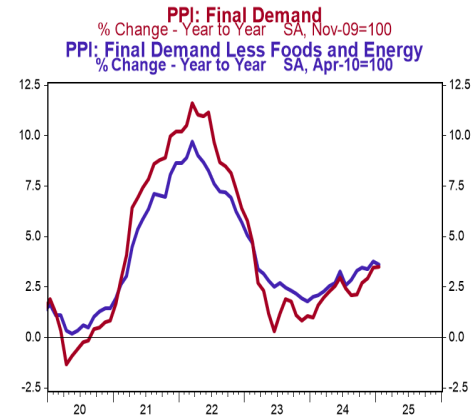


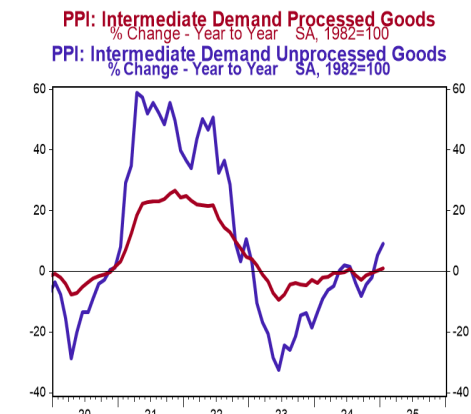
January PPI

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- The Producer Price Index (PPI) rose 0.4% in January, coming in above the consensus expected increase of 0.3%. Producer prices are up 3.5% versus a year ago.
- Energy prices rose 1.7% in January, while food prices increased 1.1%. Producer prices excluding food and energy increased 0.3% in January and are up 3.6% versus a year ago.
- In the past year, prices for goods are up 2.3%, while prices for services have increased 4.1%. Private capital equipment prices rose 0.4% in January and are up 4.4% in the past year.
- Prices for intermediate processed goods rose 1.0% in January and are up 1.0% versus a year ago. Prices for intermediate unprocessed goods increased 5.5% in January and are up 8.7% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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Implications: Producer prices started 2025 hot out the gate, rising 0.4% in January following a 0.5% increase in December. This certainly won't instill any confidence at the Fed that inflation is under control, with prices up 3.5% in the past year (year-ago readings have been trending higher since September) and rising at a faster 4.0% annualized rate over the past six months. January prices were led higher by energy, most notably a 10.4% increase in prices for diesel fuel, while food prices rose 1.1%. The food and energy categories have played an outsized role in recent months, but when you strip out these historically volatile components, "core" producer prices still rose 0.3% in January and are up 3.6% in the past year, a notable acceleration from the 2.0% reading for the twelve months ending January 2024. Diving into the details of today's report shows "core" prices rose across most major categories. Within services, prices for transportation and warehousing services rose 0.6% in January, while services less trade, transportation and warehousing increased 0.4%. On the goods side, prices outside of energy were led by communication and related equipment, up 1.2% in January. Further back in the supply chain, prices rose 1.0% for intermediate demand processed goods and jumped 5.5% for unprocessed goods. Given the hot inflation readings of the past two days, for both consumer and producer prices alike, the Fed is unlikely to cut rates anytime soon. As always, we will also be tracking reports on the M2 measure of money, which is down from the peak in early 2022, but apparently not enough to fully offset the inflation problem ignited by massive surge of money in 2020-21. In employment news this morning, unemployment claims fell 7,000 last week to 213,000; continuing claims declined 36,000 to 1.850 million. These figures are consistent with continued job growth in February.

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Jan-25	Dec-24	Nov-24	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	0.4%	0.5%	0.2%	4.6%	4.0%	3.5%
Goods	0.6%	0.5%	0.6%	6.9%	3.1%	2.3%
- Ex Food & Energy	0.1%	0.1%	0.2%	1.5%	1.7%	2.0%
Services	0.3%	0.5%	0.1%	3.7%	4.5%	4.1%
Private Capital Equipment	0.4%	0.1%	0.1%	2.5%	5.0%	4.4%
Intermediate Demand						
Processed Goods	1.0%	0.2%	0.1%	5.2%	1.3%	1.0%
- Ex Food & Energy	0.4%	-0.1%	0.2%	2.0%	1.3%	0.6%
Unprocessed Goods	5.5%	3.6%	0.0%	42.3%	12.5%	8.7%
- Ex Food & Energy	1.4%	-1.6%	0.3%	0.1%	4.0%	3.1%
Services	-0.2%	0.5%	-0.2%	0.8%	1.2%	2.1%

Source: Bureau of Labor Statistics