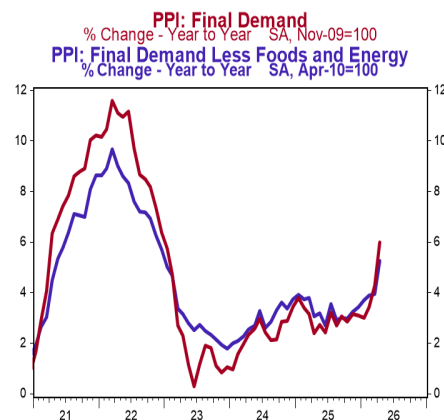


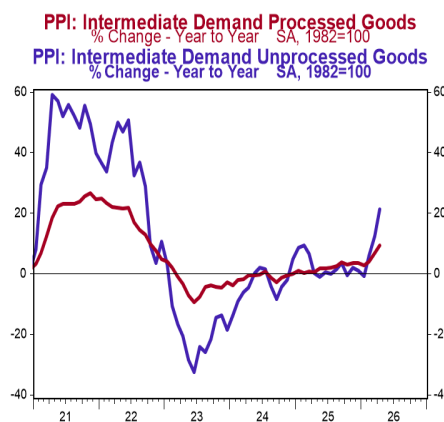
# April PPI

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- The Producer Price Index (PPI) rose 1.4% in April, coming in well above the consensus expected +0.5%. Producer prices are up 6.0% versus a year ago.
- Energy prices increased 7.8% in April, while food prices rose 0.2%. Producer prices excluding food and energy rose 1.0% in April and are up 5.2% versus a year ago.
- In the past year, prices for goods are up 7.4%, while prices for services have increased 5.5%. Private capital equipment prices rose 1.2% in April and are up 5.3% in the past year.
- Prices for intermediate processed goods increased 2.7% in April and are up 9.4% versus a year ago. Prices for intermediate unprocessed goods rose 4.1% in April and are up 20.9% versus a year ago.



Source: Bureau of Labor Statistics/Haver Analytics



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**Implications:** The producer price index rose at the fastest pace in more than four years as the ongoing conflict in the Middle East pushed energy prices higher in April. But inflation pressures proved more broad based than just oil. While energy prices jumped 7.8% led by a 15.6% surge in the cost of gasoline, and food prices rose a more modest 0.2%, producer prices excluding these two typically volatile categories rose 1.0%, also the largest move since early 2022. In fact, more than half of the April increase in producer prices came from services, which rose 1.2% led by final demand trade services, which measures the margins received by wholesalers and retailers. Transportation and warehousing services – which are impacted by higher fuel costs which companies are passing along to customers – also showed a notable rise in April. On the goods side, energy represented more than three-quarters of the 2.0% monthly jump in prices. Further back in the supply chain, prices for unprocessed and processed intermediate goods rose 4.1% and 2.7% respectively. Here price pressures were overwhelmingly led by energy processing. If the Iran conflict ends sooner rather than later – and if that brings a return toward oil prices where they were back in February – inflation pressures should ease in the later parts of 2026. Until then, incoming Fed Chair Kevin Warsh and the FOMC are unlikely to do anything with rates. Instead, his early days are likely to be distracted by how to handle current Chair Jerome Powell (his term as chairman ends this Friday) who announced that he will remain on the Fed Board of Governors, which means he will retain a seat as a voting member on the FOMC. That leaves Warsh as a chairman in name only, and any plans to shrink the size of the Fed’s balance sheet will be on the back burner. We expect volatility and uncertainty 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 4.6% 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 once the conflict in the Middle East dies down.

Producer Price Index <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Apr-26	Mar-26	Feb-26	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Final Demand</b>	<b>1.4%</b>	0.7%	0.6%	11.1%	8.2%	6.0%
<b>Goods</b>	<b>2.0%</b>	1.9%	1.0%	21.4%	11.5%	7.4%
- Ex Food & Energy	<b>0.7%</b>	0.3%	0.3%	5.3%	5.4%	4.6%
<b>Services</b>	<b>1.2%</b>	0.2%	0.4%	7.3%	7.1%	5.5%
<b>Private Capital Equipment</b>	<b>1.2%</b>	0.5%	-0.1%	6.7%	7.8%	5.3%
<b>Intermediate Demand</b>						
<b>Processed Goods</b>	<b>2.7%</b>	2.8%	1.5%	31.9%	16.6%	9.4%
- Ex Food & Energy	<b>1.5%</b>	0.7%	0.8%	12.8%	9.2%	10.4%
<b>Unprocessed Goods</b>	<b>4.1%</b>	1.8%	7.2%	66.8%	51.9%	20.9%
- Ex Food & Energy	<b>-1.0%</b>	0.8%	0.9%	2.6%	24.1%	17.0%
<b>Services</b>	<b>1.1%</b>	-0.1%	0.4%	5.7%	5.9%	4.4%

Source: Bureau of Labor Statistics