

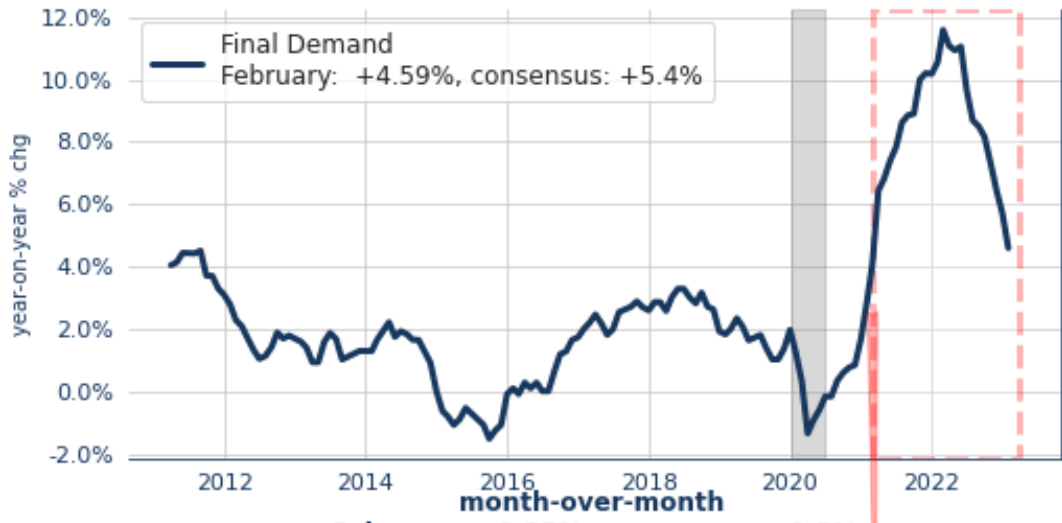
15.Mar.2023

Producer Prices: Pipeline Pressures Ease

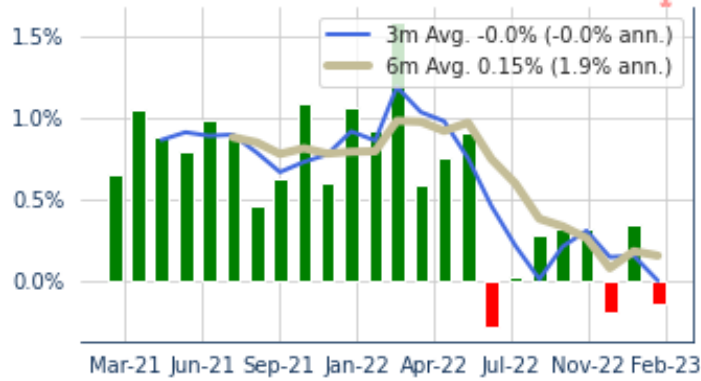
Bottom Line: Producer prices fell in February, with core prices flat, well below expectations. After strong gains in January, producer prices in February were led lower by food prices, as well as energy. But perhaps even more important than the declines in the goods category, final demand services prices fell for the second month. Warehousing and transportation prices, a source of significant price inflation a year ago, continued to fall sharply as margins in the sector declined with slower goods consumption. Overall, headline producer prices have decelerated sharply, flat over the last three months after gains of 4.5+% in the prior twelve months. Core producer prices were running below 2% annualized in the three months that ended in February, down from just under 4.5% in the prior twelve. **While there will be volatility and lags for these kinds of readings to come through to consumer prices, the disinflationary trend in producer prices suggests we should continue to see a disinflationary trend in consumer prices.**

