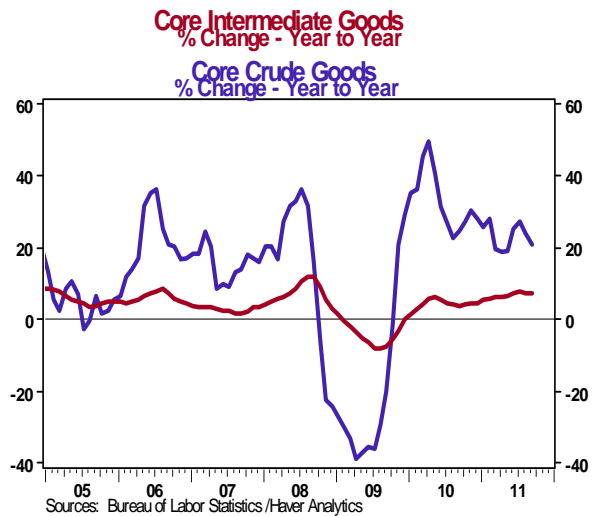
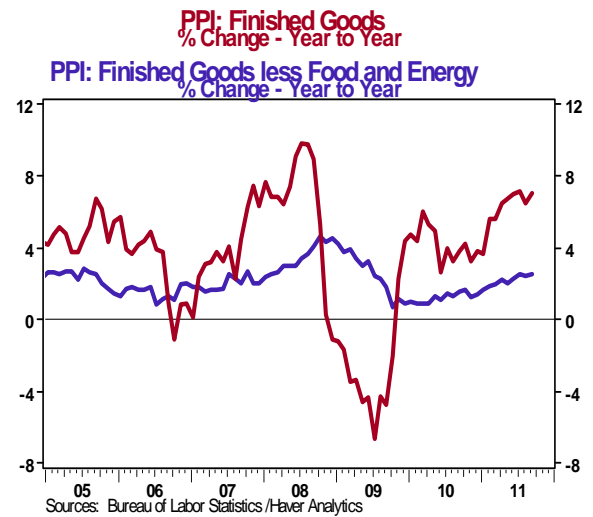


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September PPI

- The Producer Price Index (PPI) soared 0.8% in September, coming in well above the consensus expected increase of 0.2%. Producer prices are up 6.9% versus a year ago.
- The increase in PPI in September was mostly due to a 2.3% rise in energy prices. Food prices increased 0.6%. The “core” PPI, which excludes food and energy, increased 0.2%.
- Consumer goods prices climbed 1.0% in September and are up 8.8% versus last year. Capital equipment prices were up 0.2% in September and are up 1.7% in the past year.
- Core intermediate goods prices rose 0.2% in September and are up 7.5% versus a year ago. Core crude prices increased 1.0% in September and are up 20.8% in the past twelve months.

Implications: After no change in producer prices in August, inflation came back with a vengeance in September, rising 0.8%. This spike in prices easily beat the consensus expected gain of 0.2%. Higher energy prices led the way, accounting for most of the rise in overall producer prices. This more than reversed the slippage in energy prices in the prior two months. Meanwhile, food prices continue to escalate, rising 0.6% in September and up at a 9.2% annual rate in the past three months. The “core” PPI, which excludes food and energy, rose 0.2%. This measure is up 2.5% from a year ago and is up at a 3% annual rate in the past three months. Moreover, some of the large gains in core prices further back in the production pipeline will feed through to prices for finished goods. Core prices for intermediate goods rose 0.2% in September and are up 7.5% in the past year; core crude prices increased 1.0% in September and are up 20.8% versus a year ago. These figures should be enough to show the Federal Reserve that there is no room for a third round of quantitative easing. In other news this morning, chain store sales continue to look good, up 4.6% versus a year ago according to Redbook Research and 3.6% according to the International Council of Shopping Centers. We have yet to see any sign of recession.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Sep-11	Aug-11	Jul-11	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Finished Goods	0.8%	0.0%	0.2%	4.0%	3.6%	6.9%
Ex Food and Energy	0.2%	0.1%	0.4%	3.0%	3.1%	2.5%
Food	0.6%	1.1%	0.6%	9.2%	4.4%	8.1%
Energy	2.3%	-1.0%	-0.6%	2.7%	4.0%	18.9%
Consumer Goods	1.0%	0.0%	0.1%	4.8%	3.9%	8.8%
Capital Equipment	0.2%	-0.1%	0.4%	2.0%	2.5%	1.7%
Intermediate Goods	0.6%	-0.5%	0.2%	1.4%	5.0%	10.8%
Ex Food & Energy	0.2%	-0.1%	0.2%	1.0%	4.5%	7.5%
Energy	1.7%	-2.3%	0.4%	-0.7%	5.0%	20.7%
Crude Goods	2.8%	0.2%	-1.2%	7.3%	1.3%	21.1%
Ex Food & Energy	1.0%	1.6%	0.7%	13.9%	12.2%	20.8%
Energy	7.7%	-5.1%	-2.6%	-2.0%	-10.9%	20.5%

Source: Bureau of Labor Statistics