

14.Sep.2022

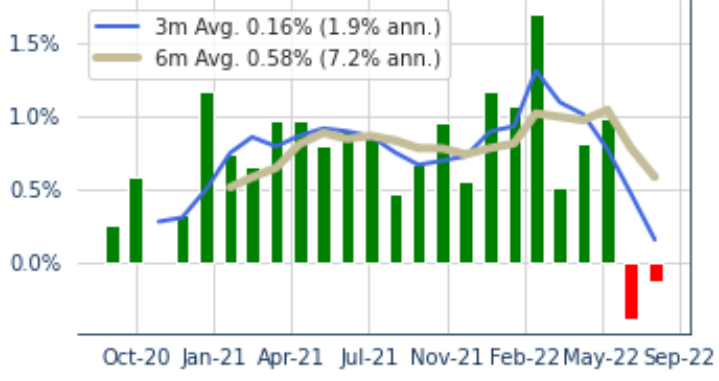
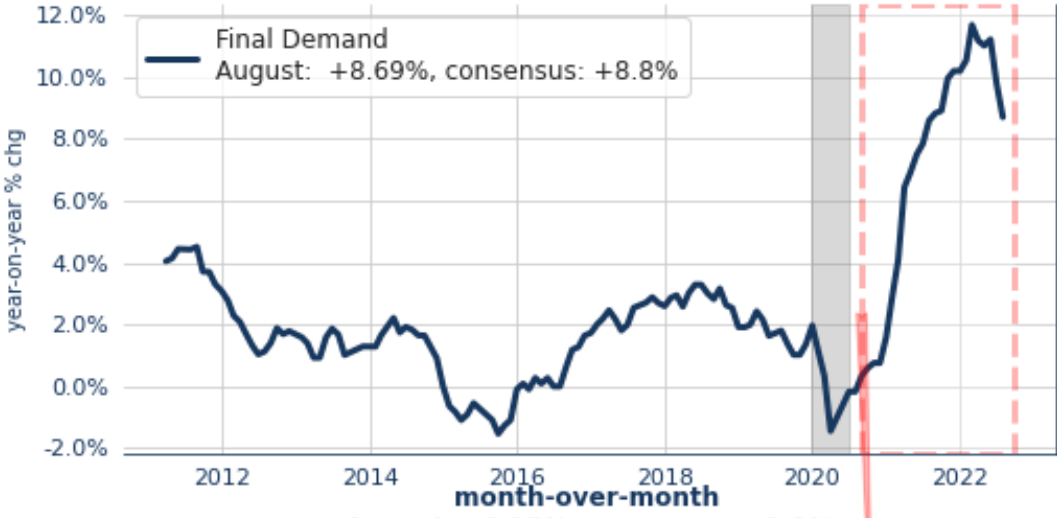
Producer Prices: Slowly Cooling

Bottom Line: Producer prices fell in August, slightly more than expected, amid lower energy prices. Final demand less food and energy rose slightly more than expected but was lower on a year-over-year basis and trending in the right direction, up 4.3% annualized over the last three months versus 6.6% in the last six months and 7.26% year-on-year. Processed goods prices fell again and were down 7.6% annualized in the last three months. Unprocessed goods rebounded were still lower by nearly 4.3% over the last three months. Final demand services continued to see upward price pressures, but the trend showed deceleration, up just over 4% annualized compared with 5.8% and 6.6% over the last six and 12 months.

Overall, this report is a bit more encouraging that price pressures are easing than the CPI report. 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) are largely to the downside with year-on-year readings already near 2% without trade/transport. 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.

