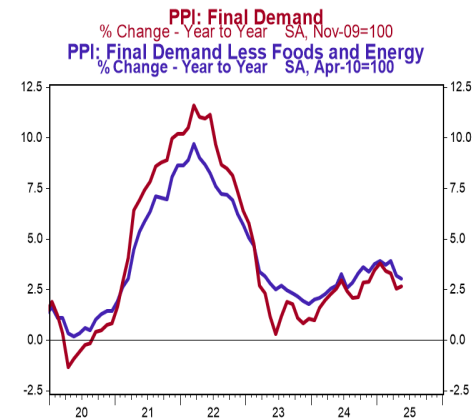


## May PPI

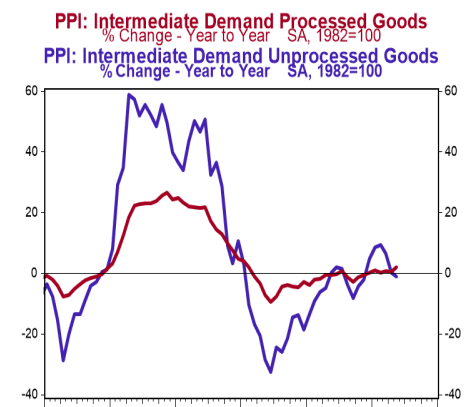
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- The Producer Price Index (PPI) rose 0.1% in May, coming in below the consensus expected increase of 0.2%. Producer prices are up 2.6% versus a year ago.
- Food prices rose 0.1% in May, while energy prices were unchanged. Producer prices excluding food and energy increased 0.1% in May and are up 3.0% versus a year ago.
- In the past year, prices for goods are up 1.3%, while prices for services have increased 3.2%. Private capital equipment prices rose 0.6% in May and are up 3.6% in the past year.
- Prices for intermediate processed goods rose 0.1% in May and are up 1.9% versus a year ago. Prices for intermediate unprocessed goods declined 1.6% in May and are down 1.0% versus a year ago.

**Implications:** While chatter about the threat of higher inflation from tariffs has echoed across the media, producer prices haven't got the memo. Following declines in March and April, producer prices rose a modest 0.1% in May. Even the typically volatile food and energy categories had a quiet month in May, with food prices rising 0.1% and energy prices unchanged. "Core" producer prices – which exclude food and energy – also rose 0.1% in May and are up 3.0% versus a year ago, with both goods and services showing prices slightly higher last month. In a twist of irony, prices for goods, which would logically seem the area most exposed to higher import costs, rose 0.2% in May but are down at a 2.8% annualized rate over the last three months. In May, rising costs for tobacco, poultry, and gasoline were partially offset by declining costs for jet fuel, pork, and carbon steel scrap. Services, which represent a much larger share of the economy, saw prices rise 0.1% in May as final demand trade services (think margins received by wholesalers) increased 0.4%, while final demand transportation and warehousing services declined 0.2%. The Federal Reserve meets next week to discuss the path forward for rates, and while we don't anticipate a rate cut to be announced next Wednesday, they certainly have a lot to debate as their much-discussed concerns over a return of inflation pressures has proven once again that the Fed's inflation models need some tweaking. In other news this morning, initial jobless claims were unchanged last week at 248,000, while continuing claims rose 54,000 to 1.956 million. These figures are consistent with continued job growth in June, but at a slower pace than last year.



Source: Bureau of Labor Statistics/Haver Analytics



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<b>Producer Price Index</b> <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	<b>May-25</b>	<b>Apr-25</b>	<b>Mar-25</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>0.1%</b>	<b>-0.2%</b>	<b>-0.1%</b>	<b>-0.7%</b>	<b>2.3%</b>	<b>2.6%</b>
<b>Goods</b>	<b>0.2%</b>	<b>0.1%</b>	<b>-0.9%</b>	<b>-2.8%</b>	<b>1.5%</b>	<b>1.3%</b>
<b>- Ex Food &amp; Energy</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>3.5%</b>	<b>3.0%</b>	<b>2.4%</b>
<b>Services</b>	<b>0.1%</b>	<b>-0.4%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>2.7%</b>	<b>3.2%</b>
<b>Private Capital Equipment</b>	<b>0.6%</b>	<b>-0.4%</b>	<b>0.5%</b>	<b>2.4%</b>	<b>2.0%</b>	<b>3.6%</b>
<b>Intermediate Demand</b>						
<b>Processed Goods</b>	<b>0.1%</b>	<b>0.3%</b>	<b>-0.1%</b>	<b>1.7%</b>	<b>4.1%</b>	<b>1.9%</b>
<b>- Ex Food &amp; Energy</b>	<b>0.4%</b>	<b>0.5%</b>	<b>0.7%</b>	<b>6.7%</b>	<b>4.7%</b>	<b>1.6%</b>
<b>Unprocessed Goods</b>	<b>-1.6%</b>	<b>-3.7%</b>	<b>-3.9%</b>	<b>-31.2%</b>	<b>-1.3%</b>	<b>-1.0%</b>
<b>- Ex Food &amp; Energy</b>	<b>-1.4%</b>	<b>0.8%</b>	<b>1.1%</b>	<b>1.8%</b>	<b>2.9%</b>	<b>3.2%</b>
<b>Services</b>	<b>0.1%</b>	<b>-0.3%</b>	<b>0.4%</b>	<b>0.7%</b>	<b>1.7%</b>	<b>1.9%</b>

Source: Bureau of Labor Statistics