Final Demand

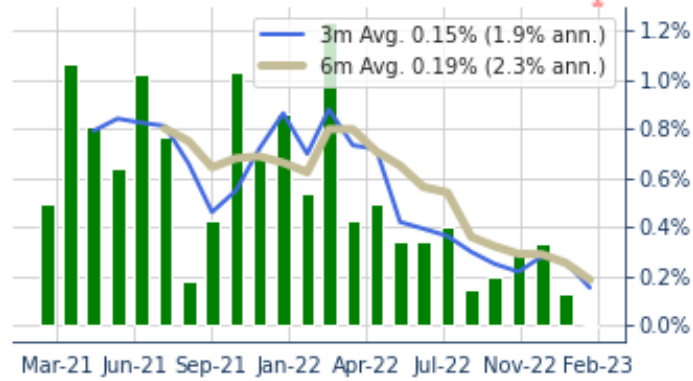
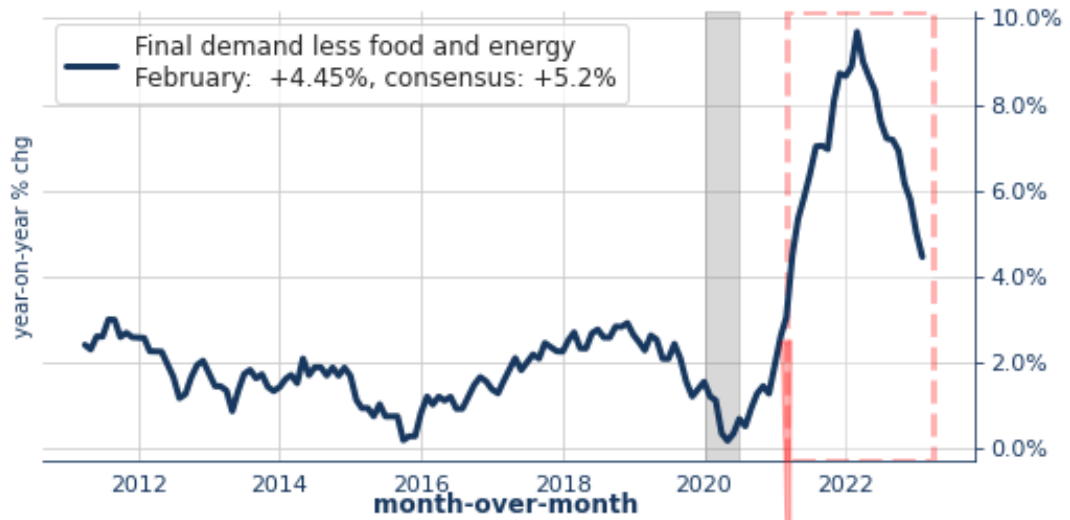
February: +4.59%, consensus: +5.4%



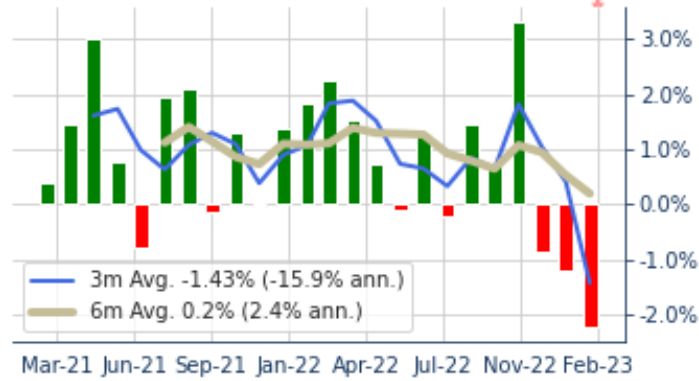
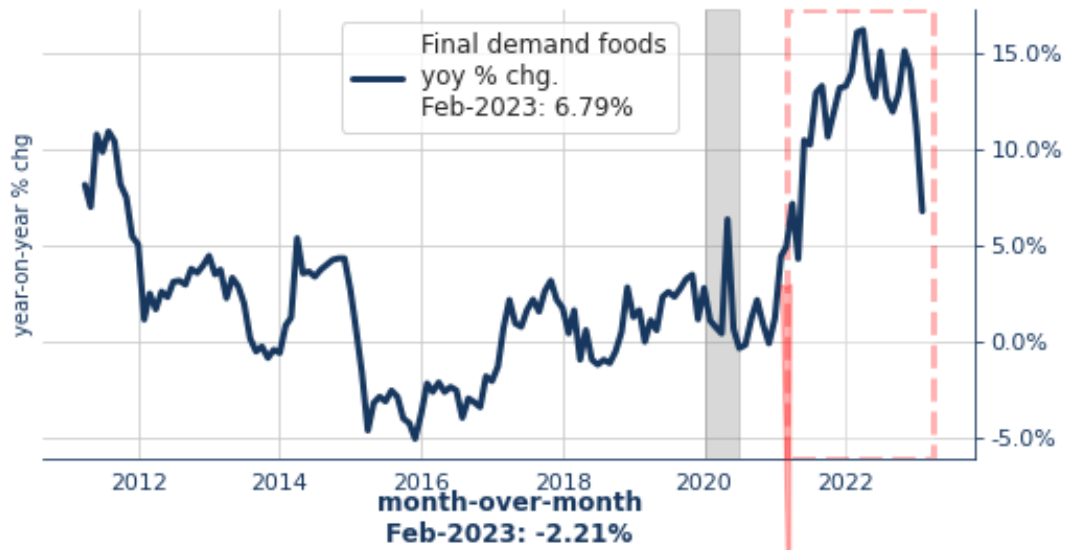
February: -0.15%, consensus: +0.3%



