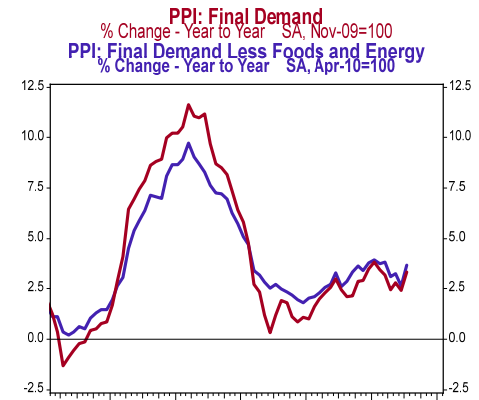


July PPI

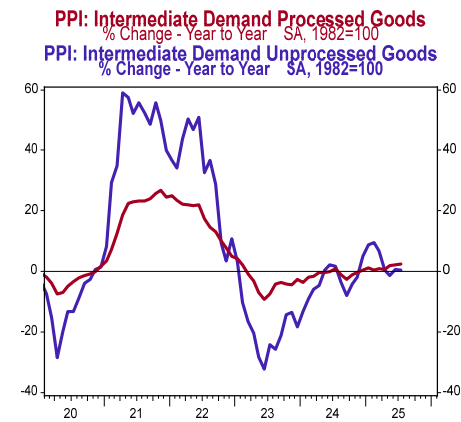
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- The Producer Price Index (PPI) rose 0.9% in July, coming in well above the consensus expected increase of 0.2%. Producer prices are up 3.3% versus a year ago.
- Energy prices rose 0.9% in July, while food prices increased 1.4%. Producer prices excluding food and energy rose 0.9% in July and are up 3.7% versus a year ago.
- In the past year, prices for goods are up 1.9%, while prices for services have increased 4.0%. Private capital equipment prices rose 1.2% in July and are up 4.4% in the past year.
- Prices for intermediate processed goods rose 0.8% in July and are up 2.1% versus a year ago. Prices for intermediate unprocessed goods increased 1.8% in July and are up 0.5% versus a year ago.

Implications: One horrible inflation headline doesn't erase the gradually easing inflation trend. Producer prices surged 0.9% in July –the largest monthly increase in more than three years. The typically volatile food and energy categories stayed true to their reputation in July, with energy prices rising 0.9% and food prices up 1.4%, but even outside of these categories, “core” producer prices – which exclude food and energy – rose 0.9% in July and are up 3.7% versus a year ago. The question on many people's minds (and certainly the Fed's) is if this outsized July increase is a reflection of tariffs starting to put upward pressure on inflation after months of showing little impact. If that is the case, you would expect goods prices – which are most exposed to higher import costs – to be the primary driver, but to-date that hasn't been the case. Yes, goods prices rose 0.7% in July, but over the last six months goods prices are up at a very modest 0.7% annualized rate, and they are up 1.9% in the past year. And more than half of the July increase in goods prices is attributable to the food and energy categories. Services prices were the key driver of higher costs in July, up 1.1%, with final demand trade services (think margins received by wholesalers) jumping 2.0% and accounting for over half of the July increase. We wouldn't put too much emphasis on one single month's data, it is the trend in prices that provides a better reflection of inflation dynamics, and we expect the modest inflation trend that has been in place over the past six months will continue in the months ahead. 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 only 1.2% since April 2022. We believe monetary tightness will keep inflation relatively subdued and that there is already room for modest rate cuts. In other news, initial jobless claims declined 3,000 to 224,000 last week while continuing claims fell 15,000 to 1.968 million. These figures are consistent with continued job growth in August, but at a slower pace than last year.



Source: Bureau of Labor Statistics/Haver Analytics



Source: Bureau of Labor Statistics/Haver Analytics

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Jul-25	Jun-25	May-25	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Final Demand	0.9%	0.0%	0.4%	5.4%	2.1%	3.3%
Goods	0.7%	0.3%	0.1%	4.4%	0.7%	1.9%
- Ex Food & Energy	0.4%	0.2%	0.3%	3.5%	3.7%	2.8%
Services	1.1%	-0.1%	0.5%	6.0%	2.7%	4.0%
Private Capital Equipment	1.2%	0.0%	0.8%	8.3%	3.2%	4.4%
Intermediate Demand						
Processed Goods	0.8%	0.0%	0.1%	3.6%	3.0%	2.1%
- Ex Food & Energy	0.5%	0.0%	0.5%	4.0%	5.1%	2.0%
Unprocessed Goods	1.8%	2.6%	-1.8%	10.6%	-9.8%	0.5%
- Ex Food & Energy	2.0%	0.7%	-1.3%	5.4%	9.8%	6.5%
Services	0.8%	0.1%	0.1%	3.9%	2.1%	2.0%

Source: Bureau of Labor Statistics