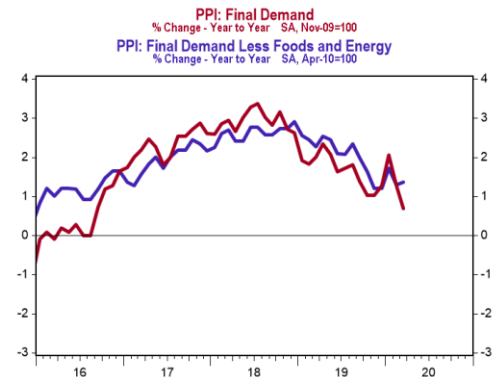


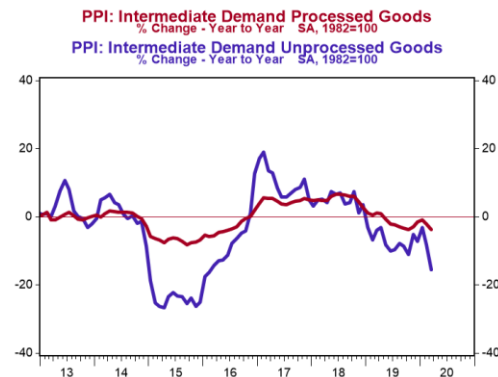
March PPI

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist

- The Producer Price Index (PPI) declined 0.2% in March versus a consensus expected -0.4%. Producer prices are up 0.7% versus a year ago.
- Energy prices declined 6.7% in March, while food prices were unchanged. Producer prices excluding food and energy rose 0.2% in March and are up 1.4% in the past year.
- In the past year, prices for goods are down 1.2%, while prices for services have increased 1.5%. Private capital equipment prices rose 0.2% in March and are up 1.1% in the past year.
- Prices for intermediate processed goods declined 1.1% in March and are down 3.7% versus a year ago. Prices for intermediate unprocessed goods fell 8.0% in March and are down 15.4% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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Implications: Producer prices continued lower in March, declining 0.2% on the back of falling gas prices. It should be noted that the data for the March PPI report was collected on March 10th, so it came before the coronavirus shutdowns further impacted activity (and prices) later in the month. Digging into today’s report shows a 16.8% decline in gas prices more than offset rising prices for many other goods and services. Outside of the typically volatile food and energy categories, producer prices rose 0.2% in March. The increase in these “core” prices was led by margins to retailers, particularly apparel, jewelry, footwear, and accessories, where prices jumped 8.1% in March following a double-digit drop in February. Core producer prices as a whole are up 1.4% over the past twelve months. Both the ongoing oil-market turmoil and supply chain (and general business) disruptions related to COVID-19 will muddy the data over the coming months, and likely create some wild swings. Once the dust settles – and it eventually will – we expect inflation to trend back toward 2% and eventually higher. The Federal Reserve is loose and likely to stay that way while a combination of business shutdowns and unusually generous unemployment benefits will stifle economic activity. The result will be too much money chasing too few goods (and services), meaning higher inflation. For the time being, further down the pipeline, prices for intermediate demand processed goods declined 1.1%, while intermediate demand unprocessed goods fell 8.0%. Both intermediate demand categories continue to show prices broadly lower compared to year-ago levels. The next few months may be a volatile ride as we weather uncertainty, but keep your eyes focused on the fundamentals, which were strong heading into this historically unique government-induced shutdown. In other news this morning, initial claims for unemployment benefits declined 261,000 last week to a still extremely high 6.606 million. Continuing claims for the week prior increased 4.396 million to 7.455 million. Look for continued stratospheric levels for claims for at least the next couple of weeks as many businesses continue to grapple with mandated shutdowns. While it is still early, the April jobs report due out May 8th will likely show the unemployment rate jump to double digits. *On a forward-looking note, the Bureau of Labor Statistics will be releasing the March Consumer Price Index (CPI) data tomorrow morning, but in observance of Good Friday, our offices will be closed. We will publish our CPI analysis on Monday morning. We wish you and yours a very happy Easter!*

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Mar-20	Feb-20	Jan-20	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	-0.2%	-0.6%	0.5%	-1.0%	0.3%	0.7%
Goods	-1.0%	-0.9%	0.1%	-7.0%	-1.4%	-1.2%
- Ex Food & Energy	0.2%	-0.1%	0.3%	1.4%	1.2%	0.5%
Services	0.2%	-0.3%	0.7%	2.0%	1.0%	1.5%
Private Capital Equipment	0.2%	0.4%	0.2%	3.1%	2.4%	1.1%
Intermediate Demand						
Processed Goods	-1.1%	-0.9%	-0.3%	-8.8%	-3.5%	-3.7%
- Ex Food & Energy	-0.1%	-0.2%	0.3%	0.0%	-0.6%	-1.6%
Unprocessed Goods	-8.0%	-7.7%	-0.6%	-49.0%	-21.6%	-15.4%
- Ex Food & Energy	1.3%	-1.5%	5.6%	23.4%	15.3%	0.4%
Services	-0.1%	-0.1%	0.0%	-0.7%	-0.5%	1.0%

Source: Bureau of Labor Statistics