

14.Dec.2021

Producer Prices: Goods Still Hot, Services Drive Surprise

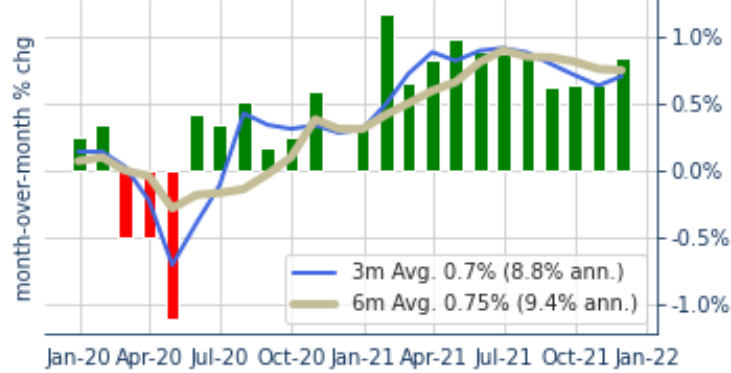
Bottom Line: Producer prices rose more than expected in November as good prices continued to see upward pressure, and services prices rose sharply more than expected. There were also upward revisions to prices for October. Final demand services were up 0.7% in November, led by gains in financial services, especially portfolio management services, as well as those related to travel, including guestroom rentals and airline services. Despite the upside surprise continued record readings on a year-on-year basis, the trends at both the headline and core levels are still decelerating slightly after upward momentum peaked this summer. That said, goods inflation is still accelerating, especially for intermediate goods related to manufacturing and construction. Overall, producer prices pressures remain historic, but the November report's surprise was skewed even higher by services categories that are typically quite volatile.

Final Demand

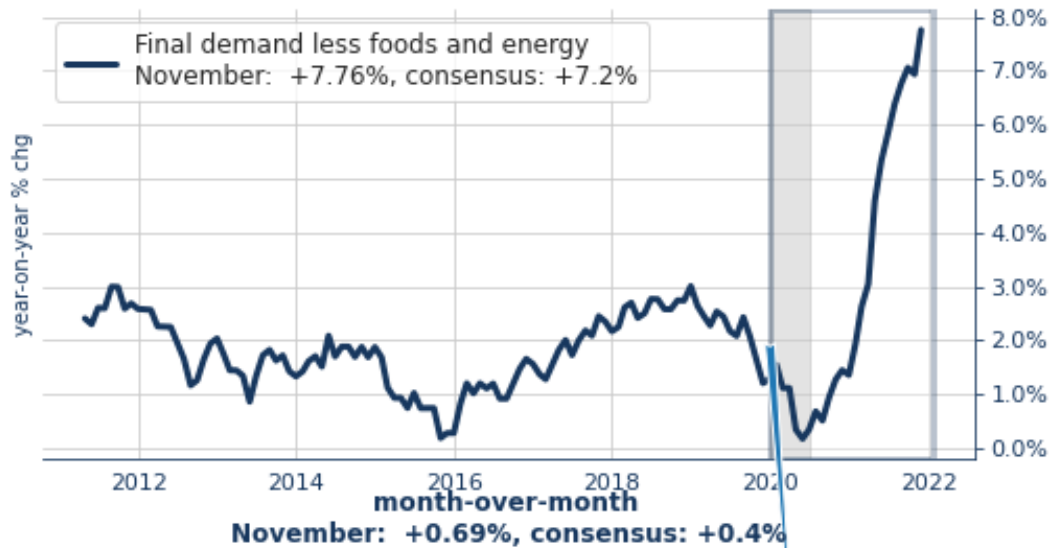
November: +9.74%, consensus: +9.2%



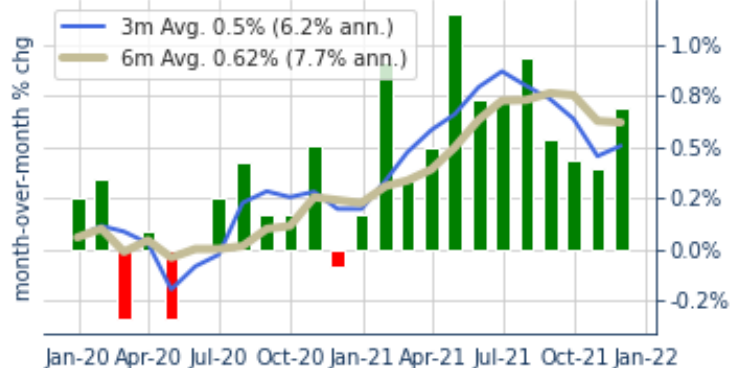
Contingent Macro Advisors 2021 source: US BEA



Final demand less foods and energy November: +7.76%, consensus: +7.2%



Contingent Macro Advisors 2021 source: US BEA



The PPI ROSE by 0.8% in November, compared with market expectations for an increase of 0.6%. Overall producer prices are 9.7% ABOVE the year-ago level.

