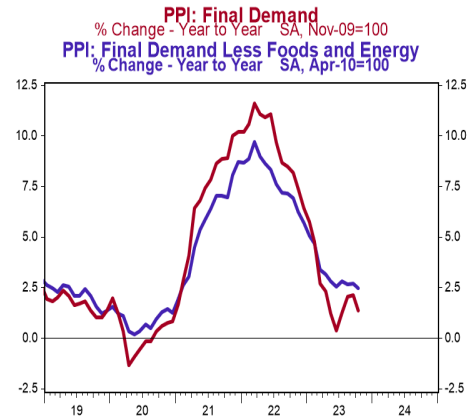


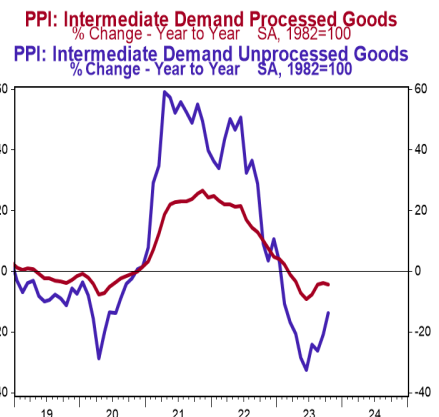
October PPI

Andrew Opdyke, CFA – Senior Economist
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- The Producer Price Index (PPI) fell 0.5% in October, coming in well below the consensus expected +0.1%. Producer prices are up 1.3% versus a year ago.
- Energy prices declined 6.5% in October, while food prices declined 0.2%. Producer prices excluding food and energy were unchanged in October but are up 2.4% versus a year ago.
- In the past year, prices for goods have declined 1.1%, while prices for services have risen 2.6%. Private capital equipment prices declined 0.2% in October but are up 2.4% in the past year.
- Prices for intermediate processed goods fell 0.9% in October and are down 4.5% versus a year ago. Prices for intermediate unprocessed goods declined 1.4% in October and are down 14.0% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



Source: Bureau of Labor Statistics/Haver Analytics

Implications: There is plenty in today’s report on producer prices that the Fed (and markets) will be happy to see, but that doesn’t mean it’s time to declare final victory in the fight against inflation. As you can see from the nearby chart, the year-ago comparison for producer prices, now up 1.3%, has fallen considerably since the 11.7% peak in March 2022. Keep in mind, though, that much of the moderation is due to outsized jumps in inflation immediately after the invasion of Ukraine last year, which are now rolling off year-ago calculations. And energy prices have been a major contributor to outsized swings in month-to-month inflation readings. This month was no exception, with energy prices falling 6.5%, the fifth move of 5.0%+ in the past year alone. Taking a look at the details of today’s report shows that “core” prices – which excludes the typically volatile food and energy components – were unchanged in October and are up 2.4% in the past year. Goods sector prices fell 1.4% on the back of a 15.3% decline in gasoline prices. Strip out just energy, and goods prices were unchanged on the month. Services prices were unchanged in October as higher costs for transportation and warehousing were tempered by a decline in margins received by wholesalers. Prices further back in the pipeline fell in October. Intermediate demand processed goods prices declined 0.9% and are down 4.5% in the past year. Meanwhile unprocessed goods prices fell 1.4% in October following 2.0%+ increases in each of the prior three months. These prices remain down 14.0% in the past year. Sufficiently tight monetary policy is doing its job, now it’s on the Fed to see the mission through to completion.

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Oct-23	Sep-23	Aug-23	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	-0.5%	0.4%	0.8%	2.9%	2.2%	1.3%
Goods	-1.4%	0.8%	1.9%	5.6%	0.2%	-1.1%
- Ex Food & Energy	0.1%	0.2%	0.1%	1.4%	0.6%	2.0%
Services	0.0%	0.2%	0.3%	1.8%	3.3%	2.6%
Private Capital Equipment	-0.2%	0.2%	0.4%	1.6%	2.7%	2.4%
Intermediate Demand						
Processed Goods	-0.9%	0.5%	2.2%	7.4%	-1.3%	-4.5%
- Ex Food & Energy	0.1%	0.0%	-0.2%	-0.4%	-2.3%	-4.5%
Unprocessed Goods	-1.4%	3.7%	2.2%	19.1%	0.9%	-14.0%
- Ex Food & Energy	-0.4%	-0.6%	0.0%	-3.6%	-14.5%	-6.5%
Services	0.0%	0.0%	0.1%	0.7%	2.2%	3.5%

Source: Bureau of Labor Statistics