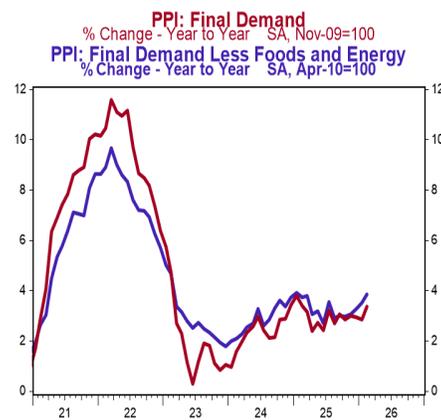


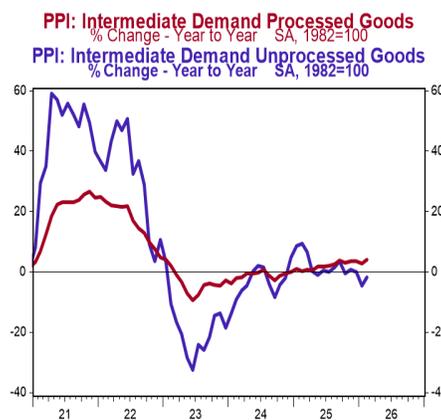
February PPI

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- The Producer Price Index (PPI) rose 0.7% in February, coming in well above the consensus expected +0.3%. Producer prices are up 3.4% versus a year ago.
- Energy prices increased 2.3% in February, while food prices increased 2.4%. Producer prices excluding food and energy rose 0.5% in February and are up 3.9% versus a year ago.
- In the past year, prices for goods are up 2.5%, while prices for services have increased 3.8%. Private capital equipment prices rose 0.2% in February and are up 3.3% in the past year.
- Prices for intermediate processed goods increased 1.6% in February and are up 4.0% versus a year ago. Prices for intermediate unprocessed goods rose 3.1% in February and are down 1.7% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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Implications: Producer prices rose sharply higher in February, increasing 0.7%, and up 3.4% from a year ago. In contrast to prior months, the increase was broad-based, with both the headline and core readings beating consensus expectations. As a result, what little odds of a March rate cut that might have existed before this report should go to zero. However, a look at the details shows a slightly less cautionary story. More than half the gain in February was due to a 0.5% increase in service costs. Service costs have risen significantly in the past three months, up at an 8.1% annualized rate in that timeframe. However, with volatile readings from trade and transportation due to the Supreme Court ruling on the Trump Administration’s tariff policies, stripping out these categories offers a deeper look at the underlying trends. A version of “core” services, which excludes the categories of trade, transportation, and warehousing increased 0.6% in February, but is up at a more moderate 3.4% annualized rate in the past three months. Many assumed it would be goods prices that would lead inflation higher, given the higher tariff rates under President Trump, and while goods prices increased 1.1% in February, twenty percent of the rise is due to a 48.9% jump in vegetables. On top of that, the strong February reading follows two months of price declines, meaning goods prices are up a much slower 2.5% in the past year. It must be noted that while the goods reading was propelled by the rise in prices for energy (+2.3%) and food (+2.4%), “core” producer prices – which excludes those typically volatile categories – also rose 0.5% in February. Expect volatility in the months ahead as the ongoing war in Iran puts pressure on oil prices and disrupts global supply chains. However, sustained movements in overall inflation are led by the money supply, which is up 4.3% in the past year versus the 6% trend prior to COVID when inflation remained low. Volatility may continue month-to-month, but we expect this monetary tightness will bring inflation down, eventually leaving room for rate cuts to restart at some point later in 2026. In other recent news, pending home sales, which are contracts on existing homes, rose 1.8% in February, following a 1.0% decline in January, suggesting a modest rise in existing home sales (counted at closing) in March.

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Feb-26	Jan-26	Dec-25	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	0.7%	0.5%	0.4%	6.6%	5.3%	3.4%
Goods	1.1%	-0.2%	-0.1%	3.3%	4.1%	2.5%
- Ex Food & Energy	0.3%	0.7%	0.4%	6.1%	4.8%	4.3%
Services	0.5%	0.8%	0.6%	8.1%	5.8%	3.8%
Private Capital Equipment	0.2%	0.5%	1.1%	7.2%	4.1%	3.3%
Intermediate Demand						
Processed Goods	1.6%	0.1%	0.1%	7.3%	5.0%	4.0%
- Ex Food & Energy	0.8%	0.5%	0.8%	9.0%	5.3%	4.7%
Unprocessed Goods	3.1%	0.9%	2.1%	27.3%	11.7%	-1.7%
- Ex Food & Energy	1.1%	3.2%	2.2%	29.2%	26.3%	15.4%
Services	0.8%	0.6%	0.5%	7.8%	5.7%	3.7%

Source: Bureau of Labor Statistics