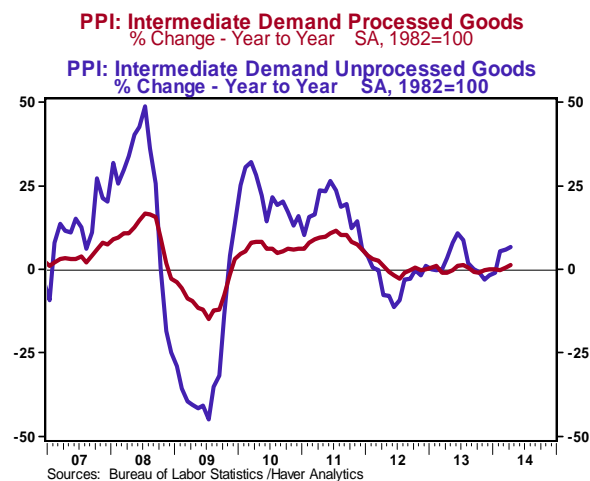
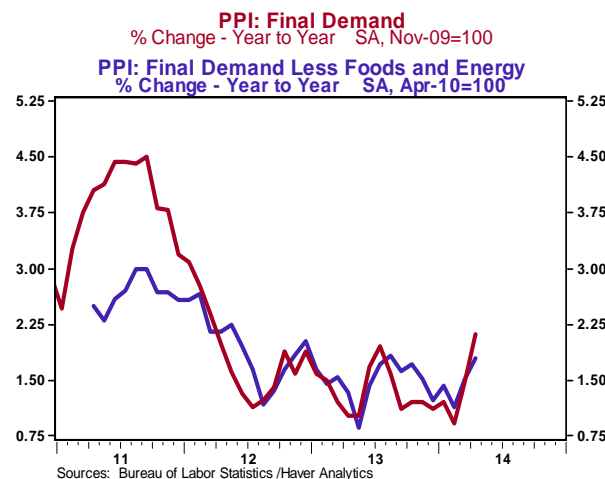


April PPI

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- The Producer Price Index (PPI) rose 0.6% in April versus a consensus expected gain of 0.2%. Producer prices are up 2.1% versus a year ago.
- The increase in producer prices was broad based, with both services and goods prices up 0.6%.
- In the past year, prices for service are up 2.0% while goods prices are up 2.5%. Private capital equipment prices increased 0.6% in April and are up 2.0% in the past year.
- Prices for intermediate processed goods were unchanged in April, but up 1.5% versus a year ago. Prices for intermediate unprocessed goods increased 0.4% in April, and are up 6.6% versus a year ago.

Implications: The long-awaited upward move in inflation may finally be arriving. Producer prices surged 0.6% in April, the largest monthly gain in more than four years, coming on top of a 0.5% gain in March. In the past year, producer prices have increased a moderate 2.1%. But, in the past three months, producer prices are up at a 4.1% annual rate. The acceleration is in prices for both goods and services. Goods prices are up 2.5% in the past year and have climbed at a 3.9% annual rate in the past three months; services are up 2% from a year ago and have climbed at a 4.1% rate in the past three months. Prices further back in the production pipeline (intermediate demand) are showing similar acceleration. For example, although prices for processed goods are up 1.5% in the past year, they're up at a 2% annual rate in the past three months. Unprocessed goods are up 6.6% in the past year but up at a 26.4% annual rate in the past three months. Taken as a whole, the trend in producer price inflation suggests the Federal Reserve should be tapering quantitative easing faster. The problems that ail the economy are fiscal and regulatory in nature; continuing to add more excess reserves to the banking system is not going to boost economic growth. Loose monetary policy is finally gaining traction and we expect both real GDP growth and inflation to accelerate in the year ahead.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Apr-14	Mar-14	Feb-14	3-mo % Ch. <i>Jan-14</i>	6-mo % Ch. <i>Jan-14</i>	Yr to Yr <i>% Change</i>
Final Demand	0.6%	0.5%	-0.1%	4.1%	2.4%	2.1%
Goods	0.6%	0.0%	0.4%	3.9%	3.4%	2.5%
- Ex Food & Energy	0.3%	0.1%	0.2%	2.2%	2.6%	1.5%
Services	0.6%	0.7%	-0.3%	4.1%	1.9%	2.0%
Private Capital Equipment	0.6%	0.1%	0.1%	3.0%	2.1%	2.0%
Intermediate Demand						
Processed Goods	0.0%	-0.2%	0.7%	2.0%	2.3%	1.5%
- Ex Food & Energy	0.2%	-0.2%	0.6%	2.3%	1.9%	0.7%
Unprocessed Goods	0.4%	-0.1%	5.7%	26.4%	14.8%	6.6%
- Ex Food & Energy	0.9%	0.5%	-0.7%	3.1%	8.3%	-0.4%
Services	0.1%	0.4%	0.2%	2.6%	1.5%	1.2%

Source: Bureau of Labor Statistics