Final demand less food and energy February: +4.45%, consensus: +5.2%

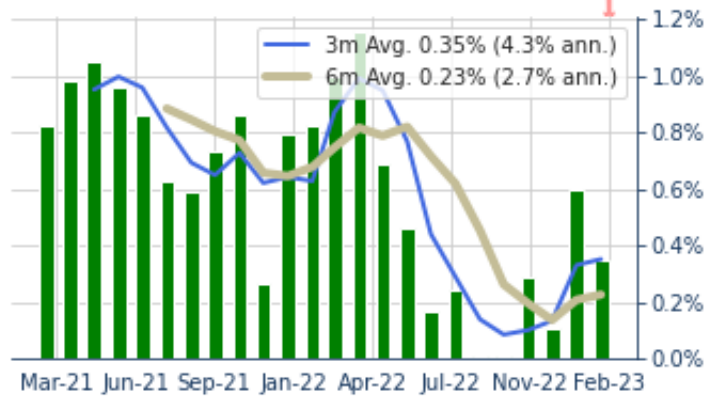
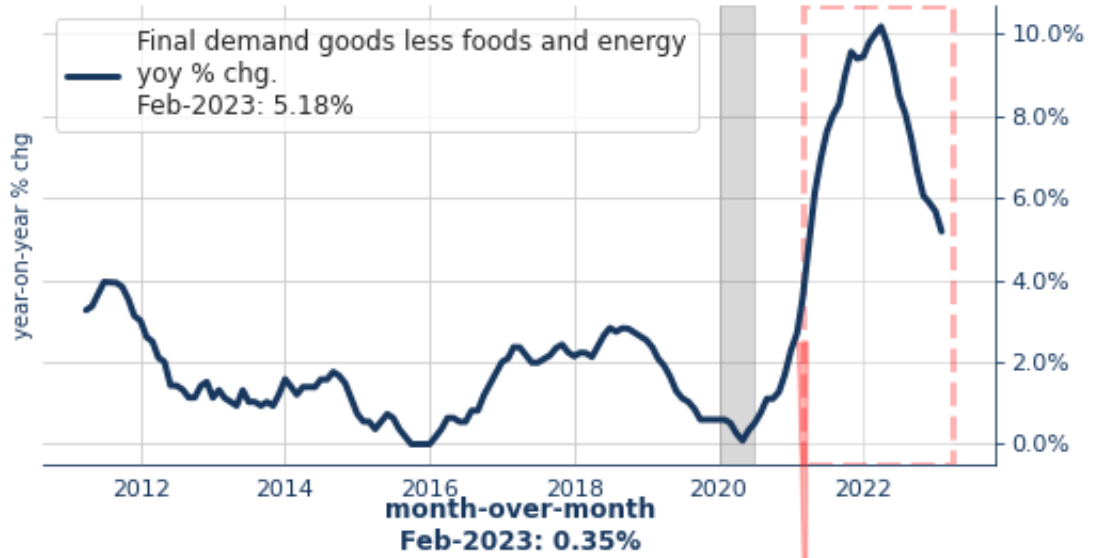


