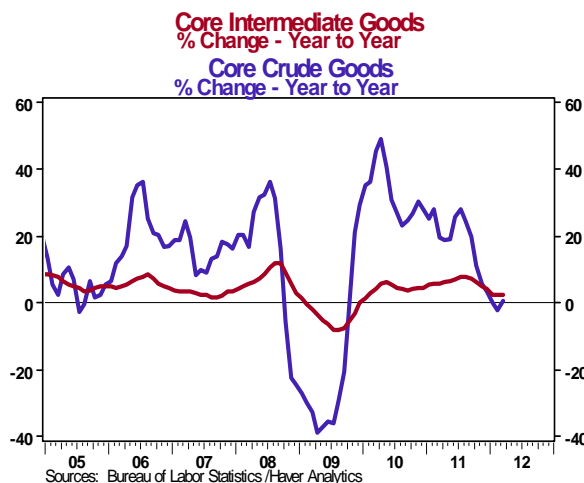
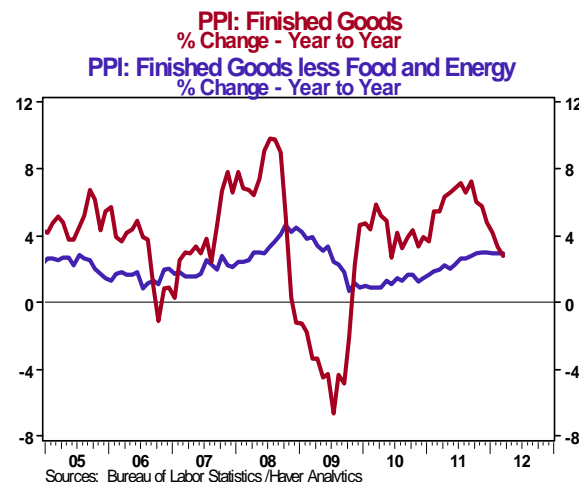


## March PPI

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

- The Producer Price Index (PPI) was unchanged in March, coming in below the consensus expected gain of 0.3%. Producer prices are up 2.8% versus a year ago.
- Energy prices fell 1.0%, while food prices rose 0.2%. The “core” PPI, which excludes food and energy, rose 0.3%.
- Consumer goods prices were down 0.1% in March but are up 3.0% versus last year. Capital equipment prices rose 0.2% in March and are up 2.1% in the past year.
- Core intermediate goods prices rose 0.6% in March and are up 2.4% versus a year ago. Core crude prices were up 1.1% in March, and are up 0.4% versus a year ago.

**Implications:** Due to falling energy prices, overall producer prices were unchanged in March, coming in much lower than the consensus expected. That’s good news, but no justification for another round of quantitative easing. “Core” prices, which exclude food and energy, and which the Federal Reserve claims are more important than the overall number, were up 0.3% in March, led by price increases for light trucks. Core prices are now up 2.9% from last year, faster than the overall PPI. In the past three months, the core PPI is up at a 3.6% annual rate while overall prices are up at a 1.9% rate. In other recent inflation news, import prices were up 1.3% in March. The gain was due to higher costs for imported oil. Excluding petroleum, import prices increased 0.3%, the most in ten months. In the past year, overall import prices are up 3.4% while ex-petroleum prices are up only 1.4%. Export prices increased 0.8% in March and are up 0.9% in the past year. Excluding agriculture, export prices were up 0.5% in March and are up 1.7% in the past year. Due to rapidly accelerating inflation early last year, year-ago comparisons for the overall PPI and trade prices show low inflation right now. We don’t expect that to last. Due to loose monetary policy, these inflation measures will head higher later this year.



<b>Producer Price Index</b> <i>All Data Seasonally Adjusted</i>	<b>Mar-12</b>	<b>Feb-12</b>	<b>Jan-12</b>	<b>3-mo % Ch.</b> <i>annualized</i>	<b>6-mo % Ch.</b> <i>annualized</i>	<b>Yr to Yr</b> <i>% Change</i>
<b>Finished Goods</b>	<b>0.0%</b>	0.4%	0.1%	1.9%	0.6%	2.8%
<b>Ex Food and Energy</b>	<b>0.3%</b>	0.2%	0.4%	3.6%	2.2%	2.9%
<b>Food</b>	<b>0.2%</b>	-0.1%	-0.3%	-1.0%	0.1%	2.3%
<b>Energy</b>	<b>-1.0%</b>	1.3%	-0.5%	-0.6%	-3.2%	2.7%
<b>Consumer Goods</b>	<b>-0.1%</b>	0.5%	0.0%	1.4%	0.1%	3.0%
<b>Capital Equipment</b>	<b>0.2%</b>	0.1%	0.4%	2.8%	1.6%	2.1%
<b>Intermediate Goods</b>	<b>0.7%</b>	0.7%	-0.4%	4.5%	0.1%	2.9%
<b>Ex Food &amp; Energy</b>	<b>0.6%</b>	1.0%	-0.1%	6.4%	0.4%	2.4%
<b>Energy</b>	<b>1.3%</b>	0.3%	-1.4%	0.5%	0.0%	4.2%
<b>Crude Goods</b>	<b>-2.5%</b>	0.4%	1.5%	-2.5%	-2.8%	0.0%
<b>Ex Food &amp; Energy</b>	<b>1.1%</b>	-0.3%	0.6%	6.0%	-8.7%	0.4%
<b>Energy</b>	<b>-9.2%</b>	0.3%	1.6%	-26.4%	-5.9%	-5.8%

Source: Bureau of Labor Statistics