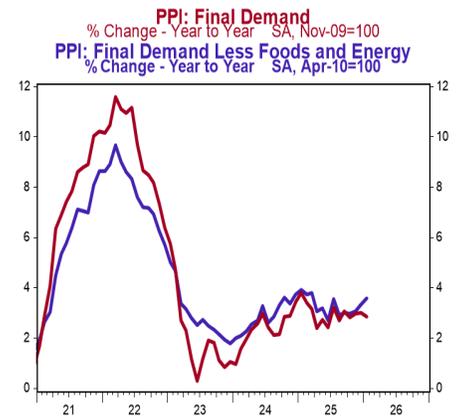


January PPI

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- The Producer Price Index (PPI) rose 0.5% in January, coming in above the consensus expected +0.3%. Producer prices are up 2.9% versus a year ago.
- Energy prices fell 2.7% in January, while food prices declined 1.5%. Producer prices excluding food and energy rose 0.8% in January and are up 3.6% versus a year ago.
- In the past year, prices for goods are up 1.6%, while prices for services have increased 3.4%. Private capital equipment prices rose 0.7% in January and are up 2.9% in the past year.
- Prices for intermediate processed goods were unchanged in January and are up 2.6% versus a year ago. Prices for intermediate unprocessed goods declined 0.5% in January and are down 6.1% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



Source: Bureau of Labor Statistics/Haver Analytics

Implications: The key to producer prices is to watch the trend, not one-off volatile readings. Producer prices started 2026 by rising 0.5% in January, despite falling prices from the typically volatile food and energy categories. But even with the outsized monthly reading, producer prices moderated on a year-ago basis and are up 2.9% versus January 2025. A look at the details shows the jump in January itself was concentrated and unlikely to sustain in the months ahead. Over twenty percent of the increase came from a rise in margins for machinery and equipment wholesaling, which rose 14.4%. As a result, prices for the broader services category rose 0.8% in January and are up 3.4% in the past year. Many likely assumed it would be goods prices that would be leading inflation higher, given the higher tariff rates implemented under President Trump, but goods prices declined 0.3% in January (this was before the Supreme Court ruling that moved tariff rates) and are up a modest 1.6% in the past year. It must be noted the January goods reading was muted by the abovementioned declining prices for energy (-2.7%) and food (-1.5%). “Core” producer prices – which excludes those typically volatile categories — rose 0.8% in January, tied for the largest month increase since mid-2022. We don’t expect the wholesale margins that pushed January producer prices higher will continue in the months ahead. Again, watch the trend, not one-off readings. Sustained movements in overall inflation are led by the money supply, which rose 0.3% in January, is up 4.3% in the past year (historically, M2 growth has averaged around 6% per year). Volatility may continue month-to-month, but we expect this monetary tightness will keep inflation relatively subdued, leaving room for rate cuts to restart at some point later in 2026. In other recent news, initial jobless claims rose 4,000 last week to 212,000, while continuing claims declined 31,000 to 1.833 million. This is consistent with modest job growth in February. On the housing front, the FHFA index rose 0.1% in December and is up 1.8% in the past year, while the national Case-Shiller index rose 0.4% in December and is up 1.3% from a year ago. Expect only modest gains in home prices to continue given a deceleration in rents, which means potential homebuyers have less motivation to buy. On the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory activity, fell to -10 in February from -6 in January, while the Kansas City Fed Manufacturing Index rose to 5 in February from a reading of 0 in January.

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Jan-26	Dec-25	Nov-25	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	0.5%	0.4%	0.2%	4.7%	3.5%	2.9%
Goods	-0.3%	-0.1%	0.7%	1.2%	1.9%	1.6%
- Ex Food & Energy	0.7%	0.4%	0.2%	5.3%	4.7%	4.2%
Services	0.8%	0.7%	0.1%	6.3%	4.1%	3.4%
Private Capital Equipment	0.7%	0.9%	0.1%	7.3%	2.6%	2.9%
Intermediate Demand						
Processed Goods	0.0%	0.0%	0.5%	2.2%	2.1%	2.6%
- Ex Food & Energy	0.5%	0.7%	0.1%	5.4%	4.3%	3.0%
Unprocessed Goods	-0.5%	1.9%	1.2%	10.7%	-2.2%	-6.1%
- Ex Food & Energy	2.6%	2.4%	0.8%	25.8%	21.2%	15.2%
Services	0.3%	0.6%	0.2%	4.7%	3.7%	2.9%

Source: Bureau of Labor Statistics