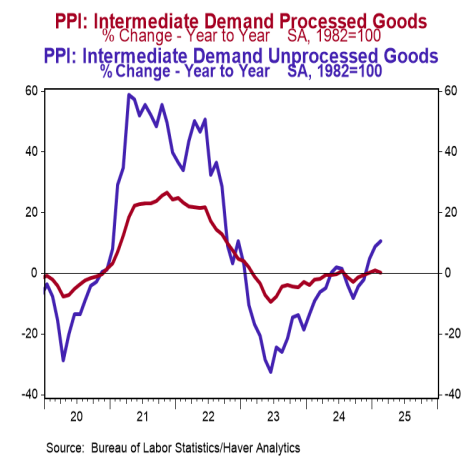
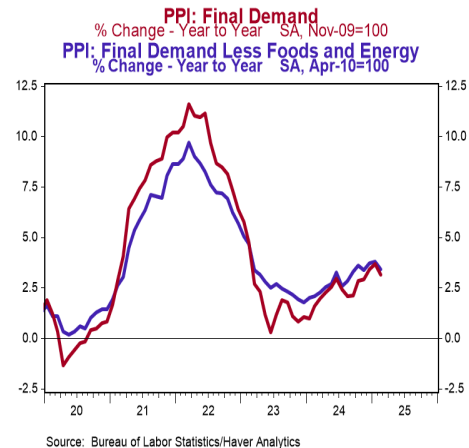


# February PPI

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- The Producer Price Index (PPI) was unchanged in February, coming in below the consensus expected increase of 0.3%. Producer prices are up 3.2% versus a year ago.
- Energy prices declined 1.2% in February, while food prices increased 1.7%. Producer prices excluding food and energy fell 0.1% in February but are up 3.4% versus a year ago.
- In the past year, prices for goods are up 1.7%, while prices for services have increased 3.9%. Private capital equipment prices declined 0.1% in February but are up 4.3% in the past year.
- Prices for intermediate processed goods rose 0.5% in February and are up 0.3% versus a year ago. Prices for intermediate unprocessed goods increased 1.3% in February and are up 10.5% versus a year ago.



**Implications:** Producer prices took a breather in February following back-to-back months of rising at an outsized pace. While a lack of price movement in February may make headlines suggesting inflation problems have abated, one month does not make a trend. Even with no change in prices in February, producer prices are up 3.2% in the past year, and the pace of inflation is accelerating over the past three and six-month time periods. This certainly shouldn't instill confidence at the Fed that inflation is under control. It's notable that the February reading of no change was not the result of modest price movements across categories, but rather came from large price movements in categories cancelling each other out. For example, food prices – which tend to be volatile month-to-month – jumped 1.7% in February led by a 53.6% increase in the cost of chicken eggs. This was offset by a 1.2% drop in energy prices – another often-volatile category – as gasoline and home heating oil costs fell. Strip out the food and energy categories, and “core” producer prices fell 0.1% in February but are up 3.4% in the past year, a notable acceleration from the 2.1% reading for the twelve months ending February 2024. These “core” prices were led lower by a drop in margins received by vehicle and machinery wholesalers, while margins also fell for auto parts and apparel retailers. On the goods side, prices were led higher by tobacco products and carbon steel scrap. Further back in the supply chain, prices rose 0.5% for intermediate demand processed goods and 1.3% for unprocessed goods. Trade disputes, and specifically companies adapting purchasing plans as they try to make heads and tails of what may come next in this constantly shifting environment, will likely bring increased volatility to the data over the coming months. We will be focusing on the M2 measure of money, which is down from the peak in early 2022, as a guide to how inflation is likely to move as we progress through 2025. In employment news this morning, unemployment claims fell 2,000 last week to 220,000; continuing claims declined 27,000 to 1.870 million. These figures are consistent with continued job growth in March.

<b>Producer Price Index</b> <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	<b>Feb-25</b>	<b>Jan-25</b>	<b>Dec-24</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>0.0%</b>	0.6%	0.5%	4.3%	3.6%	3.2%
<b>Goods</b>	<b>0.3%</b>	0.6%	0.5%	5.9%	3.8%	1.7%
- Ex Food & Energy	<b>0.4%</b>	0.2%	0.1%	2.4%	2.1%	2.1%
<b>Services</b>	<b>-0.2%</b>	0.6%	0.5%	3.7%	3.6%	3.9%
<b>Private Capital Equipment</b>	<b>-0.1%</b>	0.9%	0.1%	3.3%	3.6%	4.3%
<b>Intermediate Demand</b>						
<b>Processed Goods</b>	<b>0.5%</b>	1.0%	0.2%	6.7%	2.4%	0.3%
- Ex Food & Energy	<b>0.3%</b>	0.3%	0.0%	2.4%	1.5%	-0.2%
<b>Unprocessed Goods</b>	<b>1.3%</b>	5.8%	2.9%	48.0%	22.3%	10.5%
- Ex Food & Energy	<b>2.2%</b>	1.4%	-1.7%	8.0%	9.9%	7.2%
<b>Services</b>	<b>-0.2%</b>	-0.2%	0.5%	0.4%	0.5%	1.9%

Source: Bureau of Labor Statistics