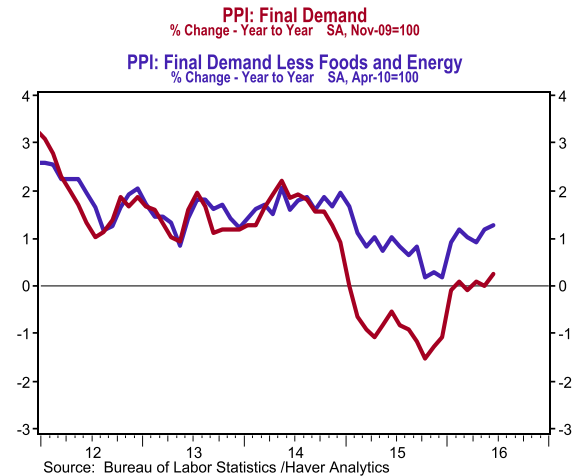


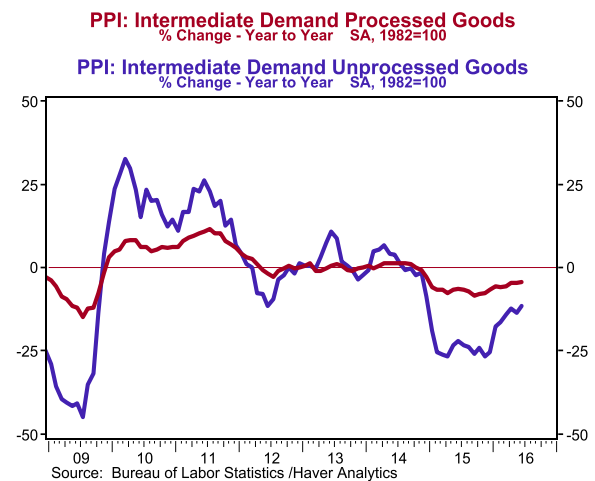
June PPI

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- The Producer Price Index (PPI) increased 0.5% in June, coming in above the consensus expected rise of 0.3%. Producer prices are up 0.3% versus a year ago.
- The rise in producer prices in June was broad-based, with final demand services, up 0.4% and final demand goods up 0.8%. Energy prices rose 4.1% in June while food prices increased 0.9%. Producer prices excluding food and energy rose 0.4%.
- In the past year, prices for services are up 1.5%, while prices for goods are down 2.1%. Private capital equipment prices rose 0.1% in June and are up 2.0% in the past year.
- Prices for intermediate processed goods rose 0.9% in June but are down 4.1% versus a year ago. Prices for intermediate unprocessed goods rose 2.8% in June but are down 11.6% versus a year ago.



Implications: Today's data are a clear signal that the Fed goofed by not raising rates. Producer prices rose in June at the fastest pace in nearly four years and are up at a 4.5% annual rate in the past three months. The rise in prices was broad based. Prices for final demand services increased 0.4% in June, led by a 0.4% rise in prices for services less trade, transportation, and warehousing, while goods prices rose 0.8%. More than three-quarters of the increase in final demand goods was attributable to final demand energy, up 4.1% in June. Food prices jumped in June, up 0.8%. “Core” prices, which exclude the volatile food and energy components, increased 0.4% in June and are up 1.3% in the past year. This “core” measure is where the Fed places greater weight when making their decisions on monetary policy, and while the 1.3% increase in prices in the past year is modest, it represents the fastest annual growth since January of 2015 and is showing steady acceleration. And with rising energy prices, the headline measure of inflation is also showing a clear trend higher, up at a 4.5% annualized rate in the past three months compared to a 2% annual rate in the past six months and a 0.3% rise from a year ago. So while inflation remains modest, the U.S. is certainly not experiencing deflation, and rising energy prices may push inflation up at a faster pace than many are expecting. In other inflation news, import prices rose 0.2% in June but remain down 4.8% from a year ago. The drop is mostly from petroleum, but not all of it; import prices are down 2% from a year ago even excluding petroleum. Export prices rose 0.8% in June but remain down 3.5% from a year ago. In other news this morning, new claims for unemployment benefits were unchanged at a very low 254,000, while continuing claims rose 32,000 to 2.15 million. Plugging these figures into our models suggests July will show further strong job gains, though at a slower pace than the booming June report.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Jun-16	May-16	Apr-16	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	0.5%	0.4%	0.2%	4.5%	2.0%	0.3%
Goods	0.8%	0.7%	0.2%	6.9%	1.5%	-2.1%
- Ex Food & Energy	0.0%	0.3%	0.3%	2.2%	1.6%	0.4%
Services	0.4%	0.2%	0.1%	2.9%	2.4%	1.5%
Private Capital Equipment	0.1%	0.8%	0.0%	3.7%	3.0%	2.0%
Intermediate Demand						
Processed Goods	0.9%	0.8%	0.3%	8.5%	0.3%	-4.1%
- Ex Food & Energy	0.2%	0.5%	0.3%	3.7%	0.1%	-1.9%
Unprocessed Goods	2.8%	1.3%	2.6%	30.4%	14.5%	-11.6%
- Ex Food & Energy	-0.3%	4.2%	3.5%	33.4%	20.5%	-3.2%
Services	0.8%	-0.2%	0.1%	2.9%	3.9%	1.6%

Source: Bureau of Labor Statistics