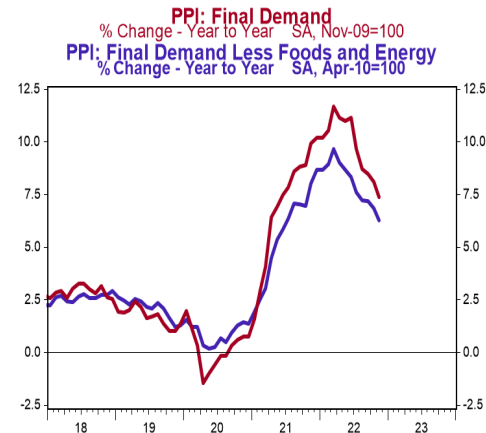


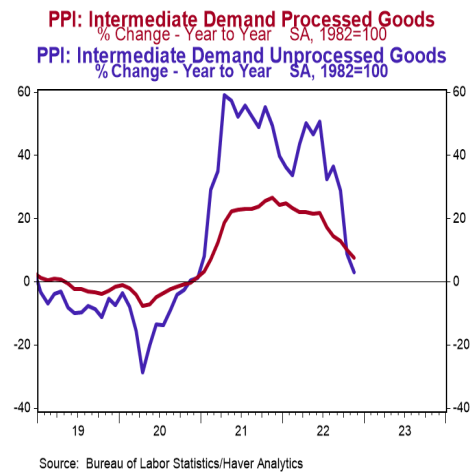
# November PPI

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- The Producer Price Index (PPI) rose 0.3% in November, coming in above the consensus expected +0.2%. Producer prices are up 7.4% versus a year ago.
- Energy prices declined 3.3% in November, while food prices rose 3.3%. Producer prices excluding food and energy rose 0.4% in November and are up 6.2% in the past year.
- In the past year, prices for goods are up 9.7%, while prices for services have risen 5.9%. Private capital equipment prices increased 0.5% in November and are up 10.0% in the past year.
- Prices for intermediate processed goods declined 0.9% in November but are up 7.7% versus a year ago. Prices for intermediate unprocessed goods declined 3.2% in November but remain up 3.0% versus a year ago.



**Implications:** Peak inflation is likely behind us, but today’s above-consensus 0.3% rise in producer prices is yet another sign the Fed’s job is not done. Yes, producer prices have been rising at a more modest pace over the past three- and six-month periods, but prices remain up 7.4% in the past year, well ahead of the Fed’s 2% target for inflation. And after declining in July and showing no change in August on the back of lower energy costs, producer prices have now risen by 0.3% in each of the last three months, with food and energy prices continuing to experience large swings. Outside these typically volatile food and energy categories, “core” producer prices rose 0.4% in November (consensus expected a rise of 0.2%). As has been noted in other economic reports, there is a shift taking place from the goods side of the economy back toward the services that many moved away from during COVID. This held true in today’s report, with services costs rising 0.4% – led by final demand trade services, which measures margins received by wholesalers – while goods rose a more modest 0.1%. Producer prices may very well have peaked on a year-ago basis back in March, but it will not be a swift return to the Fed’s target of 2% annual inflation. We expect the path toward “normal” will be far stickier than most anticipate as the economy continues to absorb the massive surge in the M2 measure of money the Fed injected in 2020-21. While there is plenty of prognostication around what the Fed will do and what that means for the economy – and the markets – moving forward, what matters most is that inflation continues to run well above the Fed’s target. Expect a 50 basis point rate hike at the Fed’s meetings next week, along with guidance that the Fed is prepared to continue raising rates in 2023. The path ahead to tame inflation will test the Fed’s resolve, let’s hope they are up to the task. In recent news on the employment front, initial unemployment claims rose 4,000 last week to 230,000, while continuing claims rose 62,000 to 1.671 million. Notably, in the past ten weeks, continuing claims are up 325,000. Combined, these figures suggest job growth remains positive but will slow substantially sometime in the months ahead.



Source: Bureau of Labor Statistics/Haver Analytics

<b>Producer Price Index</b> <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	<b>Nov-22</b>	<b>Oct-22</b>	<b>Sep-22</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>0.3%</b>	0.3%	0.3%	3.6%	2.8%	7.4%
<b>Goods</b>	<b>0.1%</b>	0.6%	0.3%	4.2%	0.6%	9.7%
<b>- Ex Food &amp; Energy</b>	<b>0.3%</b>	0.0%	0.0%	1.2%	2.2%	6.2%
<b>Services</b>	<b>0.4%</b>	0.1%	0.2%	2.9%	3.5%	5.9%
<b>Private Capital Equipment</b>	<b>0.5%</b>	0.1%	0.4%	4.4%	5.4%	10.0%
<b>Intermediate Demand</b>						
<b>Processed Goods</b>	<b>-0.9%</b>	-0.1%	-0.1%	-4.2%	-5.6%	7.7%
<b>- Ex Food &amp; Energy</b>	<b>-0.2%</b>	-0.7%	-0.7%	-6.1%	-4.9%	7.3%
<b>Unprocessed Goods</b>	<b>-3.2%</b>	-10.5%	-3.1%	-50.3%	-30.2%	3.0%
<b>- Ex Food &amp; Energy</b>	<b>-0.7%</b>	-5.2%	0.0%	-21.5%	-26.2%	-8.0%
<b>Services</b>	<b>0.6%</b>	0.4%	0.4%	5.9%	4.0%	6.7%

Source: Bureau of Labor Statistics