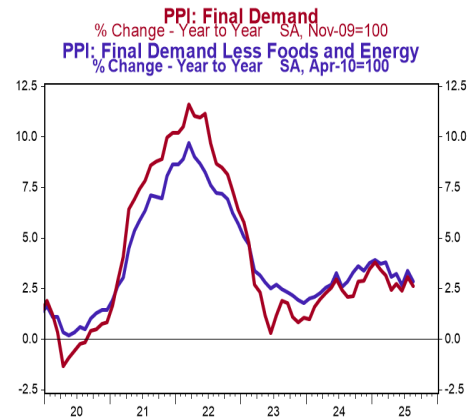


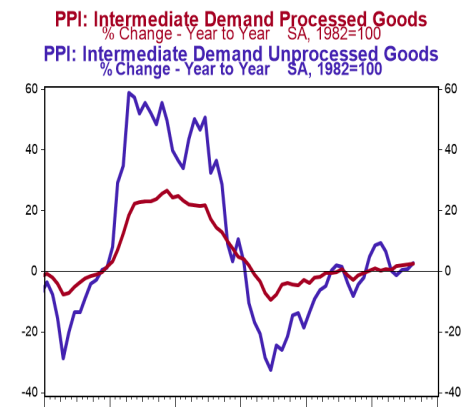
August PPI

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- The Producer Price Index (PPI) declined 0.1% in August, coming in well below the consensus expected increase of 0.3%. Producer prices are up 2.6% versus a year ago.
- Energy prices fell 0.4% in August, while food prices increased 0.1%. Producer prices excluding food and energy declined 0.1% in August but are up 2.8% versus a year ago.
- In the past year, prices for goods are up 2.1%, while prices for services have increased 2.9%. Private capital equipment prices declined 0.5% in August but remain up 2.5% in the past year.
- Prices for intermediate processed goods rose 0.4% in August and are up 2.6% versus a year ago. Prices for intermediate unprocessed goods declined 1.1% in August but are up 3.0% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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Implications: Producer prices surprised to the downside in August, declining 0.1% following an unusually large increase in July. Among the typically volatile food and energy categories, energy prices declined 0.4% in August while food prices rose 0.1%. Excluding these categories, “core” producer prices declined 0.1% in August, matching the headline reading, although these prices are up 2.8% versus a year ago. While tomorrow’s report on consumer prices will likely hold more weight in the Fed’s decision-making process when they meet next week, it looks virtually certain that they will re-start rate cuts that have been on hold since the start of the year. The Fed remains concerned that tariffs will push prices higher at some point, but the data haven’t matched their expectations. In the past six months, goods prices – which are most exposed to higher import costs – are up a very modest 0.5% at an annualized rate. Services prices are up at a 1.4% annualized rate over the same time period, suggesting the downward trend in inflation remains in place. As we noted in prior reports, tariffs can raise prices for tariffed items, but they leave less money for consumers 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 1.7% since April 2022. We believe monetary tightness will keep inflation relatively subdued and that there is room for modest rate cuts. In other recent news, the Bureau of Labor Statistics released initial benchmark revisions to nonfarm payrolls for the twelve months ending March 2025, estimating that payrolls during this period grew 911,000 less than previously reported. With these revisions, it is now estimated that the US economy added around 71,000 nonfarm jobs per month during the year ending March 2025, versus a prior estimate of 147,000. Slower job growth during this timeframe is consistent with the drop in the M2 measure of the money supply from early 2022 through late 2023 and there may be even slower job growth in the year ahead due to the lags associated with a tighter monetary policy as well as the temporary effects of slower growth in the federal budget deficit.

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Aug-25	Jul-25	Jun-25	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	-0.1%	0.7%	0.1%	2.5%	1.1%	2.6%
Goods	0.1%	0.6%	0.3%	4.6%	0.5%	2.1%
- Ex Food & Energy	0.3%	0.4%	0.2%	3.7%	3.7%	2.9%
Services	-0.2%	0.7%	-0.1%	1.6%	1.4%	2.9%
Private Capital Equipment	-0.5%	0.8%	0.0%	1.4%	2.3%	2.5%
Intermediate Demand						
Processed Goods	0.4%	0.7%	0.1%	4.6%	2.9%	2.6%
- Ex Food & Energy	0.4%	0.5%	-0.1%	3.3%	5.2%	2.5%
Unprocessed Goods	-1.1%	2.3%	2.3%	14.4%	-11.7%	3.0%
- Ex Food & Energy	-0.5%	2.6%	0.7%	11.4%	7.0%	7.7%
Services	0.3%	0.7%	0.0%	4.3%	2.5%	2.1%

Source: Bureau of Labor Statistics