



Economics Group

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Producer Price Inflation: Pandemic Effects Unwinding

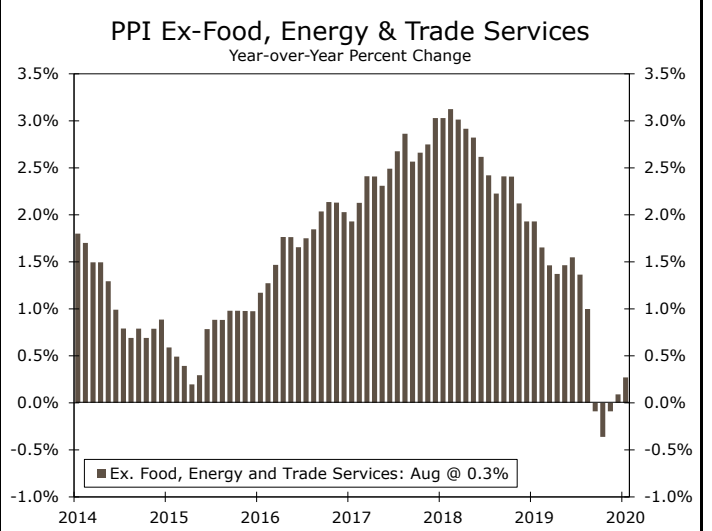
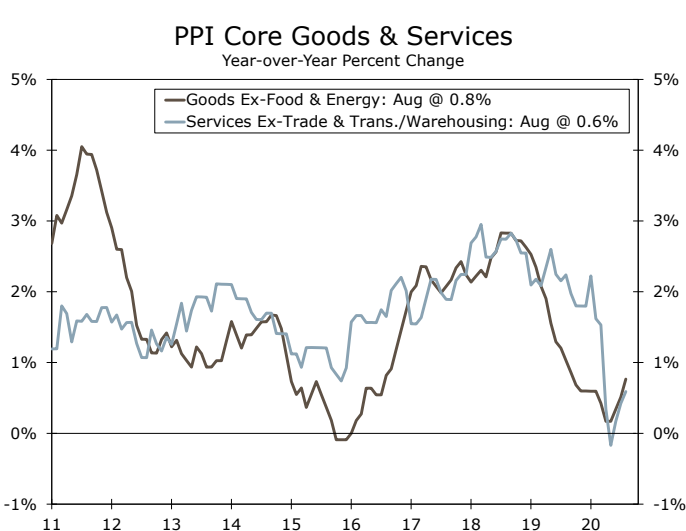
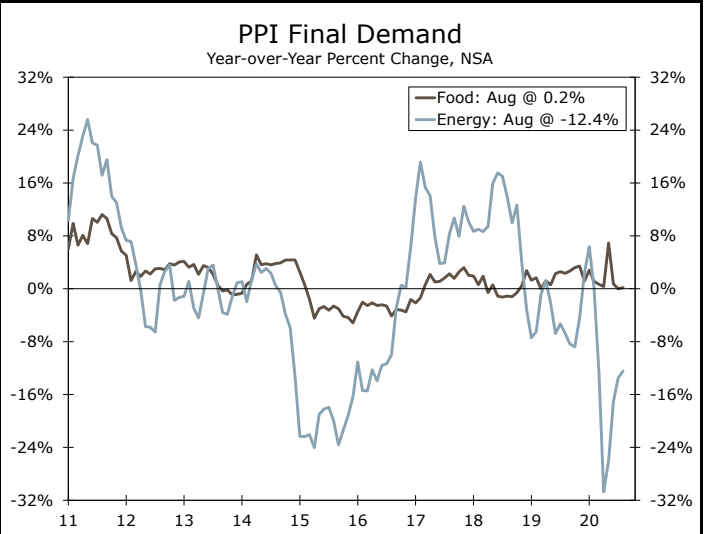
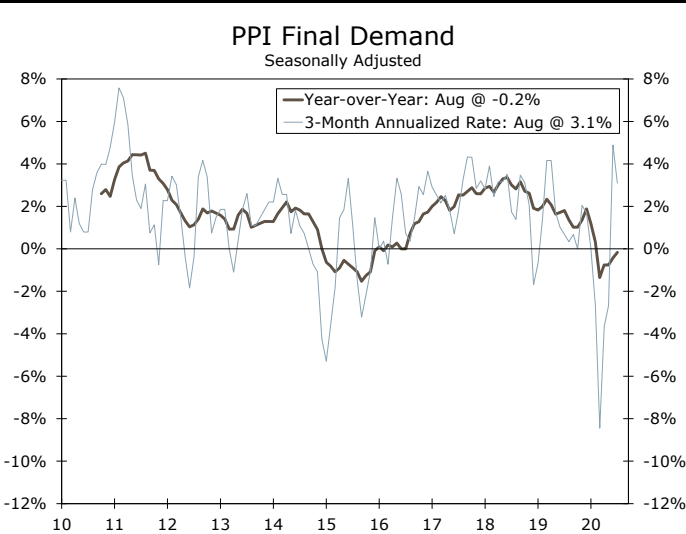
PPI inflation rose 0.3% in August, driven by gains in core goods and services. The pandemic-related price distortions are reversing, but the trend in inflation will remain subdued for some time.

Gains Across the Core

- The August PPI offered further evidence that the worst of the disinflationary impulse of the pandemic is over. Producer prices rose 0.3% last month. Goods prices ticked up 0.1% despite declines in both food and energy costs. Meanwhile, services prices rose 0.5%. While that was in large part driven by trade services (measured in margins and a good sign for corporate profits), transportation and other services both increased.

Food Price Inflation Simmering Down

- While categories where demand collapsed earlier this year are seeing prices recover, the jump in food prices caused by consumers stocking up at groceries at the same time of supply disruptions has been unwound.
- On a year-over-year basis, our preferred measure of core inflation edged up to 0.3%. While inflation may be turning up again, the overall trend will remain subdued amid generally weak demand.



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

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