

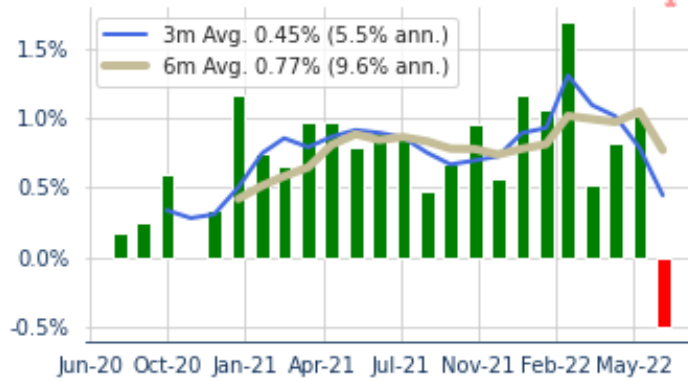
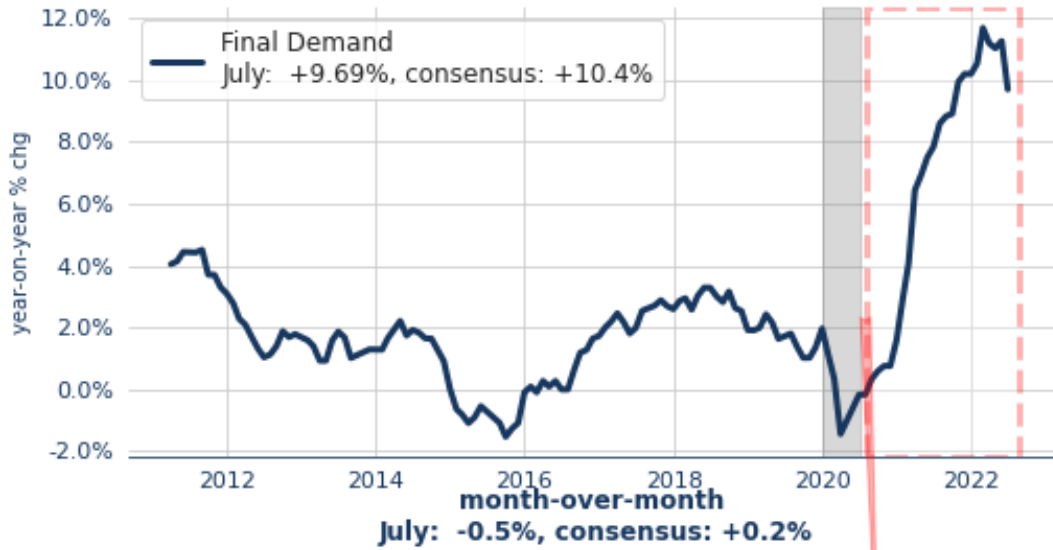
11.Aug.2022

## **Producer Prices: Modest Easing; Sub-3 in 2023?**

**Bottom Line:** Producer prices fell in July, led by lower energy prices. But core prices rose less than expected too. The biggest driver of increases at the core level remained margins in the trade services sectors. Outside of that, though, services saw lower prices. Investment management services were one of the larger decliners as fee-based managers earned fees on lower asset bases with stock and bond markets lower. **Overall, this report suggests goods prices should continue to ease, barring another sharp increase in energy prices. And the trends on the services side of the economy (outside of trade/transportation, which tends to correlate with goods prices) is largely to the downside with year-on-year readings already near 2%. That suggests we could easily be seeing sub-4 % year-on-year producer prices by early next year and possibly even sub-3% by the middle of next year.**

