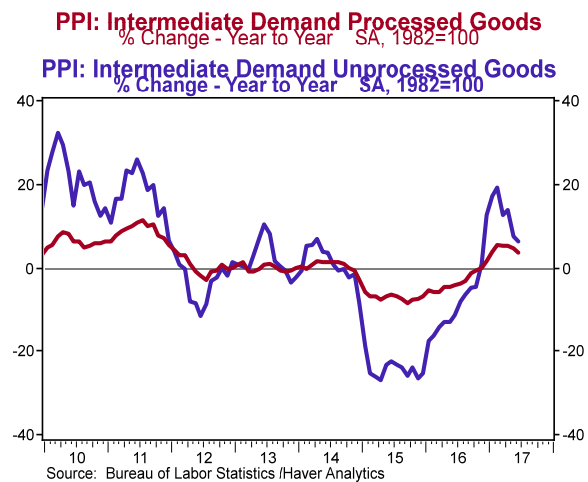
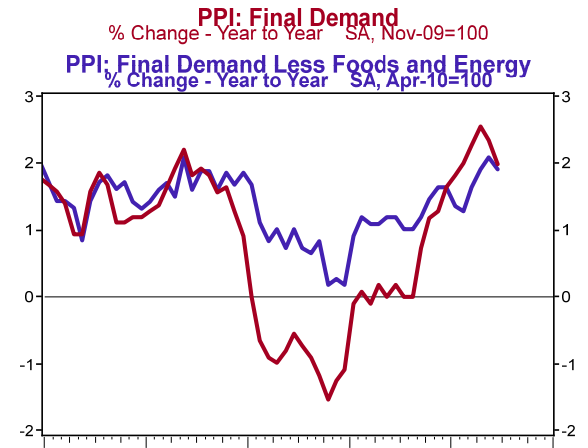


## June PPI

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Economist

- The Producer Price Index (PPI) rose 0.1% in June versus a consensus expected no change. Producer prices are up 2.0% versus a year ago.
- Food prices rose 0.6% in June, while energy prices declined 0.5%. Producer prices excluding food and energy rose 0.1%.
- In the past year, prices for goods are up 2.2%, while prices for services are up 1.9%. Private capital equipment prices rose 0.5% in June and are up 1.6% in the past year.
- Prices for intermediate processed goods declined 0.2% in June but are up 3.8% versus a year ago. Prices for intermediate unprocessed goods rose 1.5% in June and are up 6.5% versus a year ago.

**Implications:** Services sector prices pushed the producer price index higher by 0.1% in June, and prices are up a healthy 2.0% in the past year. Within the service sector, prices for final demand services less trade, transportation, and warehousing (in other words services like healthcare, lodging, and banking) led the index higher, rising 0.3% in June. Goods prices also ticked higher in June, with food prices rising 0.6%, offsetting a 0.5% decline in energy prices. Take out the volatile food and energy sectors, and you are left with “core” prices, which rose 0.1% in June (following a 0.4% rise in April and a 0.3% increase in May), and have risen 1.9% in the past twelve months. With both headline and “core” producer prices hovering around the Fed’s 2% inflation target (and both measures easily above 2% when looking at the annualized rate over the past three and six month periods) there should be little doubt that balance sheet unwinding and further rate hikes are warranted. A look further back in the pipeline at prices for intermediate demand suggests inflation pressures are continuing. While intermediate processed goods prices declined 0.2% in June, they are up 3.8% in the past year and have increased in eight of the last ten months. Meanwhile prices for intermediate unprocessed goods rose 1.5% in June and are up 6.5% over the last twelve months. The Fed will keep these prices, which give a hint to the direction final demand prices will follow in future months, in mind as they plan the path for monetary policy. News out this morning on the Fed’s other key area of focus, employment, showed that initial jobless claims fell 3,000 last week to 247,000. Meanwhile continuing claims declined 20,000 to 1.95 million. It’s early, but taking these together suggests healthy job creation continues in July.



Source: Bureau of Labor Statistics / Haver Analytics

<b>Producer Price Index</b> <i>All Data Seasonally Adjusted</i>	<b>Jun-17</b>	<b>May-17</b>	<b>Apr-17</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>Final Demand</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.5%</b>	<b>2.5%</b>	<b>2.7%</b>	<b>2.0%</b>
<b>Goods</b>	<b>0.1%</b>	<b>-0.5%</b>	<b>0.5%</b>	<b>0.0%</b>	<b>2.4%</b>	<b>2.2%</b>
<b>- Ex Food &amp; Energy</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>1.8%</b>	<b>2.5%</b>	<b>2.1%</b>
<b>Services</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.4%</b>	<b>3.6%</b>	<b>2.9%</b>	<b>1.9%</b>
<b>Private Capital Equipment</b>	<b>0.5%</b>	<b>0.2%</b>	<b>0.4%</b>	<b>4.4%</b>	<b>2.6%</b>	<b>1.6%</b>
<b>Intermediate Demand</b>						
<b>Processed Goods</b>	<b>-0.2%</b>	<b>0.1%</b>	<b>0.5%</b>	<b>1.9%</b>	<b>4.4%</b>	<b>3.8%</b>
<b>- Ex Food &amp; Energy</b>	<b>-0.2%</b>	<b>0.2%</b>	<b>0.5%</b>	<b>2.1%</b>	<b>3.8%</b>	<b>3.4%</b>
<b>Unprocessed Goods</b>	<b>1.5%</b>	<b>-3.0%</b>	<b>3.3%</b>	<b>7.3%</b>	<b>2.5%</b>	<b>6.5%</b>
<b>- Ex Food &amp; Energy</b>	<b>0.5%</b>	<b>-0.7%</b>	<b>-0.7%</b>	<b>-4.0%</b>	<b>11.5%</b>	<b>9.2%</b>
<b>Services</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.9%</b>	<b>6.1%</b>	<b>4.1%</b>	<b>2.9%</b>

Source: Bureau of Labor Statistics

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