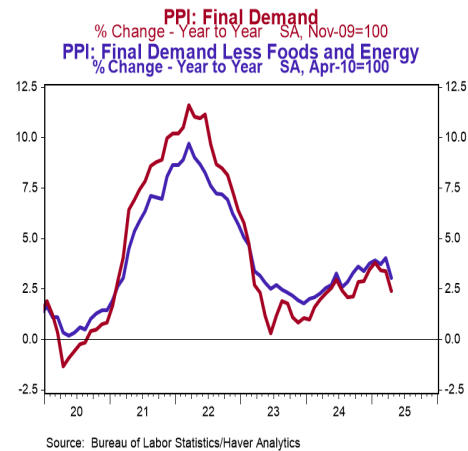


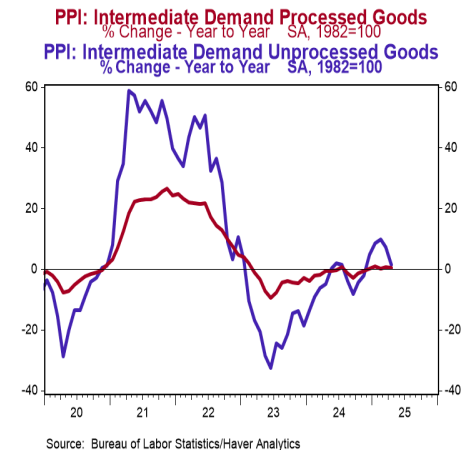
April PPI

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

- The Producer Price Index (PPI) declined 0.5% in April, coming in well below the consensus expected increase of 0.2%. Producer prices are up 2.4% versus a year ago.
- Energy prices declined 0.4% in April, while food prices fell 1.0%. Producer prices excluding food and energy declined 0.4% in April but are up 3.1% versus a year ago.
- In the past year, prices for goods are up 0.5%, while prices for services have increased 3.3%. Private capital equipment prices declined 1.1% in April but are up 2.5% in the past year.
- Prices for intermediate processed goods rose 0.2% in April and are up 0.5% versus a year ago. Prices for intermediate unprocessed goods declined 3.2% in April but are up 1.7% versus a year ago.



Implications: While near constant conversations about rising inflation threats from tariffs echo across the media, producer prices dropped in April. The typically volatile food and energy categories declined 0.4% and 1.0%, respectively, but services were the major driver pushing prices lower. Service prices declined 0.7% in April as final demand trade services (think margins received by wholesalers) fell 1.6%, and final demand transportation and warehousing services declined 0.4%. Goods prices were unchanged in April as rising costs for machinery and equipment – up 1.1% in April – were offset by the above-mentioned declines in costs for food and energy. Put it all together, and producer prices fell 0.5% in April but are still up 2.4% versus a year ago, while “core” producer prices – which exclude the often-volatile food and energy categories – are up 3.1% in the past year, an acceleration from the 2.5% reading for the twelve months ending April 2024. The months ahead could very well remain volatile for both the markets and the economic data. Companies have been altering purchasing plans as they navigate the ongoing changes to the tariff environment, and the data we have to-date reflects not just the initial effects of applied tariffs, but also notable price movements from companies preparing for what they believed may come. None of this is making the Federal Reserve’s job any easier. Monetary policy operates with a lag, and the Fed will be closely watching to see how the rate cuts of late last year translate through the system as they determine if, and when, the next move in rates is appropriate.



| Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i> | Apr-25 | Mar-25 | Feb-25 | 3-mo % Ch. annualized | 6-mo % Ch. annualized | Yr to Yr % Change |
|--|---------------|---------------|---------------|----------------------------------|----------------------------------|------------------------------|
| Final Demand | | | | | | |
| Goods | -0.5% | 0.0% | 0.2% | -1.2% | 2.0% | 2.4% |
| - Ex Food & Energy | 0.0% | -0.9% | 0.3% | -2.6% | 2.2% | 0.5% |
| Services | 0.4% | 0.3% | 0.3% | 4.2% | 3.0% | 2.5% |
| Private Capital Equipment | -0.7% | 0.4% | 0.1% | -0.5% | 1.9% | 3.3% |
| Intermediate Demand | -1.1% | 0.9% | -0.4% | -2.3% | -0.3% | 2.5% |
| Processed Goods | | | | | | |
| - Ex Food & Energy | 0.2% | -0.1% | 0.4% | 2.3% | 3.8% | 0.5% |
| Unprocessed Goods | 0.5% | 0.7% | 0.3% | 6.2% | 4.0% | 0.0% |
| - Ex Food & Energy | -3.2% | -3.4% | 0.6% | -21.8% | 4.6% | 1.7% |
| Services | 0.7% | 0.3% | 1.6% | 11.0% | 4.6% | 6.0% |
| | 0.0% | 0.3% | 0.1% | 1.8% | 1.9% | 2.4% |

Source: Bureau of Labor Statistics