



Economics Group

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Producer Prices Start Q2 on an Accelerating Note

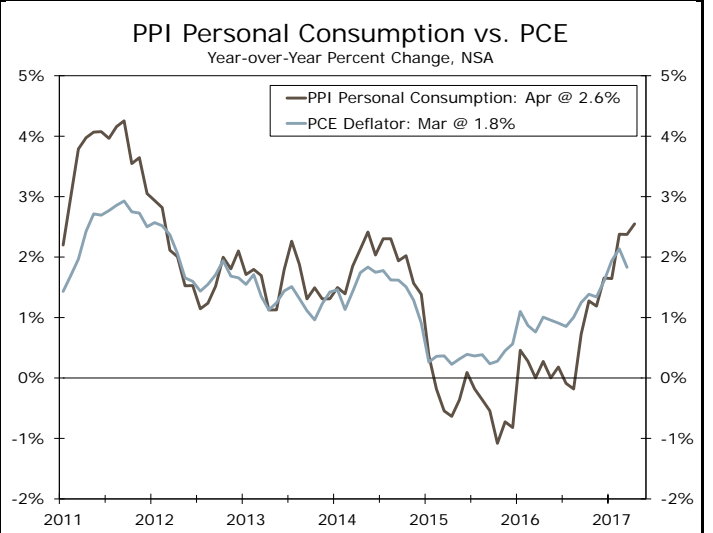
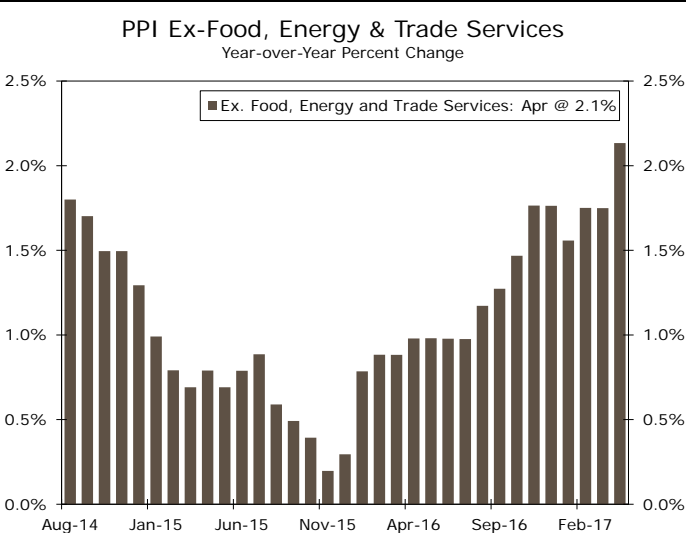
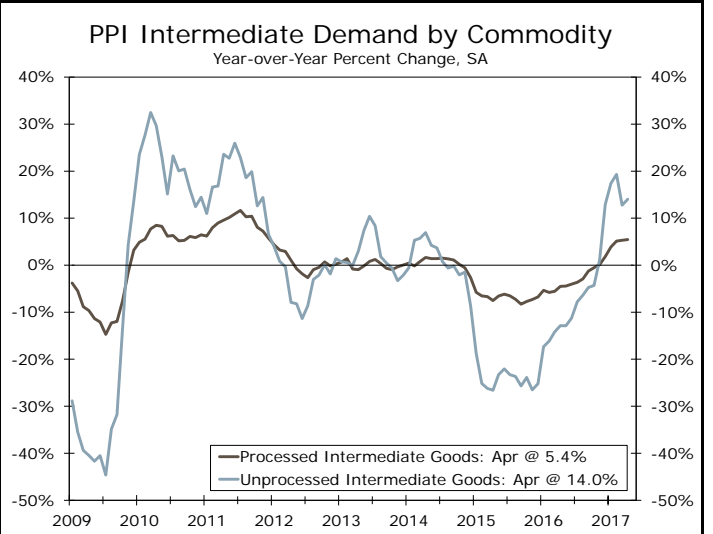
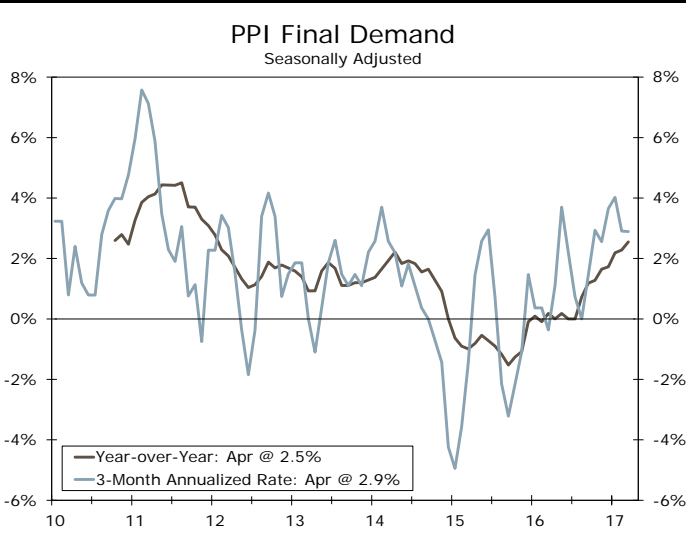
Led by a rebound in services prices, the PPI for final demand increased 0.5 percent in April. Excluding food, energy and trade services, producer inflation is running at its fastest annual pace on record.

March Weakness “Transitory”

- Proving March’s modest decline was short-lived, PPI for final demand increased at a stronger-than-expected 0.5 percent in April. Price gains were broad based with solid increases in food (0.9 percent), energy (0.8 percent) and services (0.4 percent).
- Ex-food, energy and trade services—our preferred measure of PPI—jumped 0.7 percent on the month and is rising at its fastest annual pace on record at 2.1 percent.

Pipeline Pressures Also Building

- Prices for intermediate goods increased for the eighth consecutive month, up 0.5 percent, while unprocessed goods partially retraced March’s decline, increasing 3.3 percent.
- With gains broad based and annual rates in the headline and core measures standing at a series high, today’s PPI report signals stronger inflation pressures at the start of Q2 and also keeps the Fed on track for a June interest rate hike.



Source: U.S. Department of Labor, U.S. Department of Commerce and Wells Fargo Securities

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