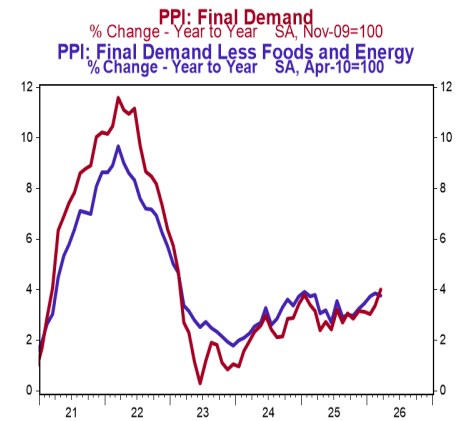


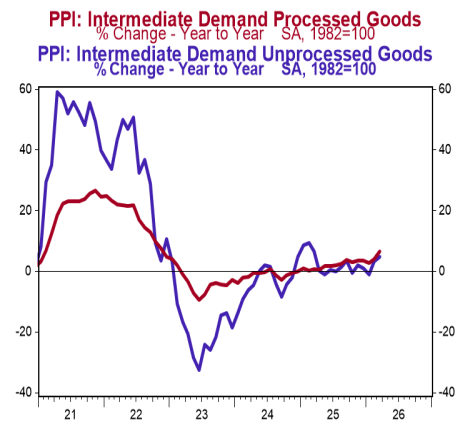
March PPI

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- The Producer Price Index (PPI) rose 0.5% in March, coming in well below the consensus expected +1.1%. Producer prices are up 4.0% versus a year ago.
- Energy prices increased 8.5% in March, while food prices declined 0.3%. Producer prices excluding food and energy rose 0.1% in March and are up 3.8% versus a year ago.
- In the past year, prices for goods are up 4.9%, while prices for services have increased 3.7%. Private capital equipment prices were unchanged in March and are up 3.2% in the past year.
- Prices for intermediate processed goods increased 2.6% in March and are up 6.6% versus a year ago. Prices for intermediate unprocessed goods declined 2.6% in March but are up 4.9% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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Implications: Rising oil costs pushed producer prices higher in March, but details below the surface show inflation pressures more subdued. Following in the footsteps of last week’s [CPI report](#), inflation accelerated in March as energy costs rose 8.5%, the largest single-month jump since mid-2022. In contrast, food prices – the other typically volatile category in the PPI report – declined 0.3%. Stripping out both food and energy shows that “core” prices rose a modest 0.1% in March. But this leaves a complicated picture for the Fed, which will take energy prices and geopolitical uncertainty into account when the FOMC next meets in two weeks. The Fed looks very likely to signal plans to leave rates unchanged for the foreseeable future, and we believe rate cuts will remain on the backburner even once Chair Powell’s term as Chair is completed in May, whether Kevin Warsh has been confirmed or not. If the Iran conflict ends sooner rather than later – and if that brings a return towards oil prices where they were back in February – rate cuts discussion could resurface later in the year. Looking at the details of today’s report shows that inflation was concentrated in goods, with services prices unchanged in March. The majority of the 1.6% increase in goods prices was related to energy, and stripping out just the energy component shows goods prices up 0.1% for the month. Services costs were flat in March as a rise in prices for transportation and warehousing services (think companies passing through fuel costs) was offset by a decline in the margins received by wholesalers and retailers. In the past year, producer prices are up 4.0%, well above the Fed’s 2.0% inflation target and notably above the 3.2% rate for the twelve months ending March 2025. “Core” prices are up 3.8% from a year ago, exactly matching the pace recorded in March of last year. Expect volatility to continue in the months ahead as the ongoing conflict 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 4.9% in the past year versus the 6% trend prior to COVID when inflation remained low. We expect this monetary tightness will eventually bring inflation down, leaving room for rate cuts to restart at some point later this year.

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Mar-26	Feb-26	Jan-26	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Final Demand	0.5%	0.5%	0.6%	6.4%	5.1%	4.0%
Goods	1.6%	1.0%	-0.1%	10.5%	6.2%	4.9%
- Ex Food & Energy	0.2%	0.3%	0.7%	5.2%	4.8%	4.1%
Services	0.0%	0.3%	0.8%	4.8%	4.6%	3.7%
Private Capital Equipment	0.0%	-0.1%	0.5%	1.7%	3.5%	3.2%
Intermediate Demand						
Processed Goods	2.6%	1.6%	0.1%	18.6%	10.0%	6.6%
- Ex Food & Energy	0.7%	0.8%	0.5%	8.0%	6.2%	7.4%
Unprocessed Goods	-2.6%	4.8%	3.4%	23.7%	18.7%	4.9%
- Ex Food & Energy	0.2%	0.9%	3.5%	19.3%	33.0%	18.9%
Services	-0.1%	0.4%	0.6%	3.7%	4.3%	2.9%

Source: Bureau of Labor Statistics