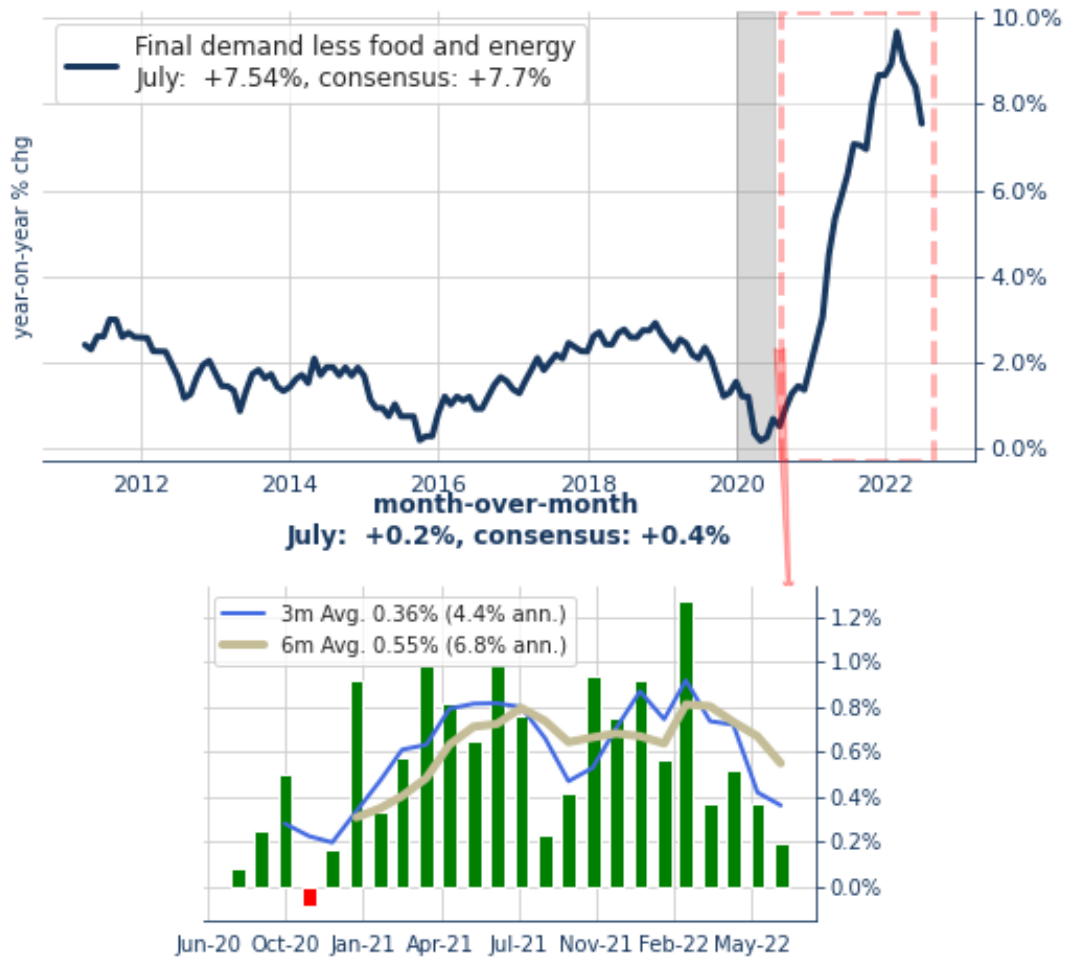
## Final Demand

**July: +9.69%, consensus: +10.4%**



Contingent Macro Advisors 2022 source: US BEA

## Final demand less food and energy July: +7.54%, consensus: +7.7%



Contingent Macro Advisors 2022 source: US BEA

**The PPI FELL** by 0.5% in July, compared with market expectations for an increase of 0.8%. Overall producer prices are 9.7% ABOVE the year-ago level.

