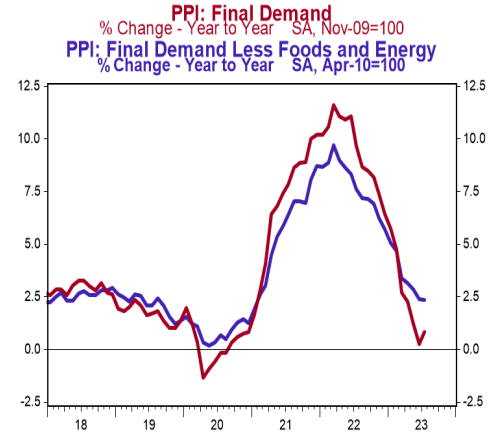


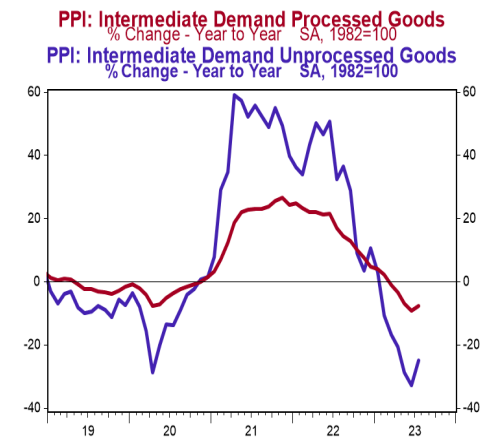
# July PPI

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- The Producer Price Index (PPI) rose 0.3% in July, coming in above the consensus expected +0.2%. Producer prices are up 0.8% versus a year ago.
- Food prices rose 0.5% in July, while energy prices were unchanged. Producer prices excluding food and energy rose 0.3% in July and are up 2.4% versus a year ago.
- In the past year, prices for goods are down 2.5%, while prices for services have risen 2.5%. Private capital equipment prices rose 0.3% in July and are up 2.1% in the past year.
- Prices for intermediate processed goods fell 0.6% in July and are down 7.8% versus a year ago. Prices for intermediate unprocessed goods rose 1.7% in July but are down 24.9% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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**Implications:** Producer prices rose 0.3% in July, and continue to show the inflationary battle taking place between a weakened goods sector and a service sector where prices keep forging ahead. As you can see from the nearby chart, the year-ago comparison for producer prices, now up 0.8%, has fallen considerably since the 11.7% peak in March 2022. Keep in mind, though, that part 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. Taking a look at the details of today’s report shows that “core” prices – which excludes the typically volatile food and energy components – rose 0.3% in July and are up 2.4% in the past year. The services sector led prices higher in July, rising 0.5%, while goods prices rose a modest 0.1%. Prices further back in the pipeline continue to show that goods inflation will likely fall further in the months ahead. Prices for intermediate demand processed goods fell 0.6% in July, and are down 7.8% in the past year, while unprocessed goods prices rose 1.7% in July but are down 24.9% in the past year. While modest inflation readings are welcome, data from [yesterday’s CPI report](#) shows the Fed’s hasn’t yet crossed the finish line. There is another round of inflation reports as well as another look at the health of the labor market before the Fed’s meetings in September, and with energy prices likely to push inflation readings higher between now and then, we wouldn’t count out the chances of the Fed considering another rate hike. The economy is in the grip of a battle between the ongoing impacts from the tsunami of money that hit the system in 2020-2021 and is still being absorbed, while at the same time starting to show signs of the riptide from the Fed and Treasury Department pulling money out of the system in the past year. Economic growth remains positive, but we still believe a recession is on the horizon. How the Fed will respond if/when a recession appears is very much an open question. The Fed’s failures in the 1970s should be a stark reminder of the painful results of easing before the battle against inflation is fully won.

<b>Producer Price Index</b> <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	<b>Jul-23</b>	<b>Jun-23</b>	<b>May-23</b>	<b>3-mo % Ch. annualized</b>	<b>6-mo % Ch. annualized</b>	<b>Yr to Yr % Change</b>
<b>Final Demand</b>	<b>0.3%</b>	0.0%	-0.3%	-0.2%	-0.5%	0.8%
<b>Goods</b>	<b>0.1%</b>	0.0%	-1.5%	-5.4%	-5.3%	-2.5%
<b>- Ex Food &amp; Energy</b>	<b>0.0%</b>	-0.2%	0.1%	-0.1%	1.3%	1.9%
<b>Services</b>	<b>0.5%</b>	-0.1%	0.2%	2.5%	1.8%	2.5%
<b>Private Capital Equipment</b>	<b>0.3%</b>	-0.6%	0.3%	0.4%	0.6%	2.1%
<b>Intermediate Demand</b>						
<b>Processed Goods</b>	<b>-0.6%</b>	-0.5%	-1.5%	-9.8%	-8.6%	-7.8%
<b>- Ex Food &amp; Energy</b>	<b>-0.7%</b>	-0.4%	0.0%	-4.2%	-1.7%	-8.0%
<b>Unprocessed Goods</b>	<b>1.7%</b>	-1.2%	-5.3%	-18.2%	-24.1%	-24.9%
<b>- Ex Food &amp; Energy</b>	<b>-3.1%</b>	-2.0%	-2.6%	-26.8%	-12.3%	-10.5%
<b>Services</b>	<b>0.5%</b>	0.0%	0.2%	2.7%	2.7%	4.6%

Source: Bureau of Labor Statistics