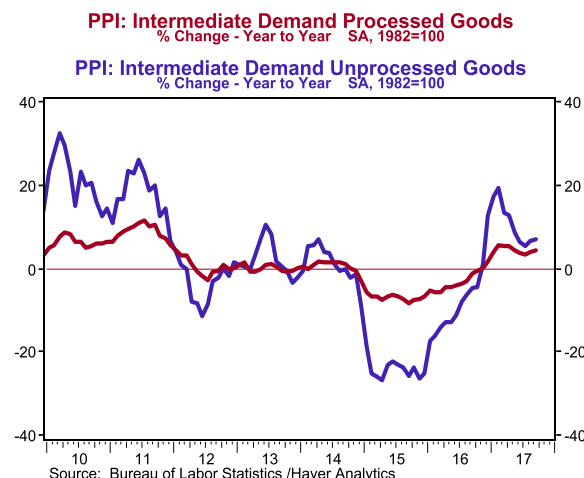
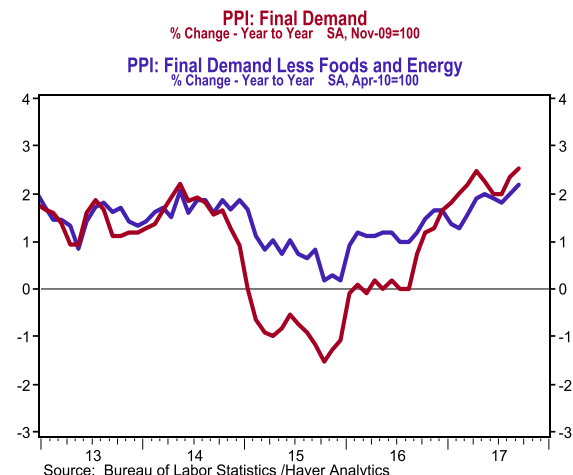


September PPI

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- The Producer Price Index (PPI) rose 0.4% in September, matching consensus expectations. Producer prices are up 2.6% versus a year ago.
- Energy prices rose 3.4% in September, while food prices were unchanged. Producer prices excluding food and energy rose 0.4%.
- In the past year, prices for goods are up 3.3%, while prices for services are up 2.1%. Private capital equipment prices rose 0.4% in September and are up 2.5% in the past year.
- Prices for intermediate processed goods rose 0.5% in September and are up 4.3% versus a year ago. Prices for intermediate unprocessed goods declined 0.4% in September but are up 7.0% versus a year ago.

Implications: The impact of Hurricane’s Harvey and Irma can be felt throughout today’s report on producer prices. The most significant impact from the storms was on supply chains, where increased demand for machine and equipment parts, paired with a limited supply, pushed up margins to wholesalers. Meanwhile storm-related refinery shutdowns along the Gulf Coast led energy prices 3.4% higher in September, including a 10.9% jump in gasoline prices. Food prices, however, showed little impact, unchanged in September and down at a 0.5% annual rate in the past six months. Looking beyond food and energy, “core” prices rose 0.4% in September. In addition to higher wholesaler margins, most major categories of goods and services also rose in September. In the past year, producer prices have increased 2.6%, the largest twelve month rise since early 2012. This is certainly elevated in September by the hurricanes, but producer prices have been at or above 2% on a year-to-year basis in seven of the last eight months. And a look further down the pipeline shows the trend higher should continue in the months to come. Intermediate processed goods rose 0.5% in September and are up 4.3% from a year ago, while unprocessed goods declined 0.4% in September but remain up 7.0% in the past year. In other words, the “data dependent” Fed has clear evidence that inflation has met or exceeded their 2% target. In employment news this morning, new claims for unemployment benefits declined 15,000 last week to 243,000, while continuing claims fell 32,000 to 1.89 million, the lowest level since 1973. The temporary storm-related dip in employment looks to have passed, and we expect a very strong rebound in payrolls in October.



Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Sep-17	Aug-17	Jul-17	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	0.4%	0.2%	-0.1%	2.1%	2.5%	2.6%
Goods	0.7%	0.5%	-0.1%	4.4%	2.0%	3.3%
- Ex Food & Energy	0.3%	0.2%	-0.1%	1.4%	1.4%	2.2%
Services	0.4%	0.1%	-0.2%	1.1%	2.7%	2.1%
Private Capital Equipment	0.4%	0.3%	-0.1%	2.2%	3.7%	2.5%
Intermediate Demand						
Processed Goods	0.5%	0.4%	-0.1%	3.6%	2.8%	4.3%
- Ex Food & Energy	0.2%	0.4%	-0.3%	1.0%	1.4%	3.2%
Unprocessed Goods	-0.4%	-0.7%	-0.4%	-5.6%	-0.7%	7.0%
- Ex Food & Energy	2.0%	0.9%	1.2%	17.6%	6.9%	15.0%
Services	0.1%	0.2%	-0.3%	0.0%	2.5%	2.7%

Source: Bureau of Labor Statistics