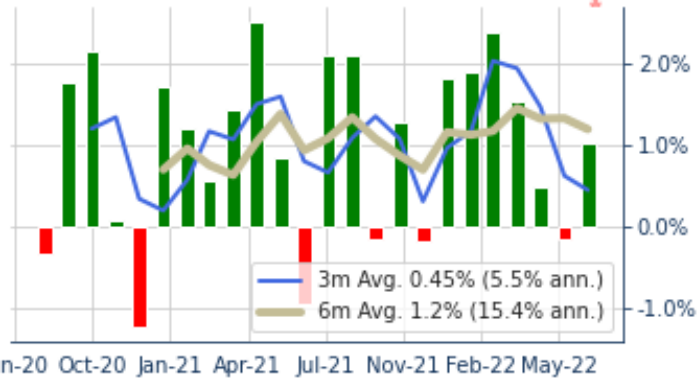
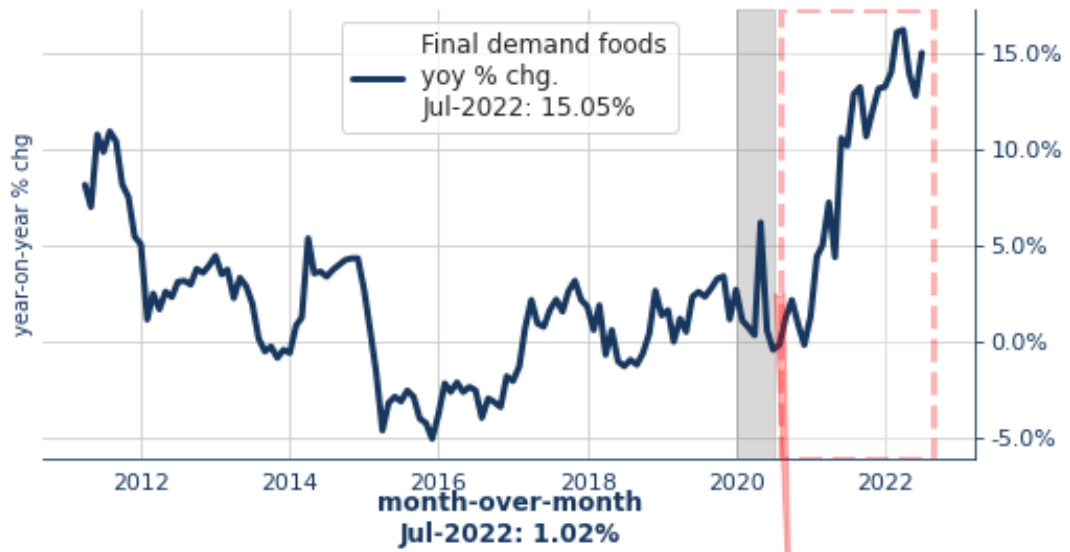
**The Goods PPI FELL** by 1.8% in July but is now 14.7% ABOVE its year-ago level. Food prices rose by 1.0% and are now 15.0% ABOVE their year-ago level.

Meanwhile energy prices fell by 9.0%. but are now 36.7% ABOVE their year-ago level. **The Goods PPI less food and energy ROSE** by 0.2%, and is now 8.5% ABOVE its year-ago level.