The Goods PPI ROSE by 1.2% in November and is now 15.1% ABOVE its year-ago level. Food prices rose by 1.2% and are now 11.7% ABOVE their year-ago level.

Meanwhile energy prices rose by 2.6%. and are now 43.8% ABOVE their year-ago level. The Goods PPI less food and energy ROSE by 0.8%, and is now 9.4% ABOVE its year-ago level.

The Services PPI ROSE by 0.7% in November and is now 7.0% ABOVE its year-ago level.

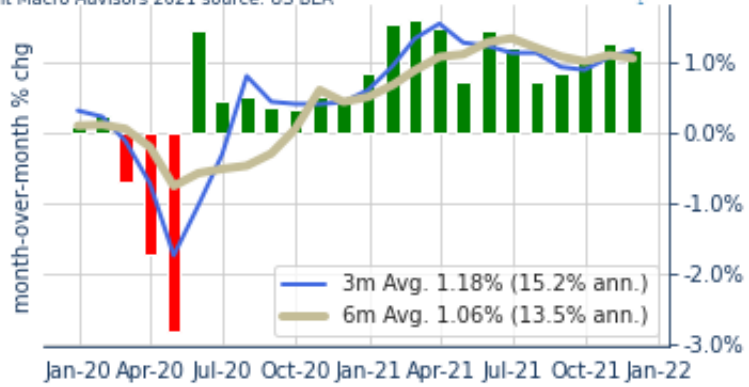
The Core PPI ROSE by 0.7%, compared with market expectations for a increase of 0.5%. Core producer prices are now 7.8% ABOVE their year-ago level.

Final demand goods

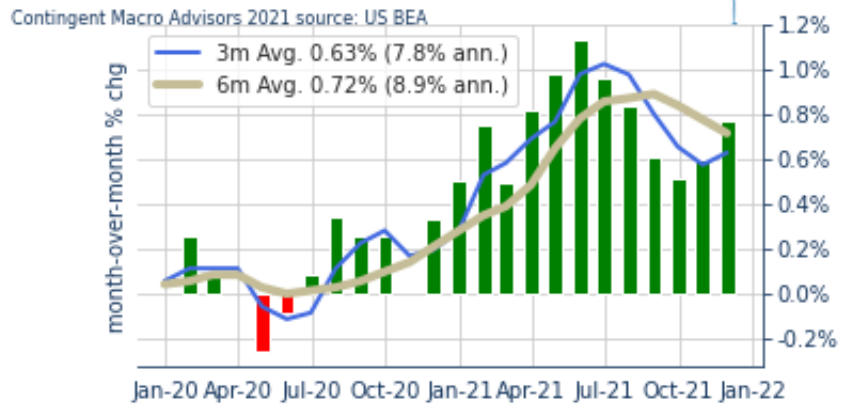


month-over-month

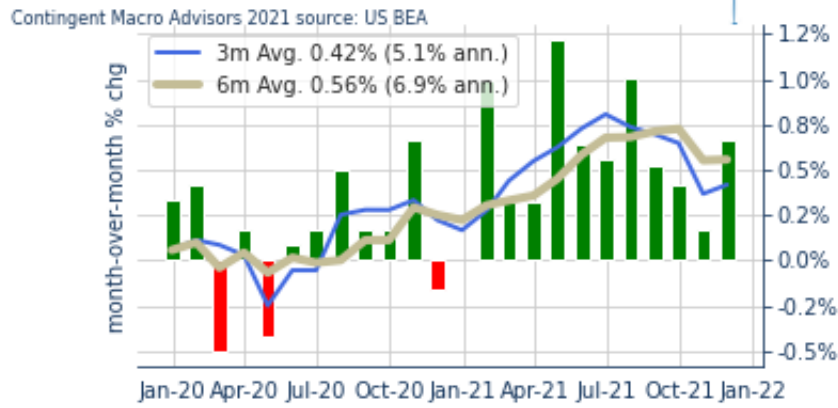
Contingent Macro Advisors 2021 source: US BEA