Final demand foods

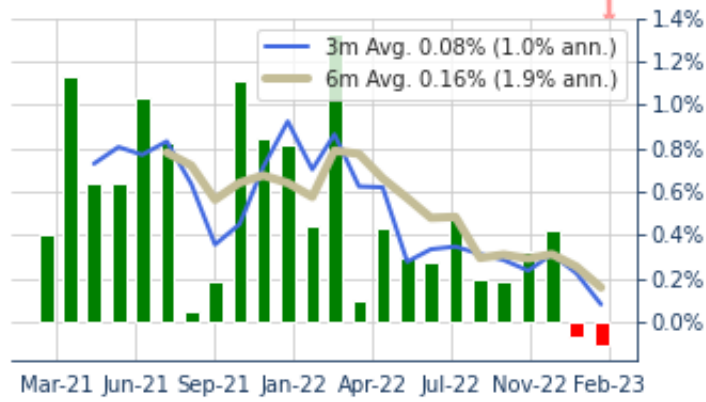
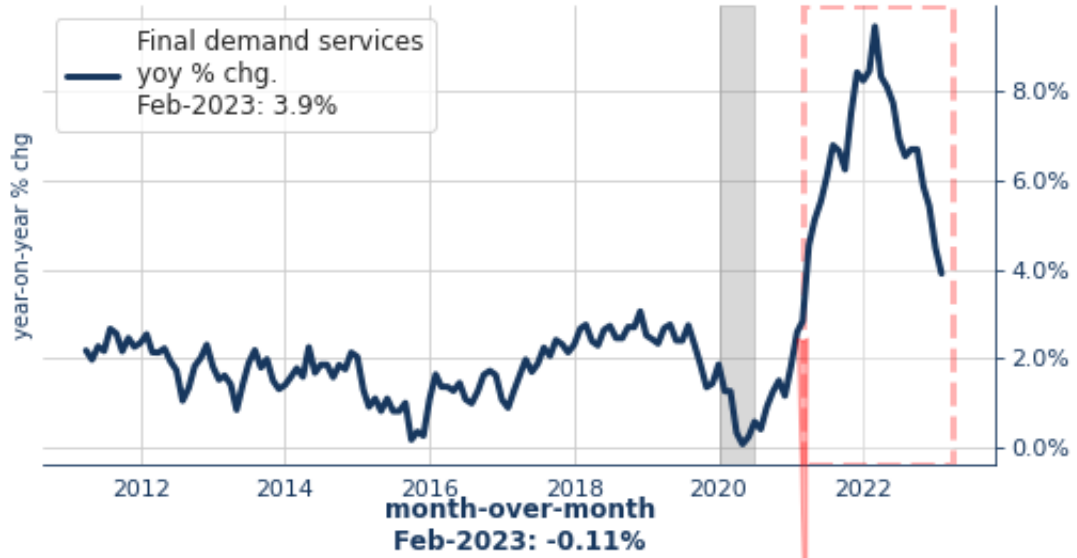


Contingent Macro Advisors 2023 source: US BEA

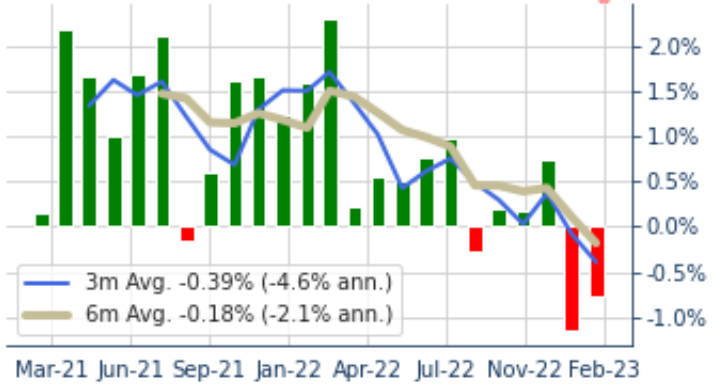
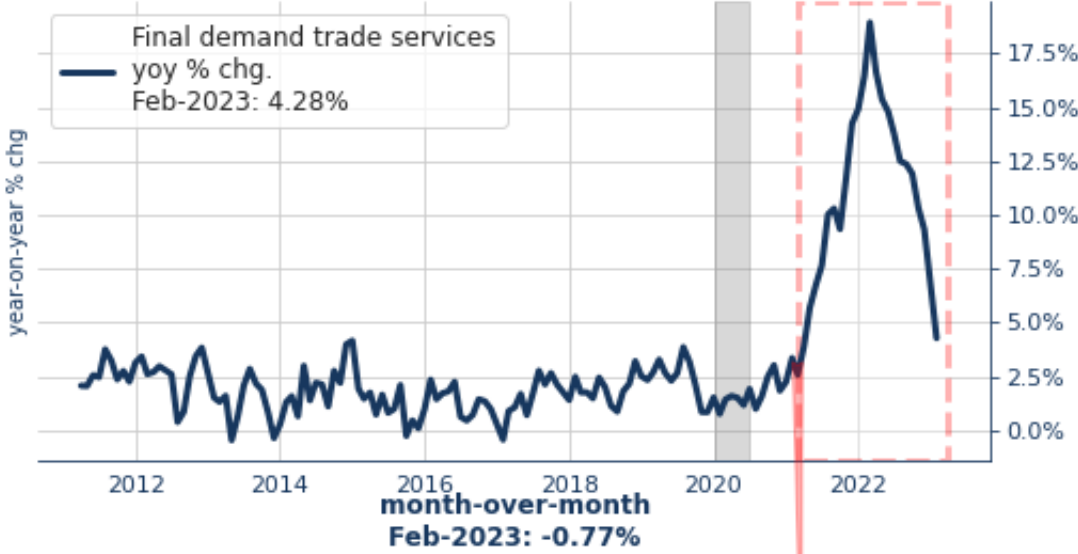
Final demand goods less foods and energy



