

U.S. Data Review

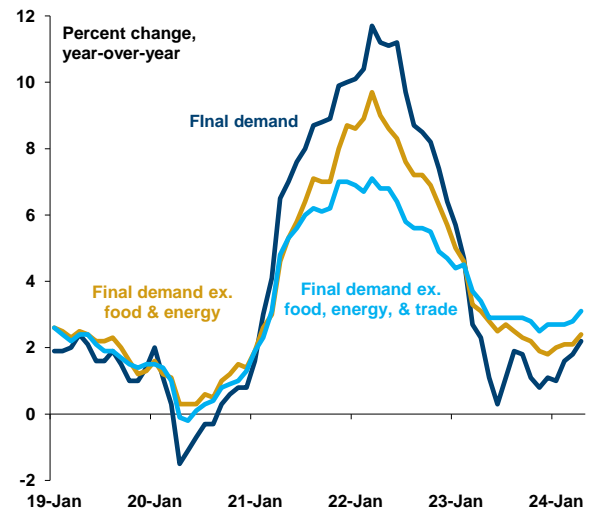
- PPI: high-side reading in April; pressure in energy & services

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PPI

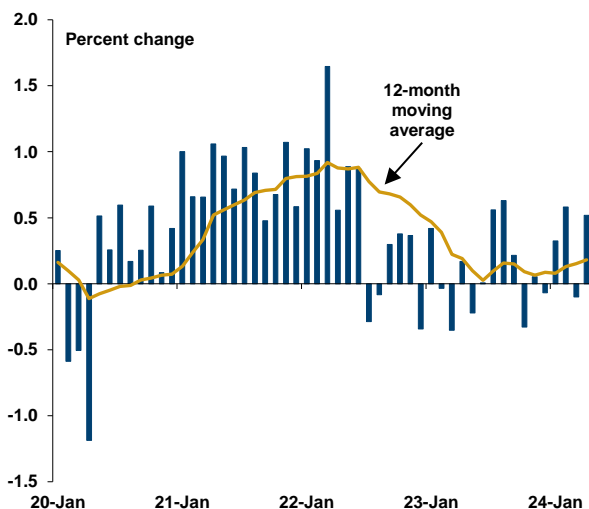
- The PPI increased 0.5 percent in April, above the Bloomberg median expectation of 0.3 percent, with the PPI excluding food and energy and the core (ex. food, energy and trade services) also printing above expectations (0.5 percent and 0.4 percent, respectively, versus 0.2 percent anticipated for both; charts below). The April readings translated to year-over-year advances of 2.2 percent for the headline (versus 1.8 percent in March), 2.4 percent for final demand excluding food and energy (versus 2.1 percent in March), and 3.1 percent for final demand excluding food, energy, and trade services (versus 2.8 percent in March; chart, right).
- Pressure in the energy component (+2.0 percent) contributed importantly to the jump in the headline measure, although the advance followed a drop of 1.3 percent in the prior month. Despite the brisk increase, prices rose only modestly on a year-over-year basis (+1.0 percent).
- The food component provided a partial offset to pressure in energy with a decline of 0.7 percent. Food prices rose 0.5 percent on a year-over-year basis, matching the reading in the previous month and suggesting that the trajectory has returned to the benign pre-pandemic trend.

PPI Inflation



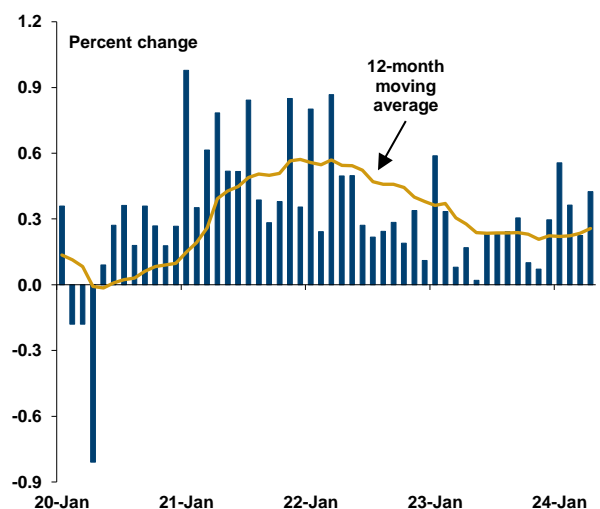
Source: Bureau of Labor Statistics via Haver Analytics

Headline PPI



Source: Bureau of Labor Statistics via Haver Analytics

PPI Ex. Food, Energy, & Trade Services*



* Prices received by domestic producers of good and services excluding food, energy, and trade services.

Source: Bureau of Labor Statistics via Haver Analytics

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- Goods prices excluding food and energy rose 0.3 percent, the second firm advance in the past three months (prices jumped 0.4 percent in February). Despite the recent pickup, the year-over-year increase of 1.6 percent was up only modestly from the 1.4 percent reading in March and indicative of little pipeline pressure. On the point, the core goods component of the CPI declined 0.7 percent year-over-year in March (latest available), in line with the favorable pre-pandemic trend.
- Service prices, the other source of pressure in April (accounting for approximately three-quarters of the advance in final demand), rose 0.6 percent (+2.7 percent year-over-year, up from 2.4 percent in March). The trade services component, which estimates growth of wholesale and retail margins, rose 0.8 percent after a drop of 1.0 percent in the prior month (-0.3 percent year-over-year in April). Transportation and warehousing services, in contrast, eased 0.6 percent (+0.3 percent year-over-year). Final demand services less trade services and the volatile transportation and warehousing component advanced 0.6 percent (+4.4 percent year-over-year versus +4.2 percent in March).
- On balance, the PPI results for April were firmer than expected. However, the results for producer prices correlate only loosely to those for measures of consumer inflation. That said, recent quotes on energy prices suggest that pressure in that component also carried across to the CPI and PCE price indexes in April. Additionally, we still anticipate firm readings on core consumer inflation metrics in the latest month as service prices have remained under pressure in 2024 thus far.