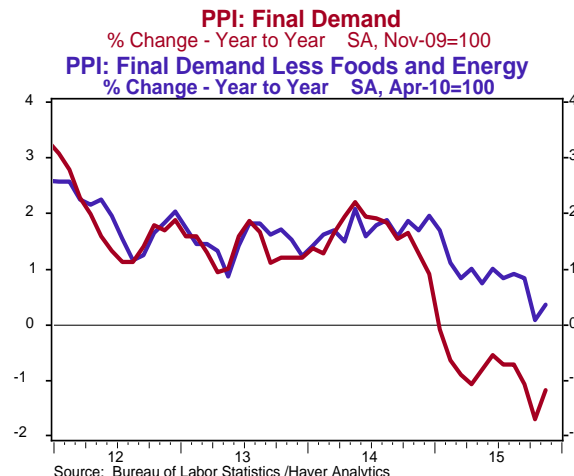


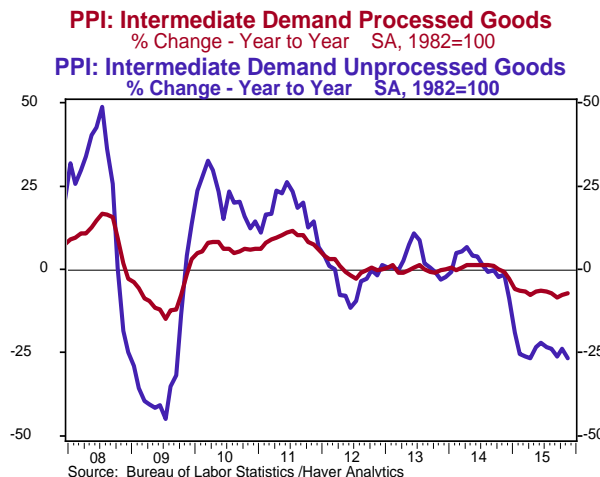
November PPI

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- The Producer Price Index (PPI) rose 0.3% in November, coming in well above the consensus expectation for no change. Producer prices are down 1.2% versus a year ago.
- The rise in producer prices in November was led by final demand services, up 0.5%. Food prices increased 0.3% in November while energy prices declined 0.6%. Producer prices excluding food and energy rose 0.3%.
- In the past year, prices for goods are down 4.3%, while prices for services are up 0.5%. Private capital equipment prices rose 0.1% in November but are unchanged in the past year.
- Prices for intermediate processed goods declined 0.6% in November and are down 7.2% versus a year ago. Prices for intermediate unprocessed goods were down 5.1% in November and are down 26.6% versus a year ago.



Implications: After two months of steep declines, producer prices bounced back in November, providing reassurance (if any was needed) to the Fed that it's time for liftoff. Final demand service prices accounted for the full advance in November, as margins for wholesalers and retailers rose 1.2%. Despite the decline in service prices in September and October, prices for services remain up a modest 0.5% in the past year. Goods prices fell 0.1% in November, almost entirely due to a 0.6% drop in energy prices. Prices for goods are down 4.3% from a year ago. In the past year, energy prices have fallen 19.1%. Excluding just energy, producer prices are up 0.2% in the last twelve months, compared to a 1.2% decline when energy is included. The Fed has reiterated that falling energy prices are a transitory factor, so we think these declines will not play a significant role when they decide whether to raise rates next Wednesday. Core producer prices, which take out both the volatile food and energy components, increased 0.3% in November and are up 0.4% in the past year. In other words, we are not in a persistent deflationary environment. We'd like to see the Fed raise rates and think a rate hike at next week's meeting looks close to assured. Holding short-term rates near zero distorts the nature and timing of economic and financial activity and our economy will eventually pay a price for that. In other recent economic news, still no sign of inflation in the trade sector. Import prices declined 0.4% in November and are down 9.4% from a year ago. The drop is mostly from petroleum, but not all of it; import prices are down 3.4% from a year ago even excluding petroleum. Export prices declined 0.6% in November and are down 6.3% from a year ago.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Nov-15	Oct-15	Sep-15	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	0.3%	-0.4%	-0.5%	-2.5%	-0.5%	-1.2%
Goods	-0.1%	-0.4%	-1.2%	-6.4%	-3.6%	-4.3%
- Ex Food & Energy	-0.1%	-0.3%	0.0%	-1.4%	-0.5%	0.0%
Services	0.5%	-0.3%	-0.4%	-0.7%	1.3%	0.5%
Private Capital Equipment	0.1%	0.2%	-0.2%	0.4%	0.2%	0.0%
Intermediate Demand						
Processed Goods	-0.6%	-0.4%	-1.5%	-9.4%	-5.3%	-7.2%
- Ex Food & Energy	-0.4%	-0.2%	-0.6%	-4.8%	-3.2%	-3.9%
Unprocessed Goods	-5.1%	0.0%	-3.1%	-28.7%	-26.1%	-26.6%
- Ex Food & Energy	-3.4%	-1.3%	-1.1%	-21.2%	-20.2%	-18.1%
Services	0.0%	-0.4%	-0.7%	-4.2%	-0.5%	0.5%

Source: Bureau of Labor Statistics