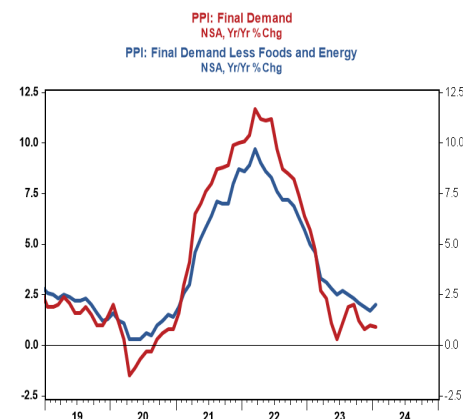


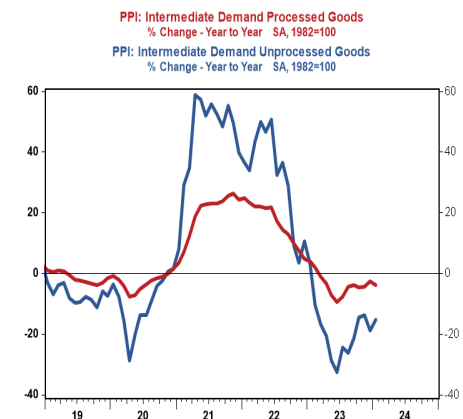
# January PPI

**Andrew Opdyke, CFA** – Senior Economist  
**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist

- The Producer Price Index (PPI) rose 0.3% in January, coming in above the consensus expected +0.1%. Producer prices are up 0.9% versus a year ago.
- Energy prices declined 1.7% in January, while food prices declined 0.3%. Producer prices excluding food and energy rose 0.5% in January and are up 2.0% versus a year ago.
- In the past year, prices for goods have declined 1.7%, while prices for services have risen 2.2%. Private capital equipment prices rose 0.5% in January and are up 1.0% in the past year.
- Prices for intermediate processed goods declined 0.2% in January and are down 3.8% versus a year ago. Prices for intermediate unprocessed goods rose 0.1% in January but are down 15.0% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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**Implications:** Following in the footsteps of [Tuesday’s CPI report](#), producer prices came in hotter than anticipated, complicating the Fed’s path forward. While headline prices rose 0.3% in January, the inflation was limited by continued declines in energy prices, which fell 1.7% in January following a massive 31.6% annualized decline in the fourth quarter of last year. Food prices – the other typically volatile category - also declined in January, down 0.3%. Stripping out these two components shows “core” prices rose 0.5% in January, the largest single month increase since July. That said, the twelve-month rise in core prices has been easing since peaking at 9.7% back in March of 2022, and now shows core prices up 2.0% from a year ago. Diving into the details of today’s PPI report shows the dichotomy between goods and services. Services prices rose 0.6% in January in spite of a drop in costs for transportation and warehousing. Meanwhile, goods prices declined 0.2%. However, energy played a central role in the drop in goods prices; strip out energy, and goods prices rose 0.2% in January as prices for communications equipment and soft drinks moved higher. Further back in the pipeline, processed goods prices fell 0.2% in January and are now down 3.8% in the past year. Meanwhile unprocessed goods prices rose 0.1% in January but remain down 15.0% in the past year. Further easing in inflation appears on the way should the Fed have the patience to let tight monetary policy do its work. But inflation risks rearing its ugly head once again should the Fed falter and overreact in the face of weakening economic data. The markets - and the Fed itself – seem unsure how soon or how quickly rate cuts will come. We believe patience is a virtue.

<b>Producer Price Index</b> <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	<b>Jan-24</b>	<b>Dec-23</b>	<b>Nov-23</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>0.3%</b>	-0.1%	0.1%	1.0%	1.5%	0.9%
<b>Goods</b>	<b>-0.2%</b>	-0.3%	-0.1%	-2.4%	1.3%	-1.7%
<b>- Ex Food &amp; Energy</b>	<b>0.3%</b>	0.1%	0.1%	2.0%	1.9%	1.6%
<b>Services</b>	<b>0.6%</b>	-0.1%	0.2%	2.5%	1.6%	2.2%
<b>Private Capital Equipment</b>	<b>0.5%</b>	-0.9%	0.6%	0.7%	-0.2%	1.0%
<b>Intermediate Demand</b>						
<b>Processed Goods</b>	<b>-0.2%</b>	-0.5%	-0.5%	-4.9%	0.4%	-3.8%
<b>- Ex Food &amp; Energy</b>	<b>0.3%</b>	0.2%	-0.2%	1.1%	0.0%	-3.5%
<b>Unprocessed Goods</b>	<b>0.1%</b>	-4.4%	-2.1%	-22.9%	-6.1%	-15.0%
<b>- Ex Food &amp; Energy</b>	<b>-1.7%</b>	0.6%	0.8%	-1.7%	-2.0%	-6.9%
<b>Services</b>	<b>0.5%</b>	0.4%	0.5%	5.6%	3.1%	3.1%

Source: Bureau of Labor Statistics