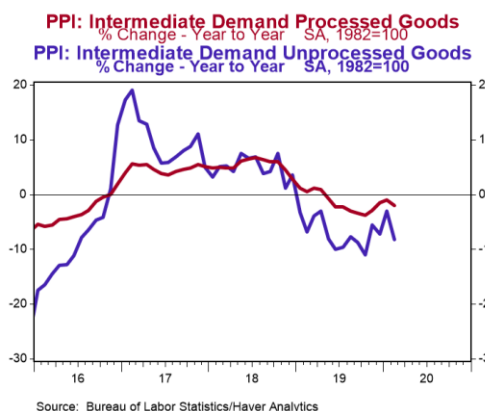
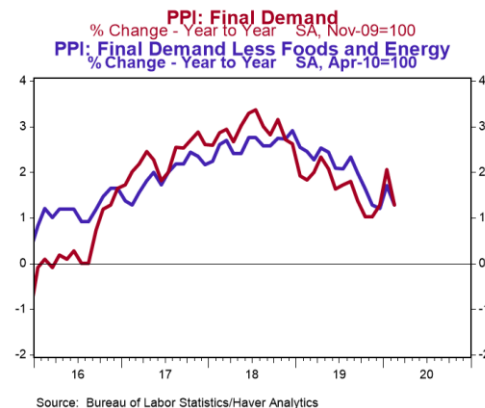


February PPI

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- The Producer Price Index (PPI) declined 0.6% in February, coming in well below the consensus expected -0.1%. Producer prices are up 1.3% versus a year ago.
- Energy prices declined 3.6% in February, while food prices fell 1.6%. Producer prices excluding food and energy declined 0.3% in February, but are up 1.4% in the past year.
- In the past year, prices for goods are up 0.5%, while prices for services have increased 1.5%. Private capital equipment prices rose 0.4% in February and are up 1.1% in the past year.
- Prices for intermediate processed goods declined 0.9% in February and are down 2.1% versus a year ago. Prices for intermediate unprocessed goods fell 7.7% in February and are down 8.2% versus a year ago.

Implications: Producer prices plummeted 0.6% in February, matching the largest monthly decline since the series began in late 2009. Goods led prices lower in February, declining 0.9% as energy costs fell 3.6%. Food prices also moved lower, down 1.6% in February, as declining costs for vegetables and meat were partially offset by higher prices for eggs. The early March plunge in oil prices, paired with supply chain (and general business) disruptions related to COVID-19, will muddy the data over the coming months, and likely create some wild swings. Once the dust settles – and it eventually will – we expect inflation to trend back toward 2% and eventually higher. Stripping out the typically volatile food and energy categories, “core” prices declined a more modest 0.3% in February, though that still ties for the largest monthly drop in core prices since 2015. Within core prices, the dip was led by margins to retailers, particularly apparel, jewelry, footwear, and accessories, where prices fell 11.7% in February. “Core” goods declined 0.1% in February, with prices for apparel as well as iron and steel scrap leading the index lower. In the past year, services prices are up 1.5% while goods prices are up 0.5%. Core producer prices as a whole are up 1.4% over the past twelve months, lagging consumer prices which have been running a little above 2.0% for the past two years. Further down the pipeline, prices for intermediate demand processed goods declined 0.9%, while intermediate demand unprocessed goods fell 7.7%. Both intermediate demand categories continue to show prices broadly lower compared to year-ago levels. The next few months may be a volatile ride as we weather uncertainty, but keep your eyes focused on the fundamentals. We expect the healthy employment market, robust consumer balance sheets, and core inflation that remains close to the Fed’s target will return to the forefront and lead the economy higher by late 2020. In other news this morning, new claims for unemployment benefits fell 4,000 last week to a very healthy 211,000. Continuing claims fell 11,000 to 1.722 million. These figures are consistent with continued solid payroll growth to start March. Keep an eye on these weekly numbers as a gauge of how companies are reacting to the flu environment that has thrown the financial markets into a tizzy.



Producer Price Index <small>All Data Seasonally Adjusted Except for Yr to Yr</small>	Feb-20	Jan-20	Dec-19	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Final Demand	-0.6%	0.5%	0.2%	0.3%	0.2%	1.3%
Goods	-0.9%	0.1%	0.3%	-2.4%	0.2%	0.5%
- Ex Food & Energy	-0.1%	0.3%	0.2%	1.4%	0.7%	0.5%
Services	-0.3%	0.7%	0.0%	1.3%	0.2%	1.5%
Private Capital Equipment	0.4%	0.2%	0.3%	3.5%	0.9%	1.1%
Intermediate Demand						
Processed Goods	-0.9%	-0.3%	0.1%	-4.4%	-1.5%	-2.1%
- Ex Food & Energy	-0.2%	0.3%	-0.2%	-0.4%	-0.8%	-1.7%
Unprocessed Goods	-7.7%	-0.6%	1.6%	-24.3%	-7.5%	-8.2%
- Ex Food & Energy	-1.5%	5.6%	3.1%	32.8%	10.3%	0.7%
Services	-0.1%	0.0%	0.4%	1.3%	0.0%	1.4%

Source: Bureau of Labor Statistics