**The Services PPI ROSE** by 0.1% in July and is now 6.8% ABOVE its year-ago level.

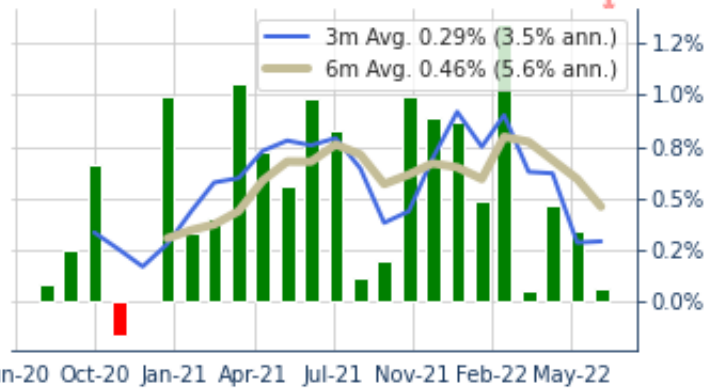
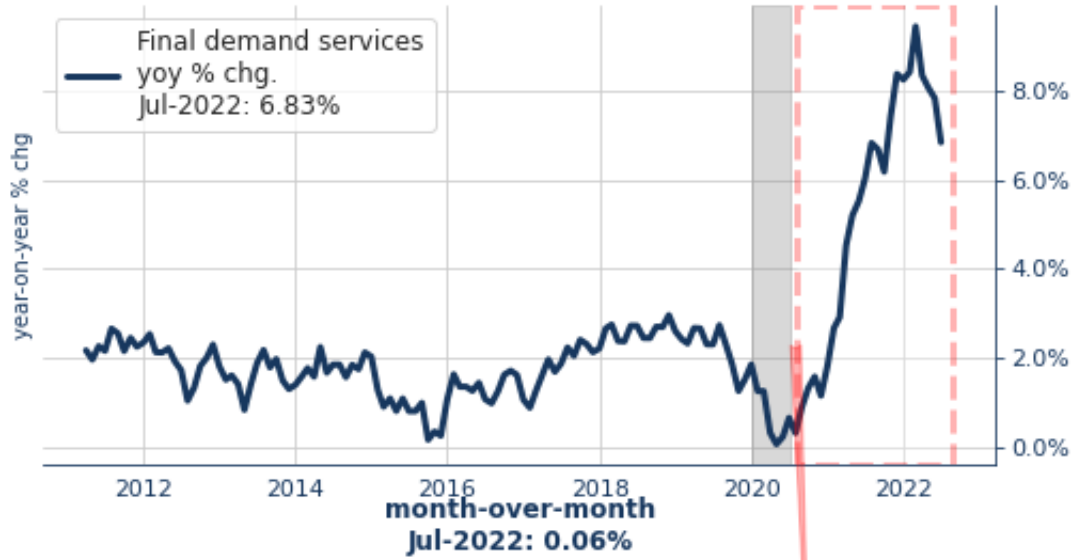
**The Core PPI ROSE** by 0.2%, compared with market expectations for an increase of 0.5%. Core producer prices are now 7.5% ABOVE their year-ago level.

## Final demand foods

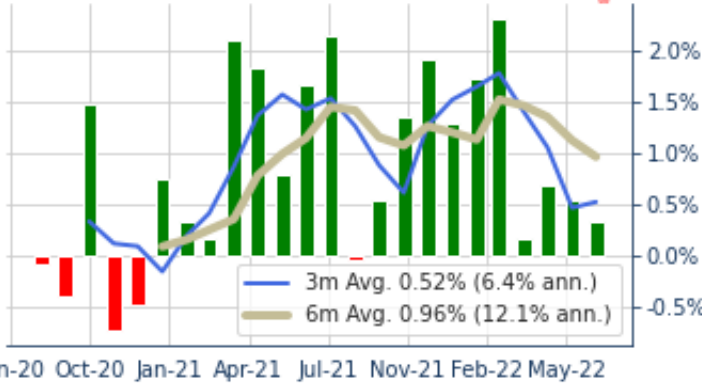
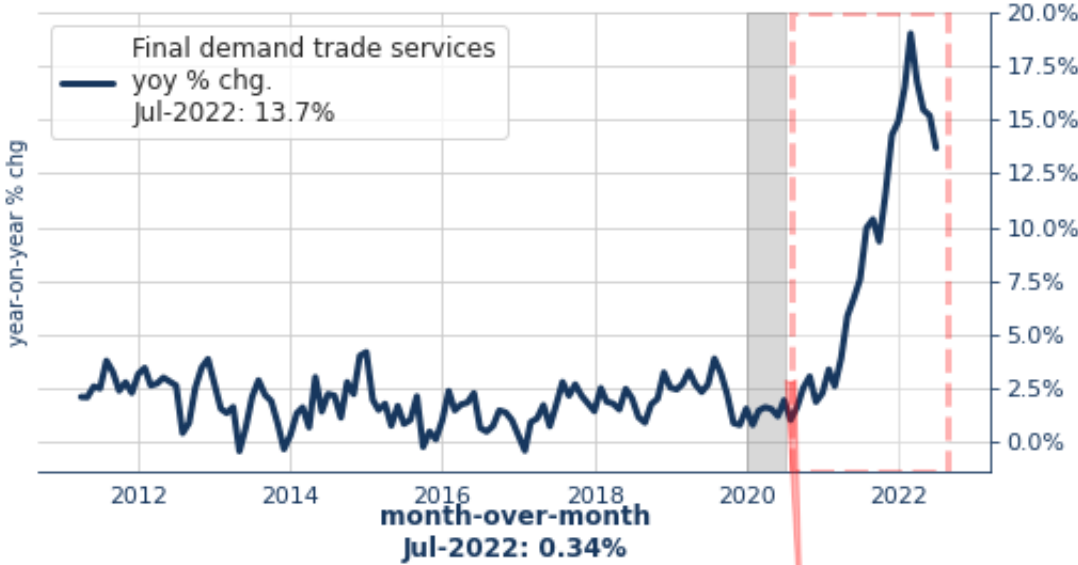


