b>-0.6%</b>	-0.5%	-0.2%	-5.0%	1.5%	3.6%
<i>Capital Equipment</i>	<b>0.0%</b>	0.1%	0.2%	1.3%	1.0%	0.3%
<b>Intermediate Goods</b>	<b>-0.9%</b>	0.4%	0.8%	1.1%	5.5%	6.3%
<i>Ex Food &amp; Energy</i>	<b>-0.4%</b>	0.3%	1.1%	3.8%	6.2%	5.4%
<b>Energy</b>	<b>-2.6%</b>	0.5%	0.1%	-8.2%	5.4%	12.1%
<b>Crude Goods</b>	<b>-2.4%</b>	-2.8%	-1.2%	-22.7%	3.0%	13.7%
<i>Ex Food &amp; Energy</i>	<b>-4.8%</b>	-1.6%	4.0%	-9.8%	18.8%	30.4%
<b>Energy</b>	<b>1.7%</b>	-5.1%	-5.9%	-32.0%	-2.1%	14.7%

Source: Bureau of Labor Statistics