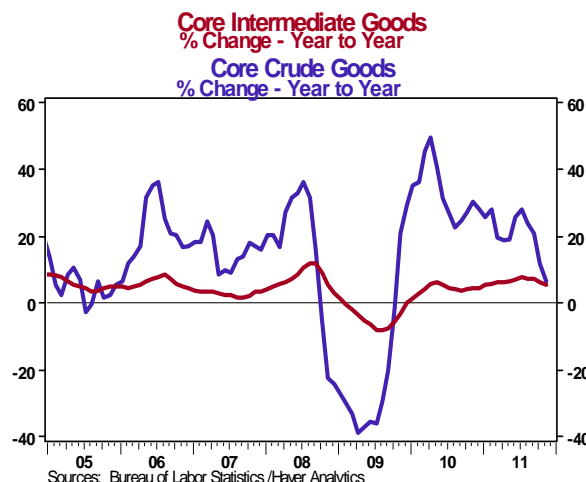
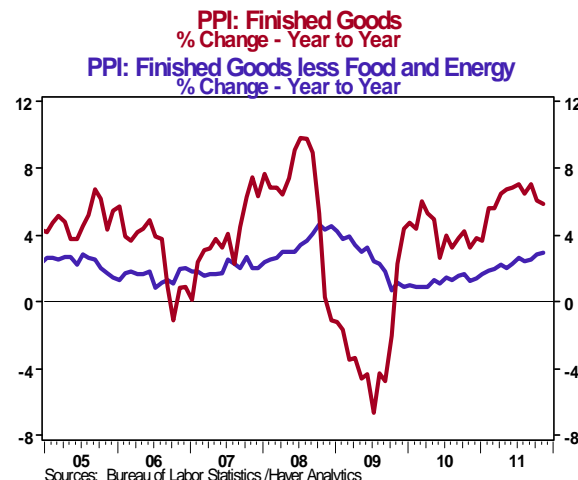


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November PPI

- The Producer Price Index (PPI) increased 0.3% in November, coming in above the consensus expected gain of 0.2%. Producer prices are up 5.7% versus a year ago.
- The rise in PPI in November was mostly due to a 1.0% increase in food prices. Energy prices increased 0.1%. The “core” PPI, which excludes food and energy, rose 0.1%.
- Consumer goods prices gained 0.3% in November and are up 7.0% versus last year. Capital equipment prices rose 0.1% in November and are up 2.2% in the past year.
- Core intermediate goods prices fell 0.4% in November but are up 5.2% versus a year ago. Core crude prices dipped 2.5% in November but are up 6.5% in the past twelve months.

Implications: The big news this morning was new claims for unemployment insurance dropping 19,000 last week to 366,000, the lowest since May 2008, well before the collapse of Lehman Brothers. This follows a total drop of 38,000 in the prior two weeks. The 4-week moving average is now 388,000, the lowest since July 2008. Some analysts are looking at the non-seasonally-adjusted claims data, which were 433,000 last week, but layoffs are always unusually high this time of year. The same analysts were not talking about the unadjusted claims numbers back in September when they bottomed at 328,000. Continuing claims for regular state benefits increased 4,000 to 3.60 million, but this is still 154,000 lower than two weeks ago. December is shaping up to be another solid month for payroll growth. On the inflation front, after falling in October, producer prices rebounded in November, coming in higher than consensus expectations. Food prices led the way, gaining 1.0%, and are up 7.7% in the past year. More producer price inflation is in the pipeline, with intermediate prices up 7.8% from a year ago and crude goods up 15.3%. However, the Federal Reserve will probably see this report as good news on inflation! Core finished goods prices were up only 0.1% in November while core intermediate and crude prices both declined. Despite this, we believe the Fed is highly unlikely to embark on a third round of quantitative easing. In other recent inflation news, import prices were up 0.7% in November and are up 9.9% versus a year ago. The rise in November was all due to oil; ex-petroleum prices were down 0.2%. In the past year, ex-petroleum import prices are up 3.7%. Export prices were up 0.1% in November, all due to farm products. Ex-agriculture, export prices slipped 0.1%. In the past year, export prices are up 4.7% overall and 4.8% ex-agriculture.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Nov-11	Oct-11	Sep-11	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Finished Goods	0.3%	-0.3%	0.8%	3.0%	1.7%	5.7%
Ex Food and Energy	0.1%	0.0%	0.2%	1.3%	2.4%	2.9%
Food	1.0%	0.1%	0.6%	6.7%	8.3%	7.7%
Energy	0.1%	-1.4%	2.3%	4.0%	-5.1%	12.2%
Consumer Goods	0.3%	-0.4%	1.0%	3.8%	1.7%	7.0%
Capital Equipment	0.1%	-0.1%	0.2%	0.5%	1.6%	2.2%
Intermediate Goods	0.2%	-1.1%	0.6%	-1.2%	-1.0%	7.8%
Ex Food & Energy	-0.4%	-0.6%	0.2%	-3.3%	-1.1%	5.2%
Energy	1.9%	-2.6%	1.7%	4.1%	-2.4%	15.4%
Crude Goods	3.8%	-2.5%	2.8%	16.9%	4.9%	15.3%
Ex Food & Energy	-2.5%	-4.3%	1.0%	-21.1%	-5.2%	6.5%
Energy	10.5%	-2.2%	7.7%	83.5%	7.2%	19.1%

Source: Bureau of Labor Statistics