Contingent Macro Advisors 2022 source: US BEA

# Final demand services

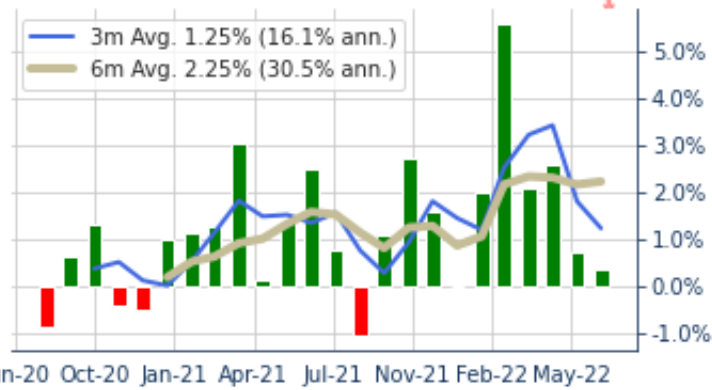
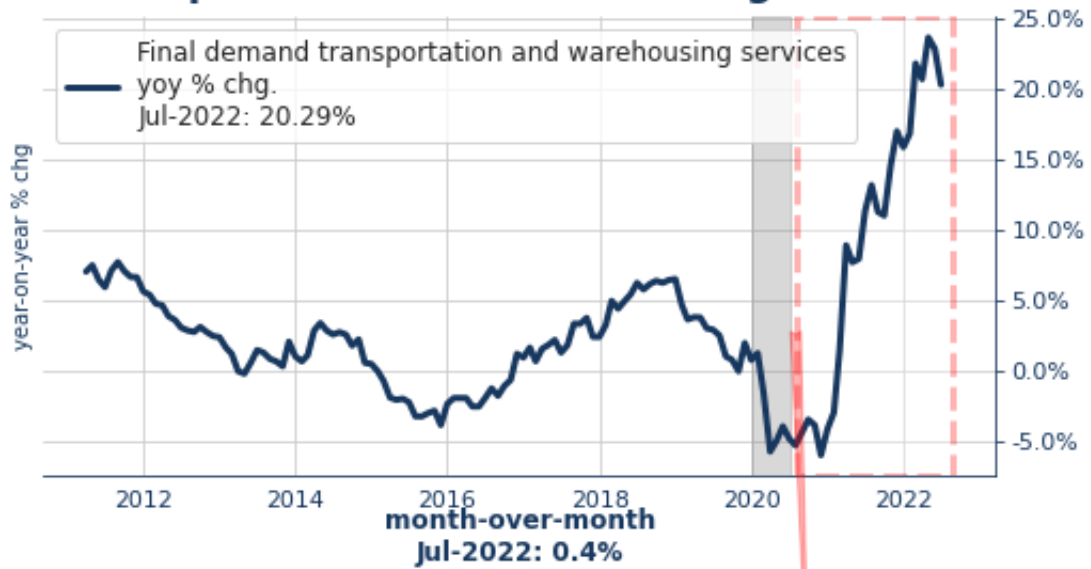


