

U.S. Data Review

- PPI: sharp deceleration in producer prices

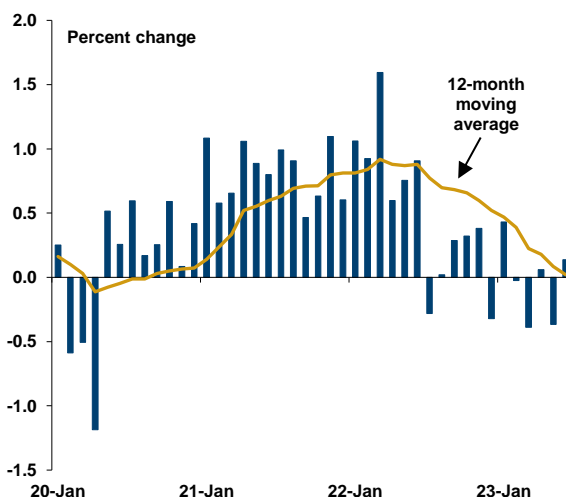
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June PPI

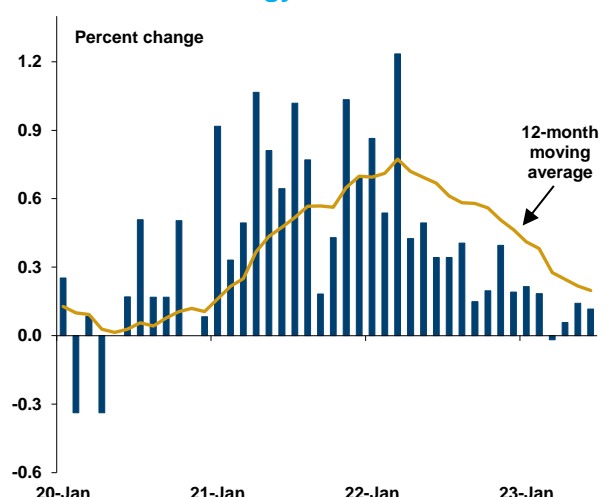
- Both the headline PPI and prices excluding food and energy rose 0.1 percent in June, slower than the consensus expectation of advances of 0.2 percent. The averages of 0.0 percent per month thus far in 2023 for the headline index and 0.1 percent for prices excluding food and energy stand in contrast to average monthly increases in 2022 of 0.5 percent for both headline and ex. food and energy (charts). The latest shifts translated to year-over-year increases 0.1 percent and 2.4 percent, respectively, down from 0.9 percent and 2.6 percent in May.
- The food component eased for the fifth time in the past six months (-0.1 percent). Food prices averaged declines of 0.9 percent per month in the first six months of 2023 versus average jumps of 1.1 percent per month in 2022. Prices increased 0.2 percent year-over-year, slowing sharply from the cycle peak of 16.3 percent last April.
- The energy component rose 0.7 percent in June, but the pickup followed a plunge of 6.8 percent in May. Energy prices at the producer level have fallen on average 1.2 percent per month in 2023 versus increases of 0.8 percent per month in 2022. On a year-over-year basis, broad energy prices fell 23.9 percent in June.
- Prices excluding food and energy rose modestly (+0.1 percent in June; 2023 average of 0.1 percent versus 0.5 percent in 2022). The year-over-year advance moderated to 2.4 percent from 2.6 percent in May and the recent high of 9.7 percent in March of last year. Goods prices excluding food and energy slipped 0.2 percent in the latest month, while service prices increased a restrained 0.2 percent. Construction prices were unchanged on a month-to-month basis.
- The subdued reading on inflation at the producer level, along with the favorable CPI yesterday (both headline and core rose 0.2 percent), support the view that inflation in the U.S. is moderating. We suspect that Fed officials are not yet ready to declare victory, but the latest data signal that risks on inflation are shifting and that additional policy tightening beyond that suggested in the June dot plot (median federal funds rate of 5.625 percent) is increasingly unlikely.

PPI



Source: Bureau of Labor Statistics via Haver Analytics

PPI Ex. Food & Energy



Source: Bureau of Labor Statistics via Haver Analytics

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