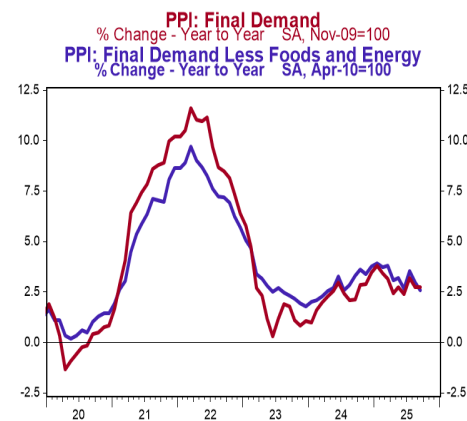


September PPI

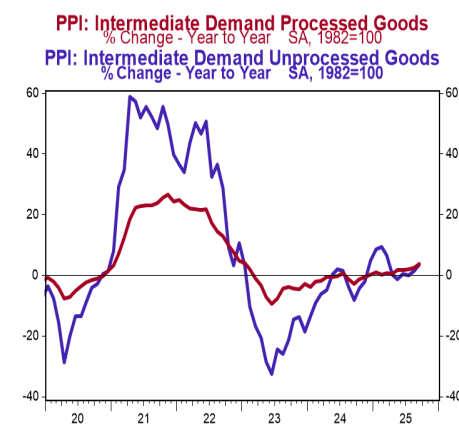
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- The Producer Price Index (PPI) rose 0.3% in September, matching consensus expectations. Producer prices are up 2.7% versus a year ago.
- Energy prices rose 3.5% in September, while food prices increased 1.1%. Producer prices excluding food and energy rose 0.1% in September and are up 2.6% versus a year ago.
- In the past year, prices for goods are up 3.3%, while prices for services have increased 2.5%. Private capital equipment prices declined 0.5% in September but remain up 1.8% in the past year.
- Prices for intermediate processed goods rose 0.4% in September and are up 3.8% versus a year ago. Prices for intermediate unprocessed goods increased 0.1% in September and are up 3.5% versus a year ago.

Implications: Producer prices rose 0.3% in September, matching consensus expectations, and the underlying details continue to show a large degree of volatility. Among the typically volatile food and energy categories, energy prices jumped 3.5% in September – the largest one-month increase in two years – while food prices rose 1.1%. Excluding these categories, “core” producer prices rose a much more modest 0.1% in September and are up 2.6% versus a year ago, the smallest twelve-month increase in more than a year. While the Federal Reserve has a few more data points to be delivered before the next FOMC meeting on December 9th-10th, we expect they will cut for a third consecutive meeting. The Fed remains concerned that tariffs will push prices higher at some point, but the data have not fully cooperated. In the past six months, goods prices – which are most exposed to higher import costs – are up at a notable 4.4% annual rate, but that rise has been largely offset by a moderation in services prices, up at a 1.5% rate over the same time period. Taken together, producer prices are up at a 2.3% annual rate over the past six months, not far above the 2% inflation target. As we noted in prior reports, tariffs can raise prices for tariffed items, but they leave less money for consumers left over for other goods and services. They shuffle the deckchairs on the inflation ship, not how high or low the ship sits in the water. That’s up to the money supply, which is up only 2.1% since April 2022. While volatility may continue month-to-month, we believe monetary tightness will keep inflation relatively subdued and that there is room for modest rate cuts to continue into 2026. In other news this morning on the housing front, the national Case-Shiller index rose 0.2% in September while the FHFA measure of home prices was unchanged. Compared to a year ago, Case-Shiller home prices are up 1.3% while FHFA prices are up 1.7%. While strict immigration enforcement may raise construction costs, by making more older rentals available at lower cost it puts downward pressure on prices for the existing stock of homes.



Source: Bureau of Labor Statistics/Haver Analytics



Source: Bureau of Labor Statistics/Haver Analytics

Producer Price Index	Sep-25	Aug-25	Jul-25	3-mo % Ch.	6-mo % Ch.	Yr to Yr
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>				<i>annualized</i>	<i>annualized</i>	<i>% Change</i>
Final Demand	0.3%	-0.1%	0.8%	4.0%	2.3%	2.7%
Goods	0.9%	0.2%	0.6%	7.2%	4.4%	3.3%
- Ex Food & Energy	0.2%	0.3%	0.3%	3.5%	3.4%	2.9%
Services	0.0%	-0.3%	0.9%	2.7%	1.5%	2.5%
Private Capital Equipment	-0.5%	-0.4%	1.0%	0.6%	1.4%	1.8%
Intermediate Demand						
Processed Goods	0.4%	0.4%	0.8%	6.6%	3.8%	3.8%
- Ex Food & Energy	0.2%	0.4%	0.4%	4.0%	4.0%	3.8%
Unprocessed Goods	0.1%	-1.8%	1.6%	-0.7%	-6.7%	3.5%
- Ex Food & Energy	1.5%	-0.5%	1.6%	10.9%	6.0%	6.7%
Services	0.1%	0.0%	0.7%	3.3%	1.5%	1.7%

Source: Bureau of Labor Statistics