# Final demand trade services

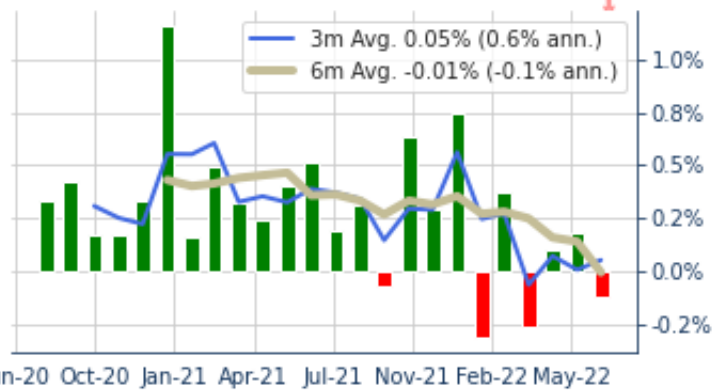
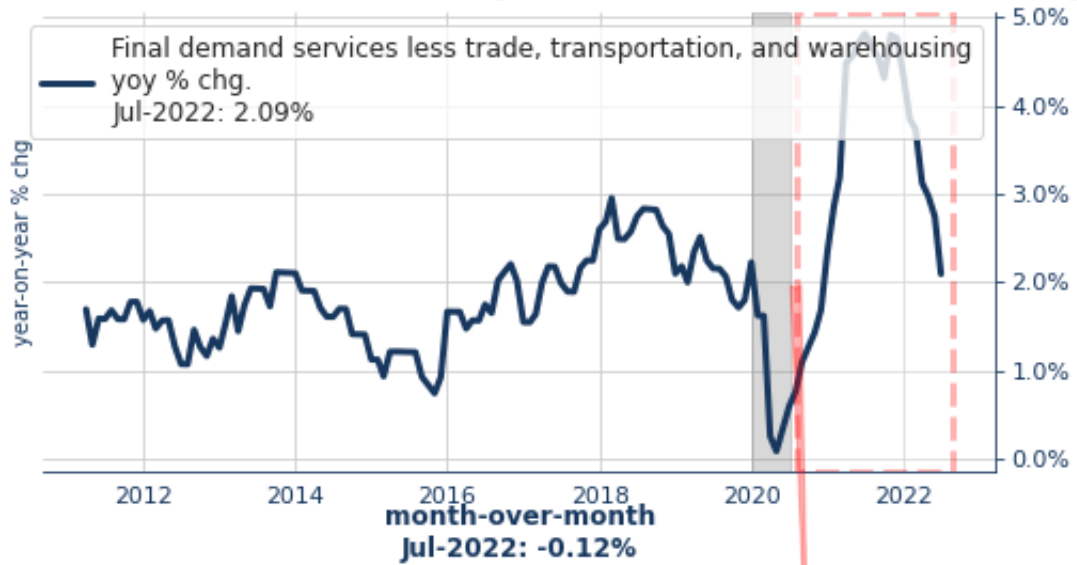