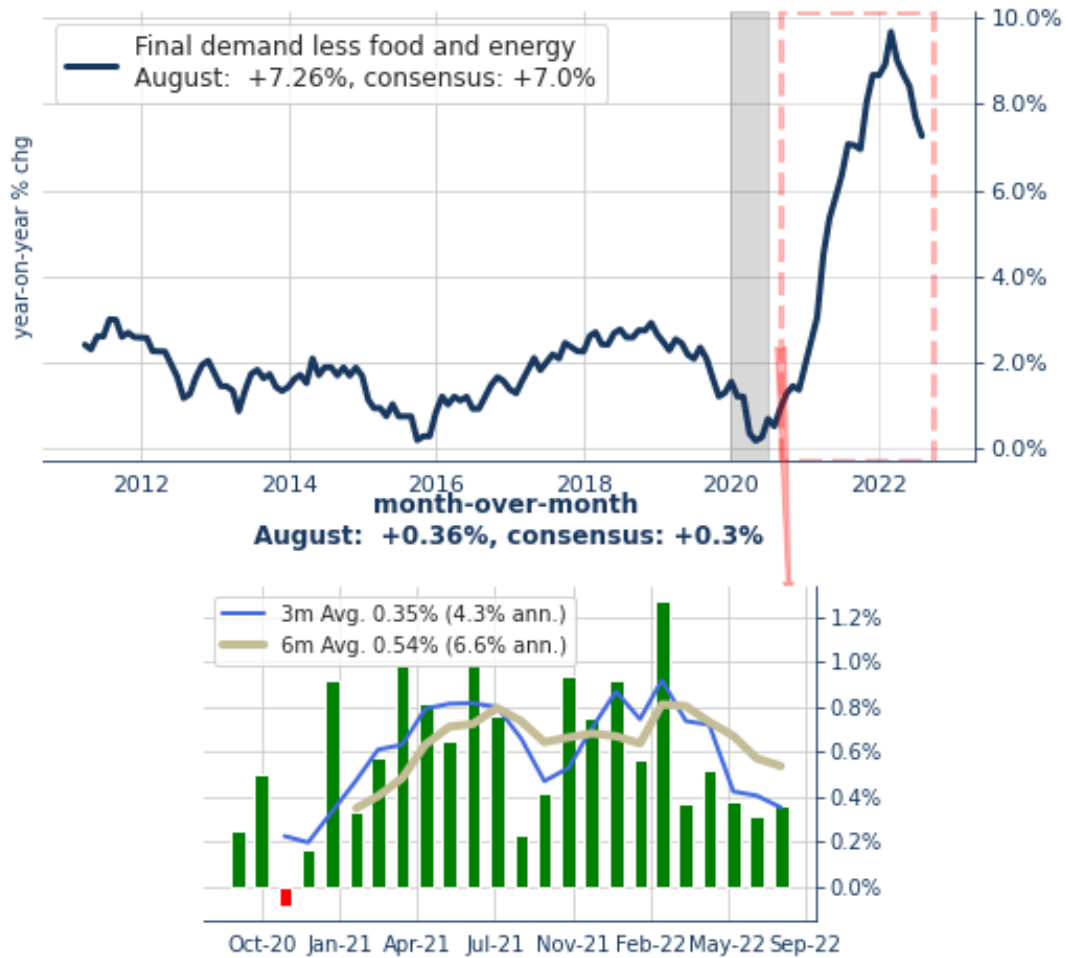
Final Demand

August: +8.69%, consensus: +8.8%



Contingent Macro Advisors 2022 source: US BEA

Final demand less food and energy August: +7.26%, consensus: +7.0%



Contingent Macro Advisors 2022 source: US BEA

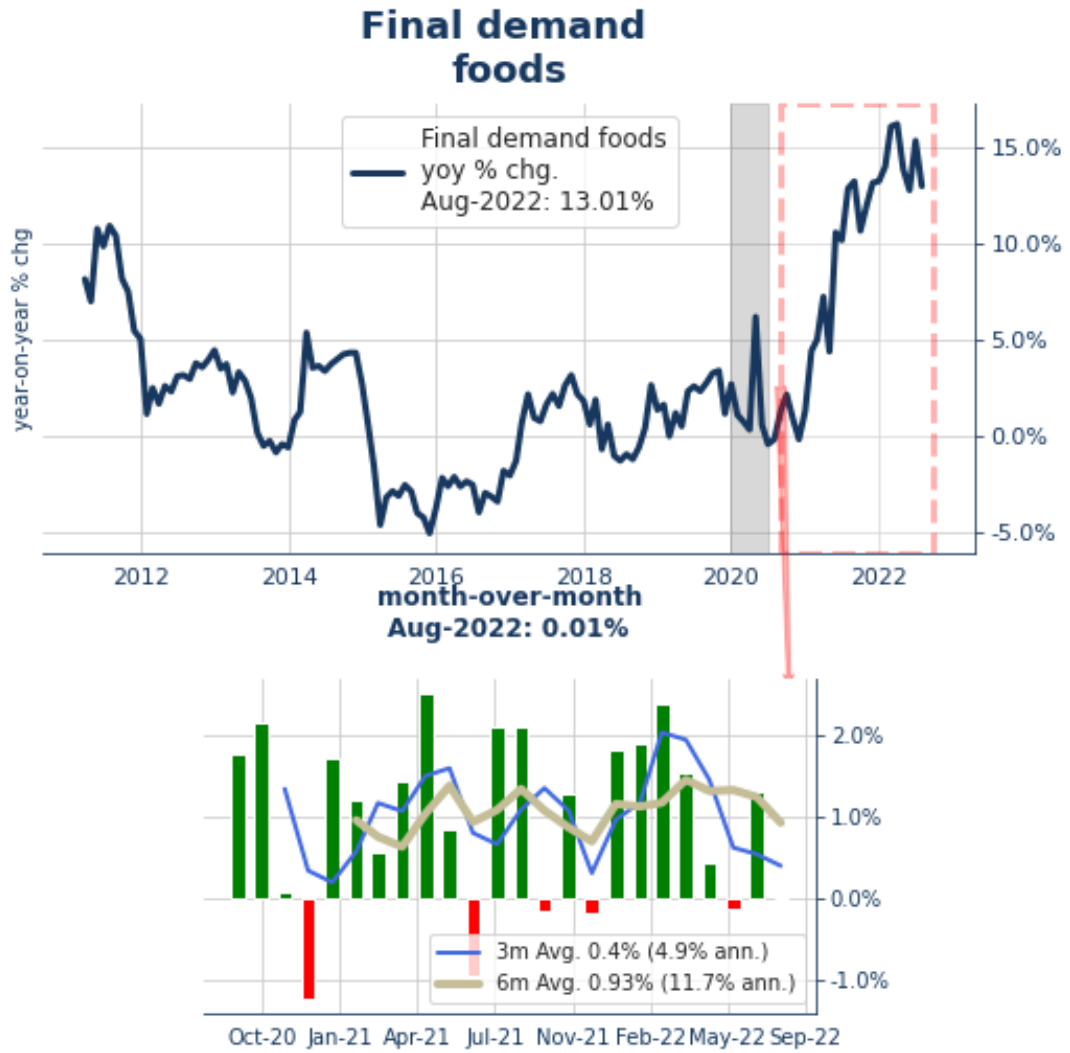
The PPI FELL by 0.1% in August, compared with market expectations for a decline of 0.1%. Overall producer prices are 8.7% ABOVE the year-ago level.

The Goods PPI FELL by 1.2% in August but is now 12.2% ABOVE its year-ago level. Food prices rose by 0.0% and are now 13.0% ABOVE their year-ago level. Meanwhile, energy prices fell by 6.0%, but are now 26.0% ABOVE their year-ago level. The Goods PPI less food and energy **ROSE** by 0.2%, and is now 8.1% ABOVE its year-ago level.

The Services PPI ROSE by 0.4% in August and is now 6.6% ABOVE its year-ago level.