Final demand services

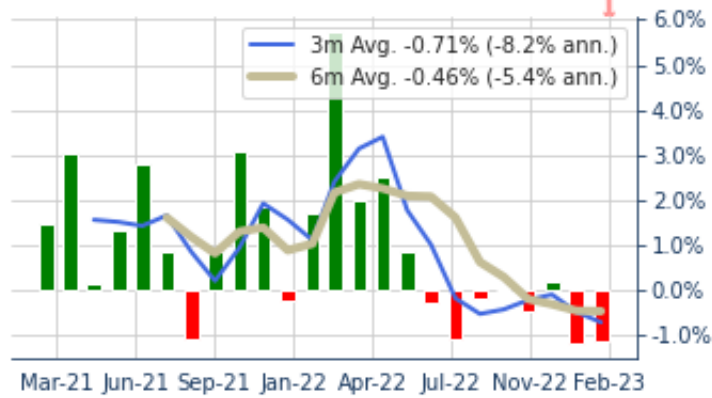
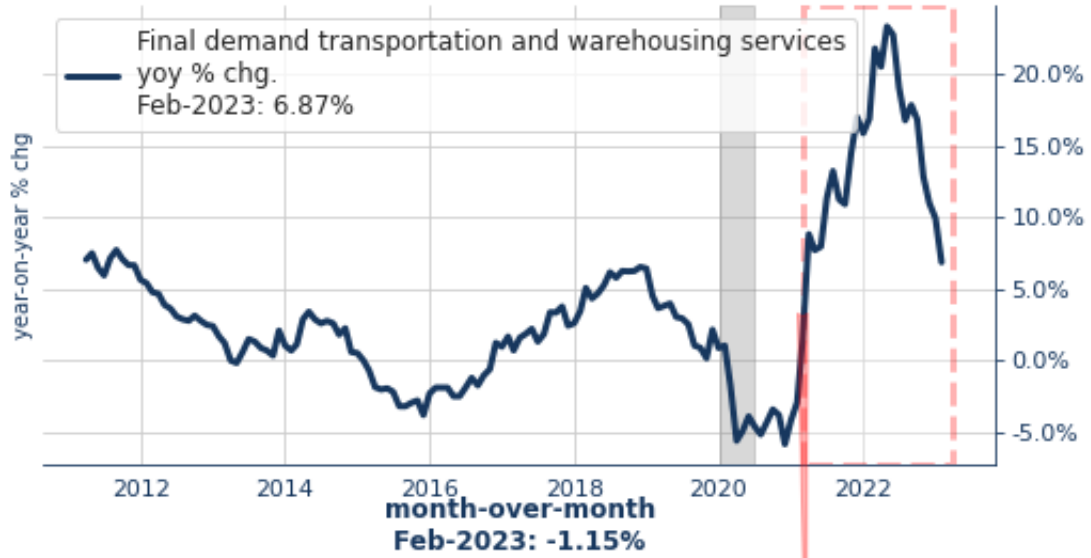