Contingent Macro Advisors 2022 source: US BEA

# Final demand transportation and warehousing services



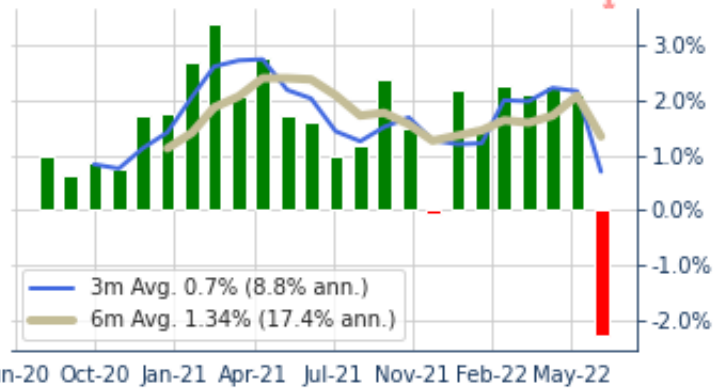
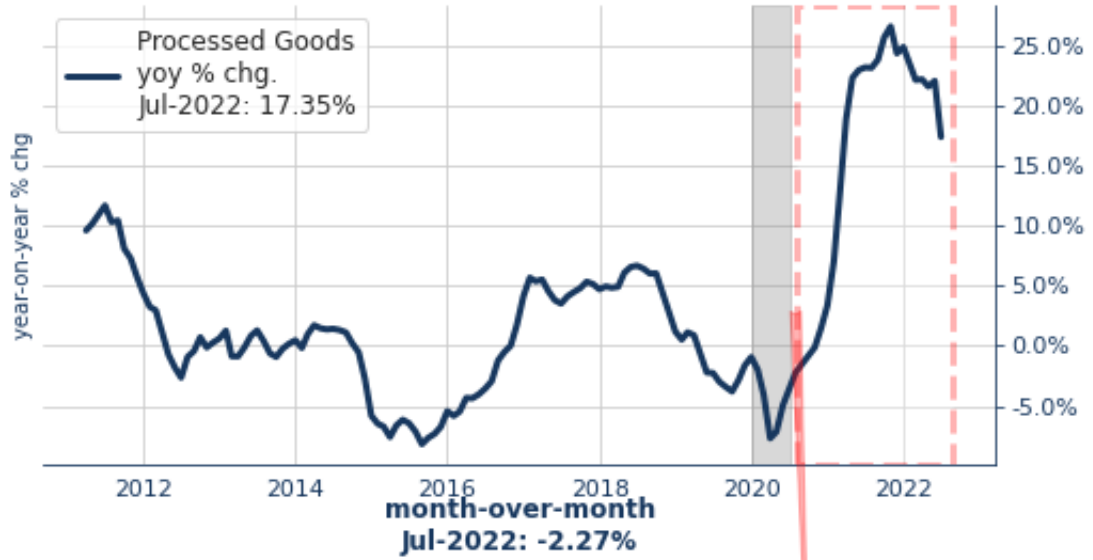
# Final demand services less trade, transportation, and warehousing



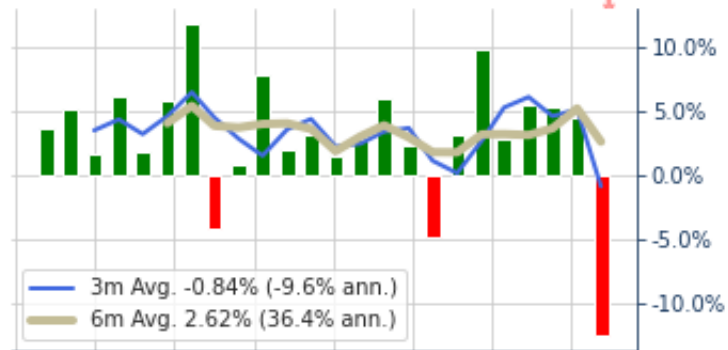
Contingent Macro Advisors 2022 source: US BEA



