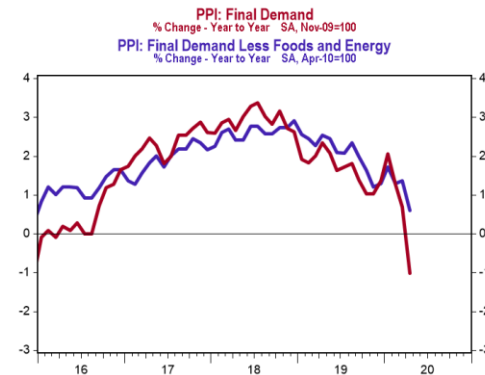


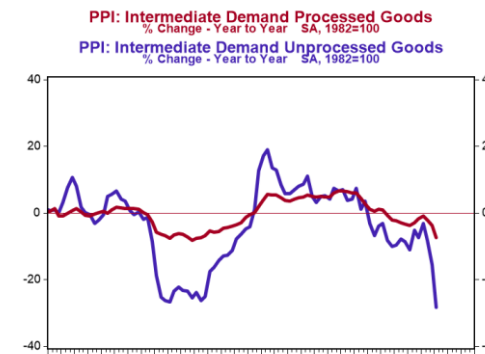
April PPI

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

- The Producer Price Index (PPI) fell 1.3% in April versus a consensus expected -0.5%. Producer prices are down 1.2% versus a year ago.
- Energy prices dropped 19.0% in April, while food prices declined 0.5%. Producer prices excluding food and energy declined 0.3% in April but are up 0.6% in the past year.
- In the past year, prices for goods are down 5.0%, while prices for services have increased 0.8%. Private capital equipment prices fell 0.3% in April but are up 0.5% in the past year.
- Prices for intermediate processed goods declined 3.7% in April and are down 7.3% versus a year ago. Prices for intermediate unprocessed goods fell 13.7% in April and are down 28.2% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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Implications: Plunging oil prices pushed the producer price index down 1.3% in April, the largest monthly decline in the series’ (admittedly short) history going back to 2009. The 19.0% drop in energy – led by a 56.6% decline in gasoline prices! – was the major contributor to a record dip in goods prices, though food prices also fell 0.5% on the month. Outside of these typically volatile food and energy categories, producer prices declined a more modest 0.3% in April. The decline in “core” prices was led by transportation and warehousing services, which fell 3.5%, while the decline was partially offset by higher costs for trade services (which measures margins received by wholesalers and retailers). Core producer prices as a whole are up 0.6% 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 weeks and months, and likely create excess volatility. 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 – but not hyper – inflation. For the time being, further down the pipeline, prices for intermediate demand processed goods declined 3.7% in April, while intermediate demand unprocessed goods fell 13.7%. Both intermediate demand categories continue to show prices broadly lower compared to year-ago levels. While we ride through this period of uncertainty, keep your eyes focused on the fundamentals, which were strong heading into this historically unique government-induced shutdown. The data are ugly, and in some cases harken back to declines we haven’t seen since the Great Depression. But it was the poor policies in place that turned that recession into a prolonged depression, and while the magnitude of the current declines may echo that tragic period in economic history, the key differences in the source of the slowdown between now and then provide reason to believe this downturn, while intense, should be short. Some states have already started to reopen, and some measures of activity are showing signs of turning the corner. To keep a pulse on the economic recovery, [focus on high frequency data](#) (released weekly or – in some cases – daily) for a more real-time check on the progress.

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Apr-20	Mar-20	Feb-20	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	-1.3%	-0.2%	-0.6%	-7.8%	-2.8%	-1.2%
Goods	-3.3%	-1.0%	-0.9%	-19.1%	-8.8%	-5.0%
- Ex Food & Energy	-0.4%	0.2%	-0.1%	-1.3%	0.2%	0.1%
Services	-0.2%	0.2%	-0.3%	-1.7%	0.2%	0.8%
Private Capital Equipment	-0.3%	0.2%	0.4%	1.4%	1.4%	0.5%
Intermediate Demand						
Processed Goods	-3.7%	-1.1%	-0.9%	-20.7%	-11.0%	-7.3%
- Ex Food & Energy	-1.5%	-0.1%	-0.2%	-6.6%	-4.0%	-2.9%
Unprocessed Goods	-13.7%	-8.0%	-7.7%	-71.1%	-42.0%	-28.2%
- Ex Food & Energy	-4.3%	1.3%	-1.5%	-16.9%	7.3%	-1.8%
Services	-1.6%	-0.1%	-0.1%	-7.0%	-2.6%	-1.2%

Source: Bureau of Labor Statistics