Final demand trade services



Contingent Macro Advisors 2023 source: US BEA

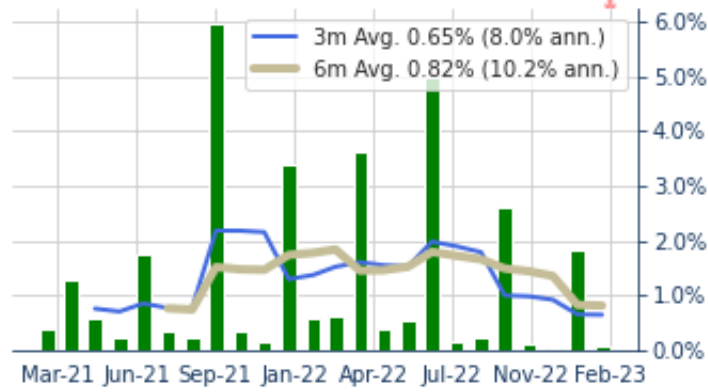
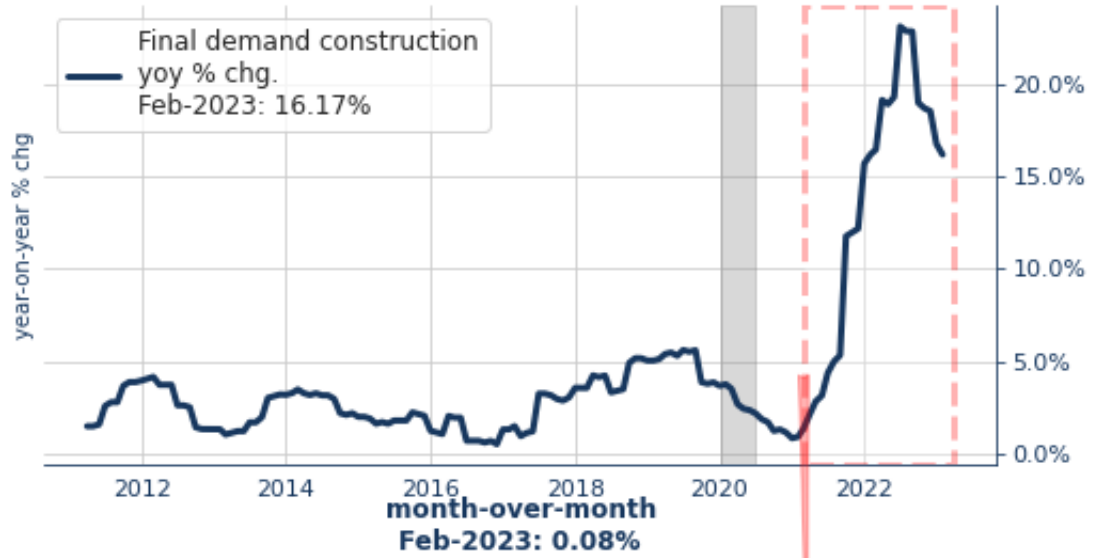
Final demand transportation and warehousing services