# Processed Goods



## Unprocessed Goods



Jun-20 Oct-20 Jan-21 Apr-21 Jul-21 Nov-21 Feb-22 May-22

Contingent Macro Advisors 2022 source: US BEA

US Producer Price Inflation	Jul-22	Jun-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>Final Demand</b>	<b>-0.50%</b>	<b>1.01%</b>	<b>5.45%</b>	<b>9.61%</b>	<b>9.69%</b>	<b>10.18%</b>	<b>0.76%</b>	<b>4.44%</b>
<b>Final demand less food and energy</b>	<b>0.20%</b>	<b>0.37%</b>	<b>4.42%</b>	<b>6.77%</b>	<b>7.54%</b>	<b>8.67%</b>	<b>1.35%</b>	<b>3.94%</b>
Final demand goods	-1.79%	2.28%	8.09%	16.83%	14.67%	13.69%	-0.09%	5.62%
Final demand goods less foods and energy	0.17%	0.45%	5.41%	8.96%	8.49%	9.35%	1.78%	4.17%
Final demand services	0.06%	0.34%	3.52%	5.62%	6.83%	8.36%	1.17%	3.76%
Final demand trade services	0.34%	0.54%	6.41%	12.11%	13.70%	14.30%	1.83%	5.96%

Final demand transportation and warehousing services	0.40%	0.75%	16.02%	30.33%	20.29%	17.00%	-5.95%	7.29%
Final demand construction	5.08%	0.52%	26.11%	23.49%	23.07%	12.17%	1.16%	8.48%

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.

US PPI - Details	Jul-22	Jun-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>Processed Goods</b>	<b>-2.27%</b>	<b>2.11%</b>	<b>8.48%</b>	<b>17.17%</b>	<b>17.35%</b>	<b>24.31%</b>	<b>1.42%</b>	<b>8.20%</b>
<b>Unprocessed Goods</b>	<b>-12.36%</b>	<b>4.46%</b>	<b>-13.39%</b>	<b>32.39%</b>	<b>27.59%</b>	<b>39.75%</b>	<b>1.33%</b>	<b>12.19%</b>
Motor Vehicles	0.47%	0.42%	5.67%	7.20%	3.86%	2.50%	0.70%	1.59%
Pharmaceutical	0.54%	0.18%	3.45%	3.48%	2.26%	1.33%	1.81%	2.31%
Chemicals	1.57%	1.75%	29.33%	29.74%	19.50%	39.84%	-2.79%	8.81%
Lumber	1.02%	-16.36%	-46.79%	-35.51%	-3.28%	18.98%	38.86%	9.20%
Steel Mill Products	-3.71%	-1.70%	19.74%	-16.06%	6.39%	128.05%	5.23%	23.28%
Outpatient healthcare	0.29%	0.40%	3.09%	1.86%	2.43%	3.20%	2.30%	2.29%
Inpatient healthcare	0.20%	0.44%	4.23%	1.93%	3.57%	2.70%	3.63%	2.99%
Food and alcohol retailing	-1.20%	4.67%	21.90%	15.49%	15.85%	8.39%	-0.66%	4.67%
Apparel and jewelry retailing	-1.30%	-0.19%	5.06%	-4.19%	4.54%	16.64%	-3.38%	2.11%
Airline passenger services	1.11%	3.94%	42.06%	64.29%	22.61%	21.77%	-24.62%	5.23%
Inv Mgmt & Brokerage	0.16%	-4.48%	3.05%	-4.79%	-6.70%	8.43%	3.47%	1.39%
Business Loans	6.60%	7.58%	78.31%	42.86%	27.25%	14.17%	-12.04%	5.97%
Legal Services	0.36%	0.04%	0.88%	1.32%	3.79%	4.20%	4.28%	3.67%
Truck Transport	-0.30%	-0.49%	5.16%	22.32%	21.66%	17.90%	2.23%	8.99%
Machinery & Equip. Wholesaling	-0.42%	0.45%	-1.47%	8.21%	15.16%	14.77%	3.06%	6.88%

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.