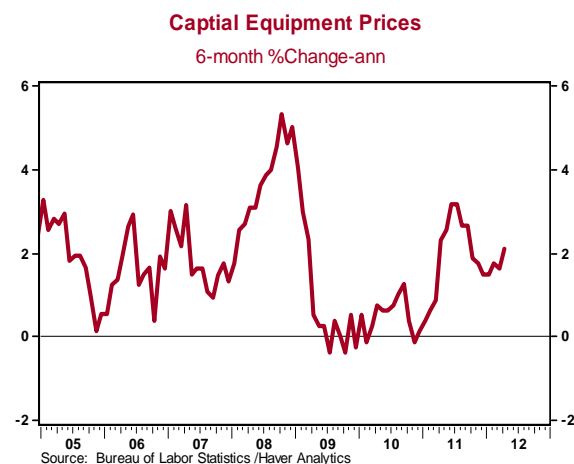
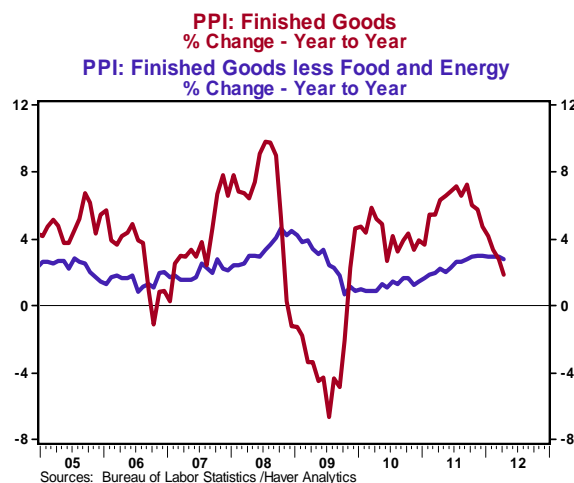


# April PPI

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- The Producer Price Index (PPI) declined 0.2% in April, versus the consensus expectation of no change. Producer prices are up 1.9% versus a year ago.
- Energy prices fell 1.4%, while food prices rose 0.2%. The “core” PPI, which excludes food and energy, increased 0.2%.
- Consumer goods prices were down 0.3% in April, but are up 1.9% versus last year. Capital equipment prices rose 0.2% in April and are up 2.0% in the past year.
- Core intermediate goods prices rose 0.2% in April and are up 1.4% versus a year ago. Core crude prices were down 1.8% in April, and are down 3.6% versus a year ago.

**Implications:** Due to falling energy prices, overall producer prices were down 0.2% in April, coming in lower than the consensus expected. That’s good news for companies making purchases, but no justification for another round of quantitative easing. “Core” prices, which exclude food and energy, and which the Federal Reserve claims are more important than the overall number, were up 0.2% in April. The increase in core prices was led by pharmaceutical drugs which accounted for about a quarter of the “core” PPI increase. Core prices are now up 2.7% from last year, which is faster than the overall PPI. In the past three months, the core PPI is up at a 2.5% annual rate while overall prices are up at a 0.6% rate. We don’t expect that to last. Due to loose monetary policy, these inflation measures will head higher later this year. Taking a look further down the producer pipeline, core intermediate goods prices are accelerating, up at a 7.5% annual rate in the past three months, although core crude prices are down at a 3.7% annual rate in the same timeframe. Be careful of the stories you may read in the coming weeks about how the Federal Reserve was right all along and that inflation is not a problem. By later this year, the conventional wisdom will realize this was temporary.



<b>Producer Price Index</b> <i>All Data Seasonally Adjusted</i>	<b>Apr-12</b>	<b>Mar-12</b>	<b>Feb-12</b>	<b>3-mo % Ch.</b> <i>annualized</i>	<b>6-mo % Ch.</b> <i>annualized</i>	<b>Yr to Yr</b> <i>% Change</i>
<b>Finished Goods</b>	<b>-0.2%</b>	0.0%	0.4%	0.6%	0.8%	1.9%
<b>Ex Food and Energy</b>	<b>0.2%</b>	0.3%	0.2%	2.5%	2.6%	2.7%
<b>Food</b>	<b>0.2%</b>	0.2%	-0.1%	1.0%	0.4%	2.4%
<b>Energy</b>	<b>-1.4%</b>	-1.0%	1.3%	-4.1%	-3.0%	-0.7%
<b>Consumer Goods</b>	<b>-0.3%</b>	-0.1%	0.5%	0.2%	0.4%	1.9%
<b>Capital Equipment</b>	<b>0.2%</b>	0.2%	0.1%	2.0%	2.1%	2.0%
<b>Intermediate Goods</b>	<b>-0.5%</b>	0.7%	0.7%	4.1%	1.2%	1.1%
<b>Ex Food &amp; Energy</b>	<b>0.2%</b>	0.6%	1.0%	7.5%	2.1%	1.4%
<b>Energy</b>	<b>-2.7%</b>	1.3%	0.3%	-4.5%	-0.9%	0.0%
<b>Crude Goods</b>	<b>-4.4%</b>	-2.5%	0.4%	-23.3%	-8.0%	-7.6%
<b>Ex Food &amp; Energy</b>	<b>-1.8%</b>	1.1%	-0.3%	-3.7%	-3.7%	-3.6%
<b>Energy</b>	<b>-6.8%</b>	-9.2%	0.3%	-48.0%	-18.1%	-15.7%

Source: Bureau of Labor Statistics