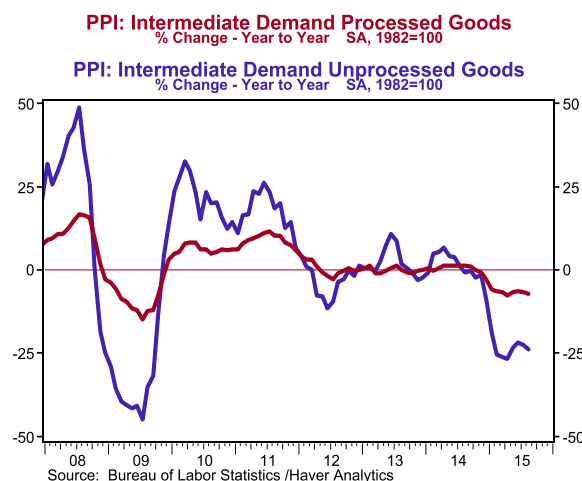
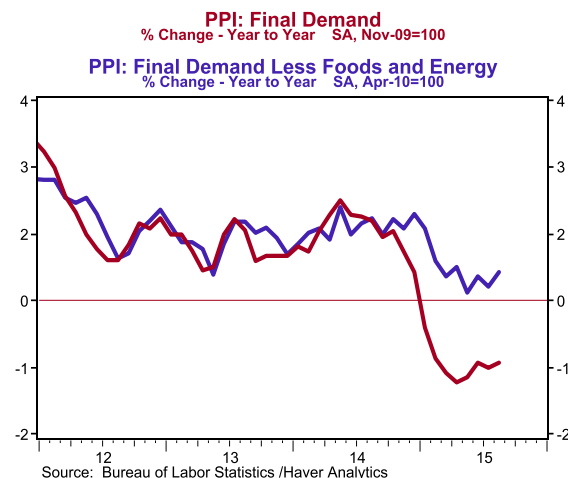


# August PPI

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- The Producer Price Index (PPI) was unchanged in August, coming in above the consensus expected decline of 0.1%. Still, producer prices are down 0.7% versus a year ago.
- A 0.4% increase in prices for final demand services offset a 0.6% decline in prices for final demand goods. Energy prices declined 3.3% in August while food prices rose 0.3%. Producer prices excluding food and energy were up 0.3%.
- In the past year, prices for services are up 1.1%, while prices for goods are down 4.0%. Private capital equipment prices declined 0.3% in August but are up 0.1% in the past year.
- Prices for intermediate processed goods declined 0.6% in August and are down 7.0% versus a year ago. Prices for intermediate unprocessed goods declined 4.4% in August, and are down 23.7% versus a year ago.

**Implications:** For people expecting today’s report on producer prices to give the Fed a reason to delay rate hikes, they didn’t get it. While unchanged in August, producer prices were held down by declining energy prices, which the Fed has already identified as a “transitory factor.” And while headline inflation remains negative for the past year, prices have shown a clear acceleration of late, up 1.6% annualized in the past six months and a faster 2.2% pace in the past three months. Service sector prices moved higher once again in August, rising 0.4%. Prices for trade services (margins received by wholesalers and retailers) rose 0.9%, accounting for three-quarters of the increase in overall service sector prices. Prices for goods moved lower in August, falling 0.6%. Energy prices, which have been the key driver behind goods prices since mid-2014, fell 3.3% in August and are down 19.6% from a year ago. But while goods prices are down 4% from a year ago, they are unchanged over the past three months and up 1.5% at an annual rate over the past six. Excluding energy, final demand goods prices are up at a 3% annualized rate in the past three months. So while producer prices are down from a year ago, the recent trend in inflation has been above the Fed’s 2% target. And while the Fed is more focused on its own expectations for future inflation, recent readings give them ample basis to begin raising rates at next week’s meeting. In other recent news, new claims for unemployment insurance declined 6,000 last week to 275,000, the 27th straight week below 300,000. Continuing claims rose 1,000 to 2.26 million. These figures suggest another month of with payrolls rising around 200,000 in September. Meanwhile, still no sign of inflation in the trade sector. Import prices declined 1.8% in August and are down 11.4% from a year ago. The drop is mostly from petroleum, but not all of it; import prices are down 3.2% from a year ago even excluding petroleum. Export prices declined 1.4% in August and are down 7% from a year ago.



<b>Producer Price Index</b> <i>All Data Seasonally Adjusted</i>	<b>Aug-15</b>	<b>Jul-15</b>	<b>Jun-15</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>Final Demand</b>	<b>0.0%</b>	0.2%	0.4%	2.2%	1.6%	-0.7%
<b>Goods</b>	<b>-0.6%</b>	-0.1%	0.7%	0.0%	1.5%	-4.0%
- Ex Food & Energy	<b>-0.2%</b>	0.0%	0.4%	0.7%	0.5%	0.4%
<b>Services</b>	<b>0.4%</b>	0.4%	0.3%	4.1%	2.0%	1.1%
<b>Private Capital Equipment</b>	<b>-0.3%</b>	0.4%	0.2%	1.1%	-0.4%	0.1%
<b>Intermediate Demand</b>						
<b>Processed Goods</b>	<b>-0.6%</b>	-0.2%	0.7%	0.0%	-0.5%	-7.0%
- Ex Food & Energy	<b>-0.2%</b>	0.1%	0.2%	0.2%	-1.6%	-3.5%
<b>Unprocessed Goods</b>	<b>-4.4%</b>	-2.9%	1.2%	-22.3%	-6.8%	-23.7%
- Ex Food & Energy	<b>-4.8%</b>	-0.5%	0.3%	-18.2%	-13.0%	-16.5%
<b>Services</b>	<b>0.7%</b>	0.2%	0.4%	5.2%	2.9%	1.8%

Source: Bureau of Labor Statistics