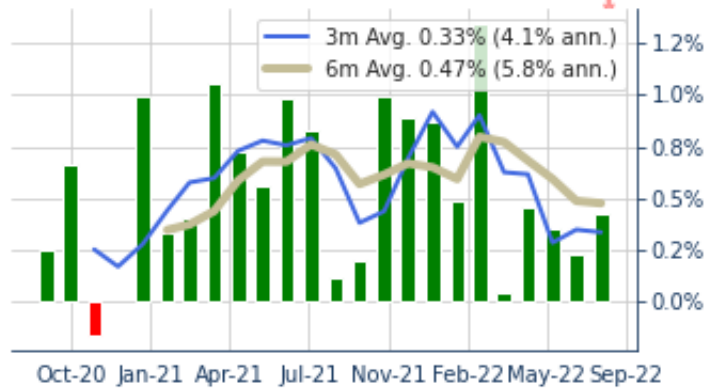
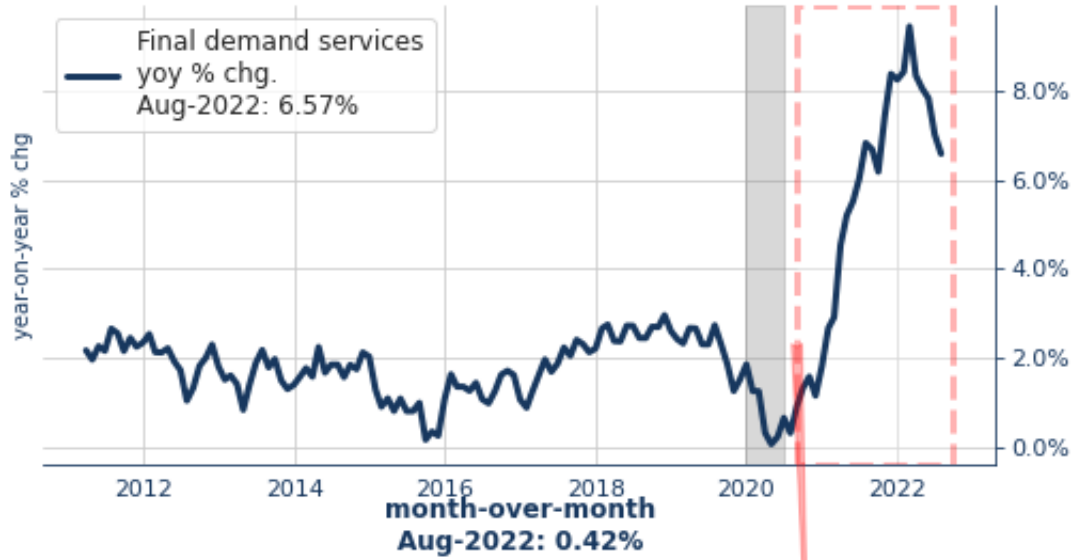
The Core PPI ROSE by 0.4%, compared with market expectations for an increase of

0.3%. Core producer prices are now 7.3% ABOVE their year-ago level.

