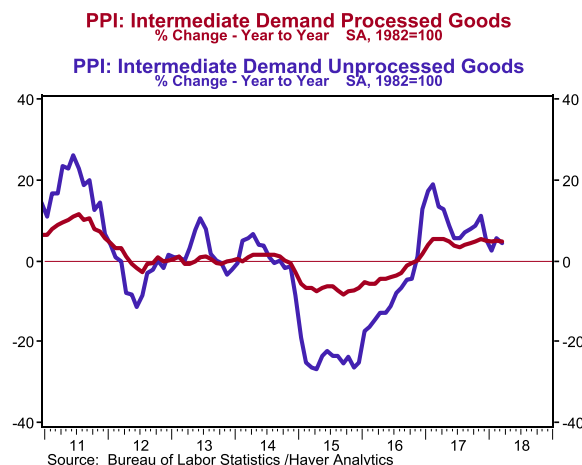
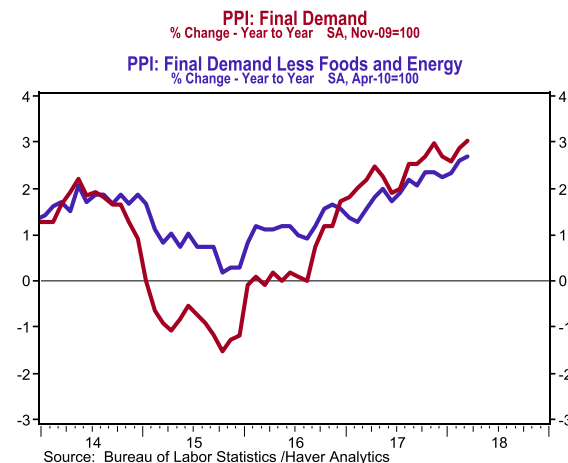


March PPI

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- The Producer Price Index (PPI) increased 0.3% in March, coming in above the consensus expected rise of 0.1%. Producer prices are up 3.0% versus a year ago.
- Food prices rose 2.2% in March, while energy prices declined 2.1%. Producer prices excluding food and energy increased 0.3%.
- In the past year, prices for goods are up 3.2%, while prices for services are up 2.9%. Private capital equipment prices increased 0.8% in March and are up 3.1% in the past year.
- Prices for intermediate processed goods declined 0.3% in March but are up 4.6% versus a year ago. Prices for intermediate unprocessed goods declined 4.8% in March but are up 4.2% versus a year ago.

Implications: Rising costs for health care, machinery, and vegetables pushed producer prices higher by 0.3% in March. And producer prices are now up 3.0% in the past year, matching the fastest twelve-month pace going back to 2012. Breaking down today’s report show food prices rose 2.2% in March, led by a 31.5% surge in the cost of vegetables. Meanwhile, energy prices fell 2.1% as fuel prices declined, but remain up 8.5% in the past year. Strip out the typically volatile food and energy groupings, and “core” producer prices rose 0.3% in March and are up 2.7% in the past year (the largest twelve-month increase going back to 2011). For comparison, “core” prices rose 1.5% in the twelve months ending March 2017, and 1.1% in the twelve months ending March 2016. A look further down the pipeline shows the trend higher is likely to continue in the coming months. Intermediate processed goods declined 0.3% in March, but are up 4.6% from a year ago, while unprocessed goods fell 4.8% in March but are up 4.2% in the past year. And stripping out the food and energy components in intermediate goods shows a faster pace of inflation in the pipeline. In short, producer prices are rising at a healthy pace, and the data gives the Fed a green light to raise rates three more times in 2018, so four rate hikes this year in total. The pouting pundits of pessimism may cry fears of rising rates slowing economic activity, but the Federal Reserve is still running a loose monetary policy. This is especially true now that anti-bank attitudes and regulation are being reversed, which reduces the headwinds to monetary growth. Given the pickup in inflation, and with employment growth remaining strong, the greater risk now is that the Fed falls behind the curve.



Producer Price Index	Mar-18	Feb-18	Jan-18	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>						
Final Demand	0.3%	0.2%	0.4%	3.5%	3.6%	3.0%
Goods	0.3%	-0.1%	0.7%	3.6%	4.2%	3.2%
- Ex Food & Energy	0.3%	0.2%	0.2%	2.8%	2.8%	2.2%
Services	0.3%	0.3%	0.3%	3.5%	3.0%	2.9%
Private Capital Equipment	0.8%	-0.3%	0.5%	4.4%	2.5%	3.1%
Intermediate Demand						
Processed Goods	-0.3%	0.7%	0.7%	4.4%	5.7%	4.6%
- Ex Food & Energy	0.3%	0.7%	0.3%	5.0%	4.9%	3.5%
Unprocessed Goods	-4.8%	2.8%	0.9%	-4.8%	6.9%	4.2%
- Ex Food & Energy	1.5%	-0.3%	3.8%	22.0%	7.6%	6.7%
Services	0.3%	0.5%	0.1%	3.8%	3.7%	3.2%

Source: Bureau of Labor Statistics