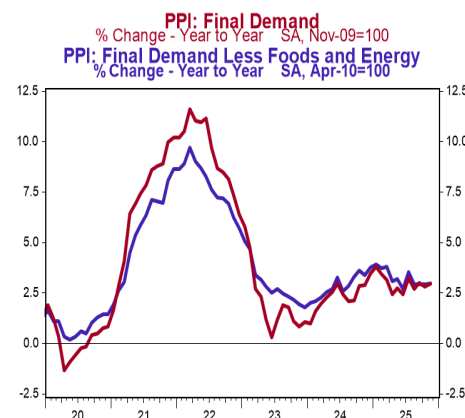


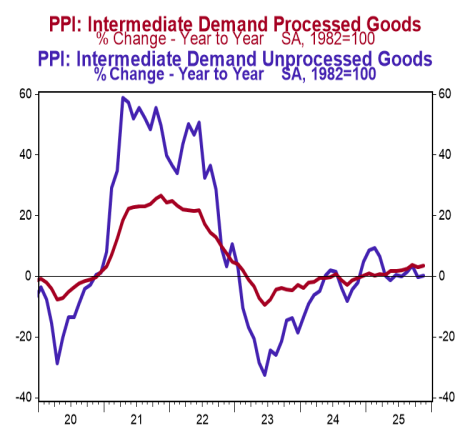
November PPI

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

- The Producer Price Index (PPI) rose 0.2% in November, matching consensus expectations. Producer prices are up 3.0% versus a year ago.
- Energy prices rose 4.6% in November, while food prices were unchanged. Producer prices excluding food and energy were unchanged in November but are up 3.0% versus a year ago.
- In the past year, prices for goods are up 3.2%, while prices for services have increased 2.9%. Private capital equipment prices rose 0.2% in November and are up 2.0% in the past year.
- Prices for intermediate processed goods rose 0.6% in November and are up 3.6% versus a year ago. Prices for intermediate unprocessed goods increased 0.4% in November and are up 0.1% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



Source: Bureau of Labor Statistics/Haver Analytics

Implications: Producer prices rose 0.2% in November, matching consensus expectations, but the rise was heavily influenced by energy prices which spiked 4.6% in November (the largest monthly increase in more than two years). Excluding energy and food - another typically volatile category - shows “core” producer prices were unchanged in November but remain up 3.0% versus a year ago. Yes, that’s above the 2% level targeted by the Fed, but it represents an improvement from the 3.4% reading for the twelve months ending November 2024. Inflation readings have been muddled by the government shutdowns that stopped the normal flow of data gathering, but what has remained clear is that many of the Fed’s concerns for 2025 – most notably a resurgence of inflation pressures due to tariffs implemented earlier in the year – haven’t materialized. This isn’t the first time that Fed forecasts have missed the mark, and until they improve their models, we don’t expect the accuracy of their forecasts to improve. The Fed remains concerned that tariffs will push overall prices higher at some point, but the data have not fully cooperated. It’s true that goods prices – which are most exposed to higher import costs – are up at a notable 5.1% annual rate over the past six months, but that rise has been largely offset by a moderation in services prices, up at a 2.6% rate over the same period. For comparison, services prices were up at a 3.8% annualized rate over the same period last year. Put simply, tariffs can raise prices for tariffed items, but they leave less money for consumers left over for other goods and services. Sustained movements in overall inflation are led by the money supply, which is up only 2.6% since April 2022. Volatility may continue month-to-month, but we expect this monetary tightness will keep inflation relatively subdued, leaving room for rate cuts to continue at some point in 2026.

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Nov-25	Oct-25	Sep-25	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Final Demand	0.2%	0.1%	0.6%	3.9%	3.4%	3.0%
Goods	0.9%	-0.4%	0.8%	5.6%	5.1%	3.2%
- Ex Food & Energy	0.2%	0.4%	0.2%	3.4%	3.6%	3.3%
Services	0.0%	0.3%	0.5%	3.0%	2.6%	2.9%
Private Capital Equipment	0.2%	-0.2%	0.3%	0.9%	1.6%	2.0%
Intermediate Demand						
Processed Goods	0.6%	-0.3%	0.3%	2.2%	3.3%	3.6%
- Ex Food & Energy	0.1%	0.1%	0.2%	1.5%	2.2%	3.8%
Unprocessed Goods	0.4%	-1.4%	0.0%	-4.1%	2.0%	0.1%
- Ex Food & Energy	1.1%	3.4%	1.4%	25.9%	16.6%	10.1%
Services	0.2%	0.3%	0.3%	3.2%	3.3%	2.5%

Source: Bureau of Labor Statistics