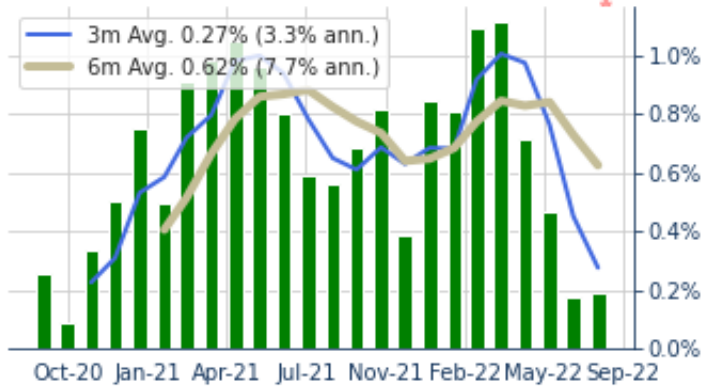
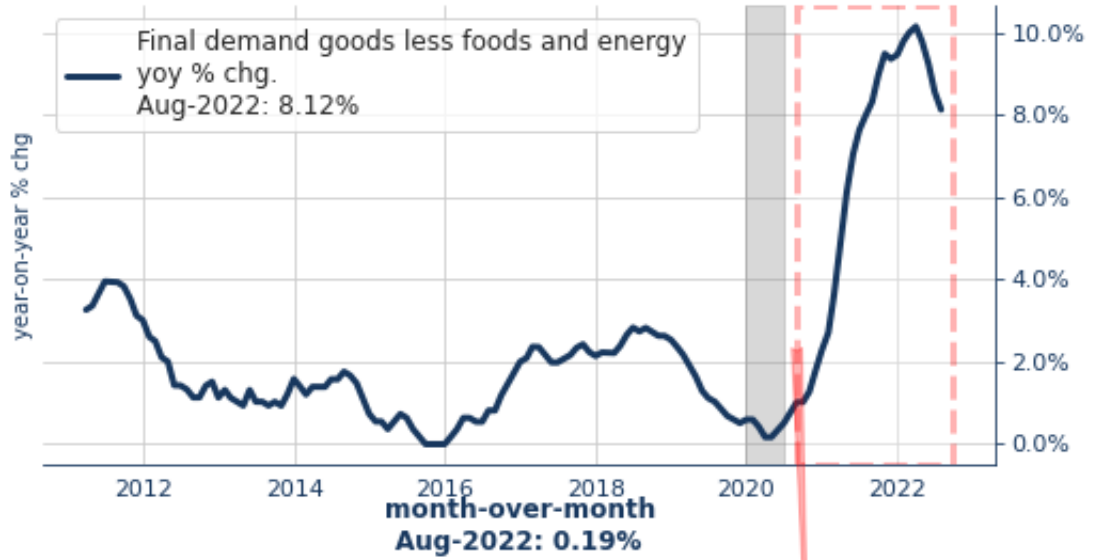


Contingent Macro Advisors 2022 source: US BEA

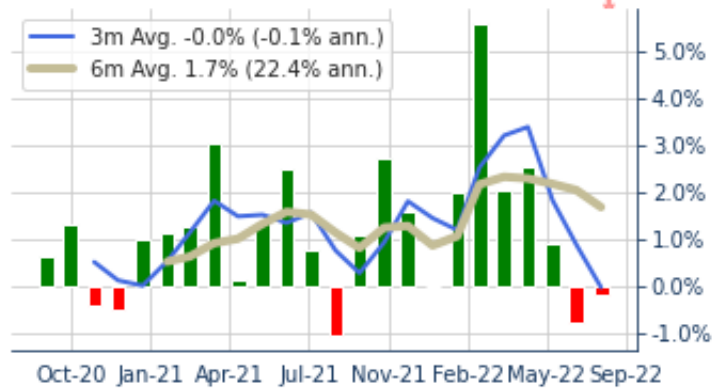
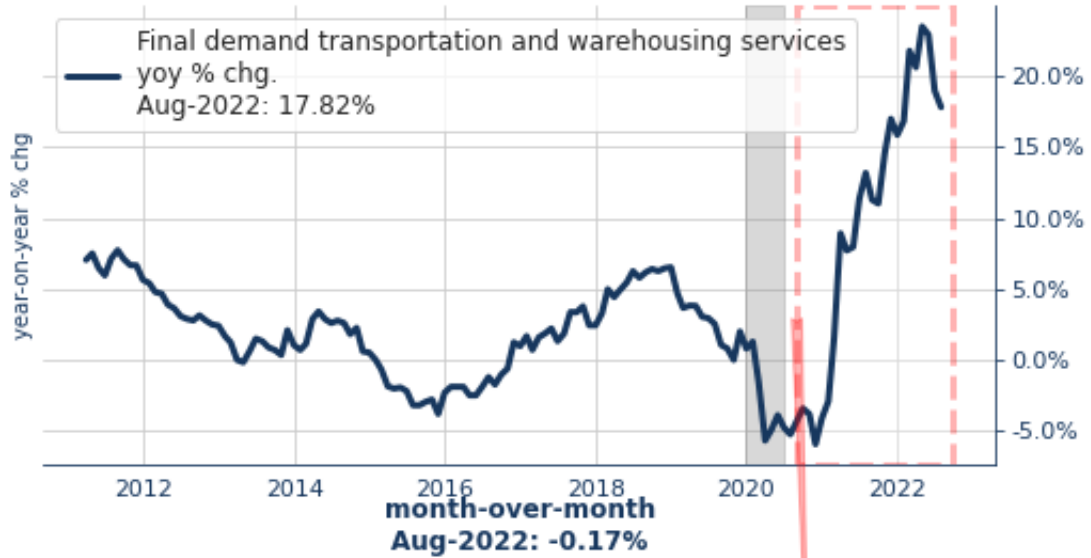
Final demand services



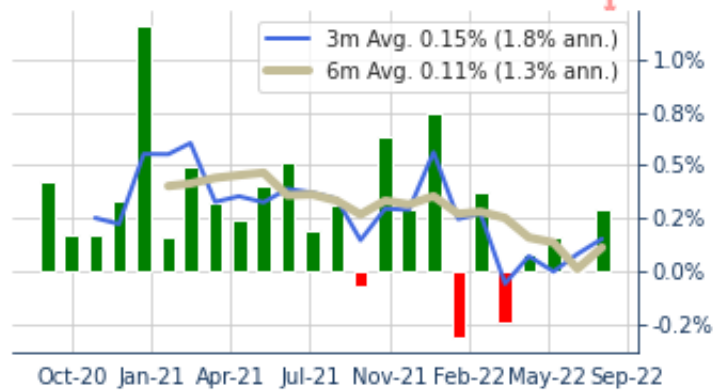
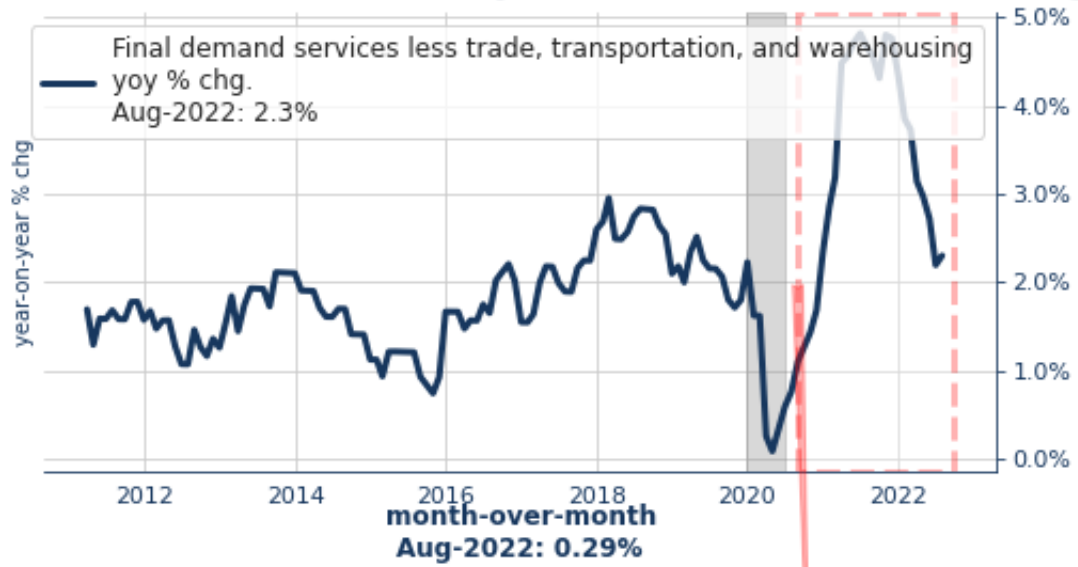
Final demand goods less foods and energy



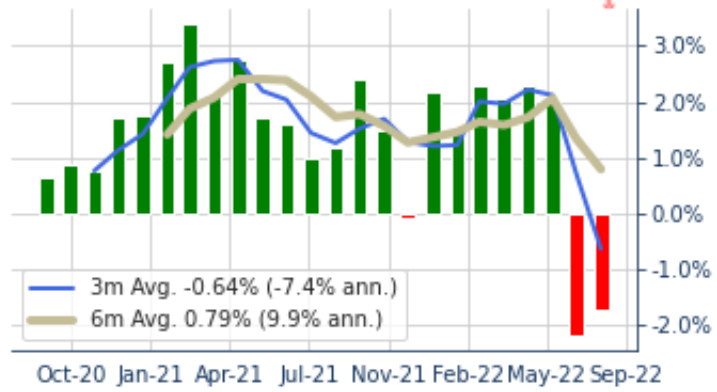
Final demand transportation and warehousing services



Final demand services less trade, transportation, and warehousing



Processed Goods



Unprocessed Goods



Contingent Macro Advisors 2022 source: US BEA

US Producer Price Inflation	Aug-22	Jul-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Final Demand	-0.13%	-0.38%	1.90%	7.21%	8.69%	10.18%	0.76%	4.43%
Final demand less food and energy	0.36%	0.32%	4.30%	6.61%	7.26%	8.67%	1.35%	4.06%
Final demand goods	-1.17%	-1.75%	-3.08%	9.11%	12.17%	13.69%	-0.09%	5.30%
Final demand goods less foods and energy	0.19%	0.17%	3.34%	7.74%	8.12%	9.35%	1.78%	4.23%
Final demand services	0.42%	0.23%	4.07%	5.83%	6.57%	8.36%	1.17%	3.90%
Final demand trade services	0.79%	0.89%	9.43%	11.33%	12.84%	14.30%	1.83%	6.32%

Final demand transportation and warehousing services	-0.17%	-0.76%	-0.08%	22.13%	17.82%	17.00%	-5.95%	6.94%
Final demand construction	0.25%	5.01%	25.42%	22.54%	22.86%	12.17%	1.16%	8.53%

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	Aug-22	Jul-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Processed Goods	-1.73%	-2.18%	-7.63%	9.60%	14.13%	24.31%	1.42%	7.70%
Unprocessed Goods	5.67%	-10.66%	-4.26%	28.10%	35.90%	39.75%	1.33%	14.78%
Motor Vehicles	0.27%	0.46%	4.73%	6.26%	3.76%	2.50%	0.70%	1.65%
Pharmaceutical	0.31%	0.66%	4.58%	3.23%	2.39%	1.33%	1.81%	2.40%
Chemicals	-5.85%	2.23%	-9.30%	13.92%	9.97%	39.84%	-2.79%	7.43%
Lumber	-4.37%	0.94%	-58.70%	-44.79%	10.07%	18.98%	38.86%	7.71%
Steel Mill Products	-5.73%	-3.88%	-37.06%	-9.50%	-4.63%	128.05%	5.23%	20.73%
Outpatient healthcare	-0.22%	0.31%	1.85%	1.15%	2.11%	3.20%	2.30%	2.24%
Inpatient healthcare	-0.02%	0.62%	4.10%	3.07%	3.64%	2.70%	3.63%	3.09%
Food and alcohol retailing	-1.05%	1.93%	24.01%	16.38%	16.37%	8.39%	-0.66%	5.18%
Apparel and jewelry retailing	0.85%	-5.39%	-18.36%	-7.41%	-1.03%	16.64%	-3.38%	1.34%
Airline passenger services	3.31%	-2.87%	18.31%	51.53%	20.29%	21.77%	-24.62%	5.04%
Inv Mgmt & Brokerage	9.57%	0.07%	20.44%	10.34%	5.76%	8.43%	3.47%	3.42%
Business Loans	12.67%	6.81%	180.56%	94.70%	43.21%	14.17%	-12.04%	9.30%
Legal Services	0.41%	0.36%	3.27%	1.60%	4.15%	4.20%	4.28%	3.77%
Truck Transport	-1.88%	-0.57%	-10.33%	12.77%	18.30%	17.90%	2.23%	8.43%
Machinery & Equip. Wholesaling	0.23%	1.35%	10.41%	6.73%	16.73%	14.77%	3.06%	7.43%

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.