Final demand services less trade, transportation, and warehousing

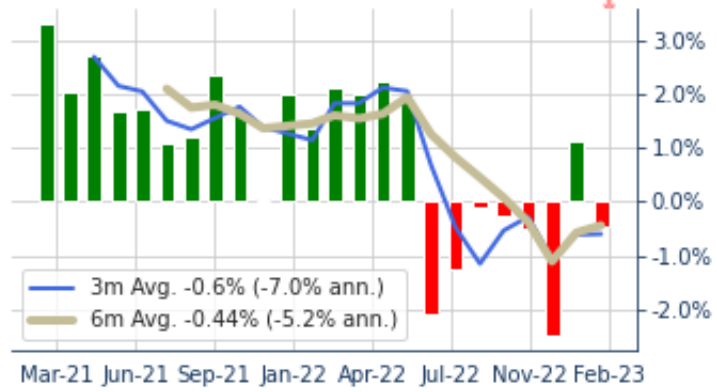
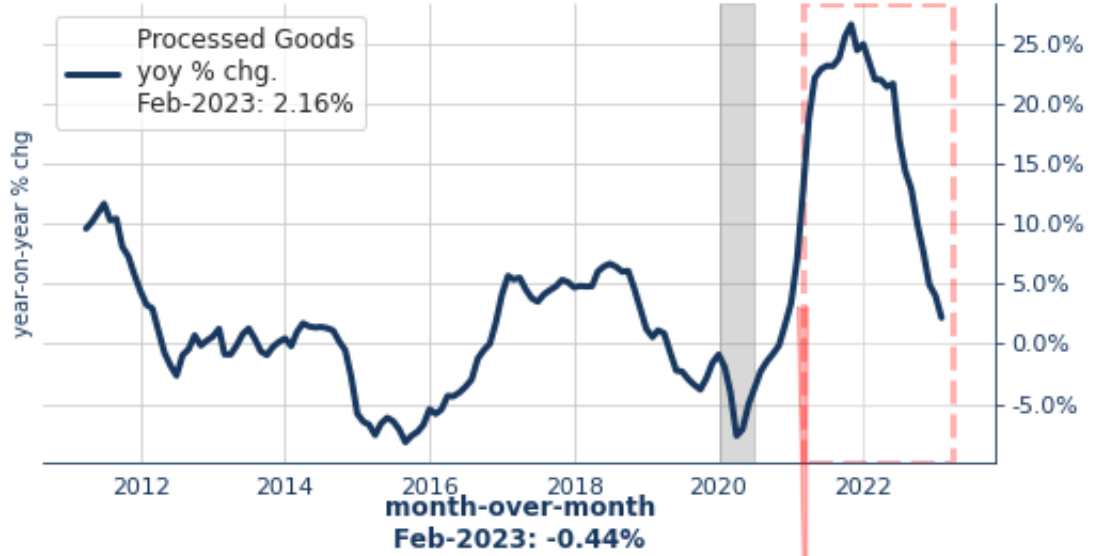


Final demand construction

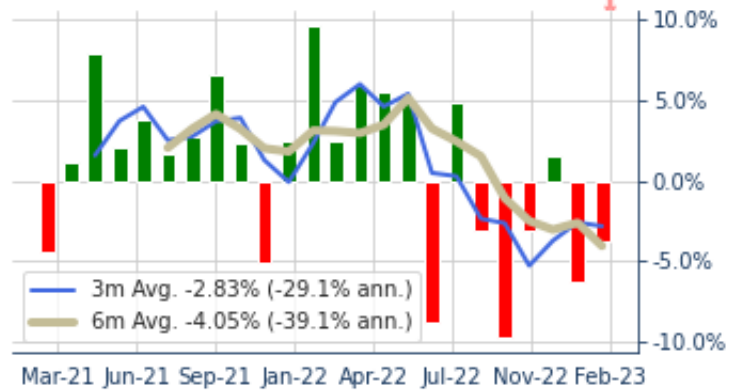
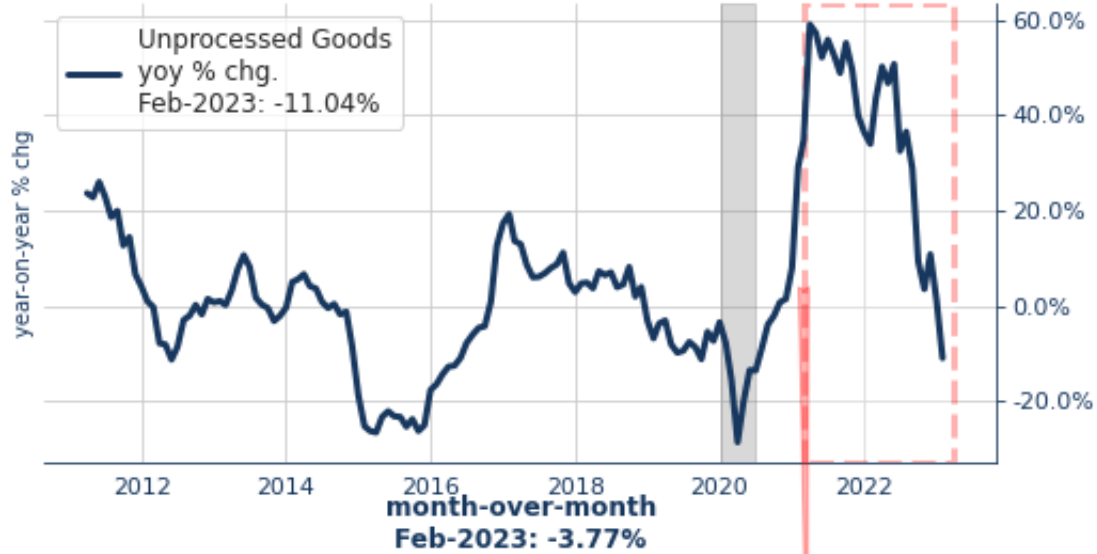


Contingent Macro Advisors 2023 source: US BEA

Processed Goods



Unprocessed Goods



Contingent Macro Advisors 2023 source: US BEA

US Producer Price Inflation	Feb-23	Jan-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Final Demand	-0.15%	0.34%	-0.01%	1.85%	4.59%	6.47%	10.20%	4.03%
Final demand less food and energy	-0.00%	0.13%	1.86%	2.26%	4.45%	5.78%	8.72%	3.64%
Final demand goods	-0.25%	1.21%	-1.70%	1.58%	5.45%	7.91%	13.94%	5.11%
Final demand goods less foods and energy	0.35%	0.60%	4.29%	2.74%	5.18%	5.88%	9.38%	3.92%
Final demand services	-0.11%	-0.07%	0.95%	1.90%	3.90%	5.41%	8.41%	3.41%
Final demand trade services	-0.77%	-1.14%	-4.61%	-2.17%	4.28%	9.32%	14.26%	5.17%

Final demand transportation and warehousing services	-1.15%	-1.16%	-8.24%	-5.45%	6.87%	11.02%	17.02%	4.41%
Final demand construction	0.08%	1.82%	8.00%	10.17%	16.17%	18.52%	12.17%	8.47%

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	Feb-23	Jan-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Processed Goods	-0.44%	1.11%	-7.08%	-5.22%	2.16%	4.92%	24.44%	6.26%
Unprocessed Goods	-3.77%	-6.28%	-29.60%	-39.56%	-11.04%	10.76%	39.89%	6.23%
Motor Vehicles	0.18%	0.55%	4.02%	3.06%	4.27%	4.64%	2.59%	1.75%
Pharmaceutical	0.46%	0.56%	2.95%	2.52%	2.58%	1.85%	1.34%	1.60%
Chemicals	-2.23%	-0.26%	-13.55%	-17.42%	-4.79%	-0.57%	39.84%	4.80%
Lumber	-1.07%	-3.59%	-35.58%	-32.37%	-36.32%	-23.82%	18.92%	3.93%
Steel Mill Products	2.57%	-2.39%	-12.45%	-32.59%	-21.01%	-29.81%	128.05%	8.34%
Outpatient healthcare	0.53%	0.30%	3.57%	1.96%	1.68%	1.73%	3.27%	2.09%
Inpatient healthcare	0.25%	0.33%	3.96%	4.27%	4.01%	4.59%	2.61%	2.92%
Food and alcohol retailing	3.20%	-1.13%	7.11%	12.11%	16.98%	17.69%	8.38%	6.18%
Apparel and jewelry retailing	-0.72%	1.66%	17.74%	7.72%	2.20%	0.47%	16.76%	3.15%
Airline passenger services	-2.58%	2.39%	14.42%	2.00%	22.50%	17.41%	21.95%	2.76%
Inv Mgmt & Brokerage	3.76%	0.38%	19.41%	42.46%	25.28%	21.75%	8.43%	5.67%
Business Loans	6.27%	11.76%	89.17%	107.99%	101.22%	70.75%	14.17%	15.95%
Legal Services	1.13%	1.59%	12.69%	9.56%	6.58%	4.90%	4.24%	4.53%
Truck Transport	-0.84%	-3.39%	-20.17%	-11.33%	-0.18%	8.63%	17.90%	5.09%
Machinery & Equip. Wholesaling	-2.31%	-1.15%	-7.76%	1.23%	1.31%	10.29%	14.77%	5.82%

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.