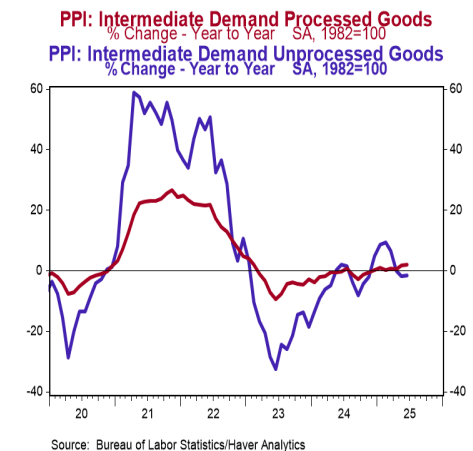
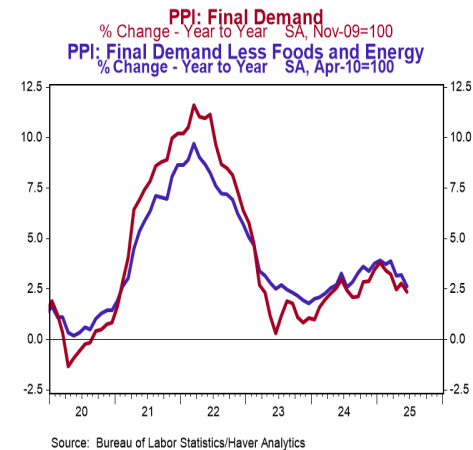


June PPI

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- The Producer Price Index (PPI) was unchanged in June, coming in below the consensus expected increase of 0.2%. Producer prices are up 2.3% versus a year ago.
- Energy prices rose 0.6% in June, while food prices increased 0.2%. Producer prices excluding food and energy were unchanged in June and are up 2.6% versus a year ago.
- In the past year, prices for goods are up 1.7%, while prices for services have increased 2.7%. Private capital equipment prices rose 0.1% in June and are up 2.8% in the past year.
- Prices for intermediate processed goods rose 0.1% in June and are up 1.9% versus a year ago. Prices for intermediate unprocessed goods increased 0.7% in June but are down 1.3% versus a year ago.

Implications: Tariff concerns remain top of mind for both the Fed and the markets, but producer prices have been telling a different story. Following outsized increases in December and January, prices have been trending comfortably below the Fed's 2% inflation target ever since, including flat to down readings in three of the past four months. The typically volatile food and energy categories stayed true to their reputation in June, with energy prices rising 0.6% and food prices up 0.2%. Meanwhile "core" producer prices – which exclude food and energy – were unchanged in June and are up 2.6% versus a year ago, as a rise in goods prices were offset by declines in prices for services. While some may point to the rise in goods prices as a sign that tariffs are raising costs for producers – and goods would logically seem the area most exposed to higher import costs – it must be noted that good prices are up at a modest 1.5% annualized rate over the last three months, and at a slower 0.8% annualized rate over the last six months. In June, communications equipment was the key category that led goods costs higher, while prices for services, which represent a much larger share of the economy, declined 0.1%, led lower by a 4.1% drop in traveler accommodation, which more than offset higher prices for machinery, equipment, parts, and supplies wholesaling. As we noted in yesterday's CPI report, tariffs can raise prices for tariffed items, but they leave less money 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 less than a percentage point since April 2022. Since January, consumer prices have risen at a 1.8% annualized rate, while producer prices are up at a 0.2% rate. We believe monetary tightness will keep inflation relatively subdued in the months ahead and that there is already room for some modest rate cuts.



Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Jun-25	May-25	Apr-25	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	0.0%	0.3%	-0.3%	0.2%	1.5%	2.3%
Goods	0.3%	0.1%	0.0%	1.5%	0.8%	1.7%
- Ex Food & Energy	0.3%	0.2%	0.3%	3.2%	3.4%	2.5%
Services	-0.1%	0.4%	-0.3%	-0.4%	1.8%	2.7%
Private Capital Equipment	0.1%	0.6%	-0.4%	0.8%	2.1%	2.8%
Intermediate Demand						
Processed Goods	0.1%	0.1%	0.3%	1.6%	3.5%	1.9%
- Ex Food & Energy	0.0%	0.5%	0.5%	3.7%	4.7%	1.6%
Unprocessed Goods	0.7%	-2.0%	-3.8%	-18.9%	-6.7%	-1.3%
- Ex Food & Energy	1.1%	-1.5%	0.8%	1.3%	8.4%	5.2%
Services	-0.1%	0.1%	-0.2%	-1.0%	0.5%	1.4%

Source: Bureau of Labor Statistics