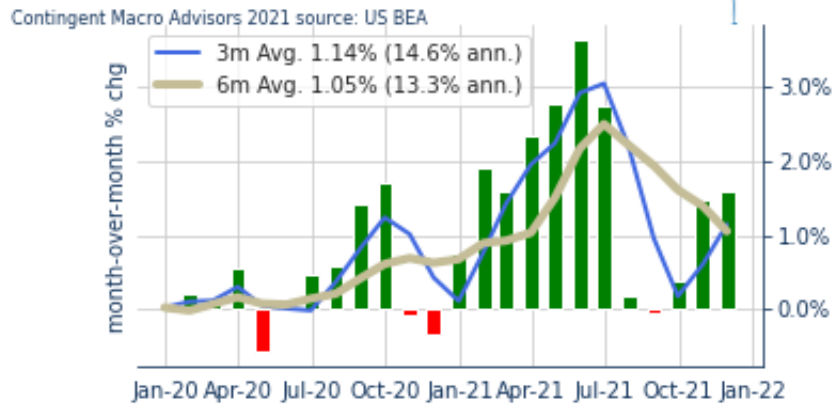
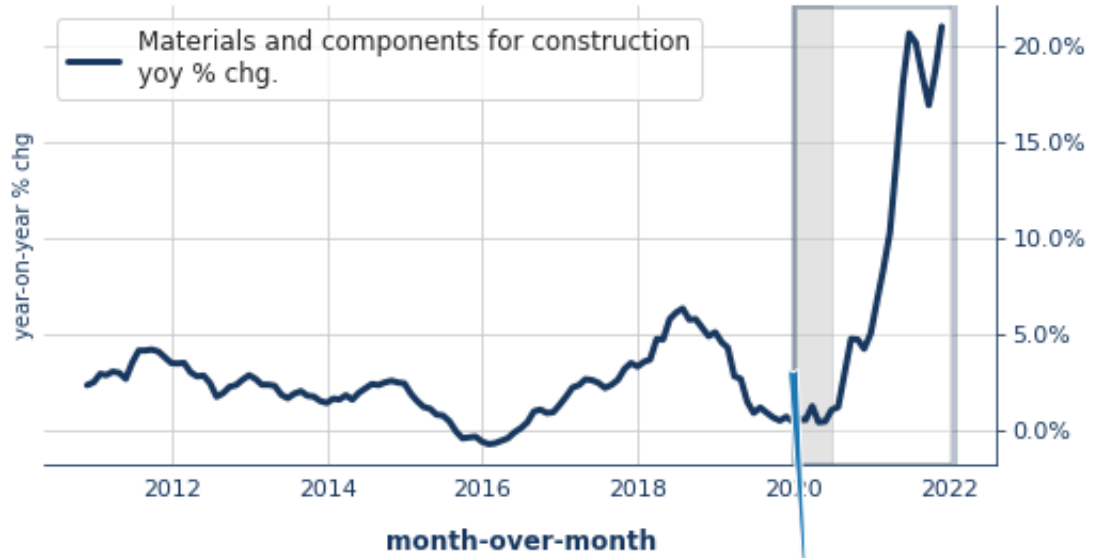
Final demand goods less foods and energy



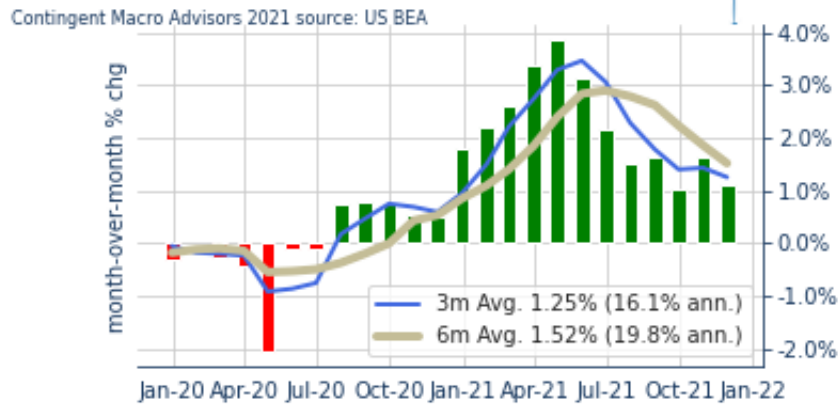
Final demand services



Materials and components for construction



Materials and components for manufacturing



US Producer Price Inflation	Nov-21	Oct-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Final Demand	0.83%	0.64%	8.77%	9.36%	9.74%	0.84%	1.37%	3.52%
Final demand less foods and energy	0.69%	0.39%	6.22%	7.67%	7.76%	1.35%	1.29%	3.24%
Final demand goods	1.18%	1.28%	15.16%	13.50%	15.06%	-0.09%	1.04%	4.21%
Final demand goods less foods and energy	0.77%	0.60%	7.81%	8.93%	9.36%	1.78%	0.51%	3.36%
Final demand services	0.67%	0.17%	5.11%	6.88%	7.05%	1.25%	1.44%	3.13%
Final demand trade services	0.59%	0.47%	8.97%	12.23%	10.76%	1.83%	0.76%	4.01%

Final demand transportation and warehousing services	1.91%	1.07%	6.56%	13.90%	13.80%	-5.86%	2.16%	3.89%
Materials and components for manufacturing	1.11%	1.62%	16.08%	19.77%	29.40%	2.08%	-2.82%	7.05%
Materials and components for construction	1.58%	1.46%	14.60%	13.29%	20.97%	5.01%	0.44%	7.49%

Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes.