## Data Watch

April 13, 2007 • 630.322.7756 • http://www.ftportfolios.com

## MARCH PP I

Chief Economist - Brian S. Wesbury Senior Economist – Robert Stein, CFA Economic Research Analyst – Trevor D. Scott

- The Producer Price Index (PPI) increased 1.0% in March versus a consensus expected gain of 0.7%. The PPI is up 3.1% in the past twelve months and has climbed at an annual rate of 6.9% in the past three months.
- All of the PPI increase in March was due to food and energy prices, which rose 1.4% and 3.6%, respectively. The core PPI was unchanged versus a consensus expected 0.2% gain. However, the core PPI is up 1.6% at an annual rate in the past year and 2.3% over three months.
- Consumer goods prices increased 1.4% in March and are up at an annual rate of 8.6% in the past three months. Excluding energy, consumer goods prices increased 0.5% and rose 7.8% at an annual rate in the first quarter, the fastest quarterly growth rate since 1988. Capital equipment prices fell 0.1%, but are up 2.0% in the past year.
- Core intermediate goods prices (ex-food and energy) increased 0.2% in March and are up 3.5% versus last year. Core crude prices increased 7.7%, are up at a 59.8% annual rate the past three months, and are up 24.7% versus a year ago.

**Implications:** Unlike some analysts, we do not take solace in today's benign core PPI data. Inflation is still a significant problem. As we said above, consumer goods prices excluding energy rose 7.8% at an annual rate in the first quarter, the largest gain in over 18 years. Meanwhile in March, core intermediate prices rose 0.2% and core crude prices rose 7.7%. We continue to believe the next rate move by the Fed is likely to be up, not down.



01	02	03	04	05	00	
urce:	Bureau	of Labor	Statistics	/Haver	Analytics	

Sou

Producer Price Index	Mar-07	Feb-07	Jan-07	3-mo % Ch.	6-mo % Ch.	Yr to Yr
All Data Seasonally Adjusted				annualized	annualized	% Change
Finished Goods	1.0%	1.3%	-0.6%	6.9%	5.2%	3.1%
Ex Food and Energy	0.0%	0.4%	0.2%	2.3%	2.3%	1.6%
Food	1.4%	1.9%	1.1%	18.7%	10.9%	7.9%
Energy	3.6%	3.5%	-4.6%	9.4%	8.0%	2.8%
Consumer Goods	1.4%	1.6%	-0.9%	8.6%	6.1%	3.5%
Capital Equipment	-0.1%	0.3%	0.2%	1.9%	2.3%	2.0%
Intermediate Goods	1.0%	1.1%	-0.7%	6.0%	3.3%	3.4%
Ex Food & Energy	0.2%	0.2%	0.0%	1.7%	0.4%	3.5%
Energy	4.1%	4.5%	-3.8%	19.7%	11.2%	1.9%
Crude Goods	3.2%	8.9%	-6.3%	23.5%	26.2%	15.7%
Ex Food & Energy	7.7%	2.7%	1.6%	59.8%	21.9%	24.7%
Enerav	1.7%	13.7%	-16.2%	-11.6%	16.7%	5.5%

Source: Bureau of Labor Statistics

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.