

Economic Indicator — June 15, 2021

## PPI: Input Costs Continue to Tear Higher

### Summary

The Producer Price Index for final demand surprised to the upside in May, rising 0.8%. While last week's CPI data already confirmed end-prices are rising at the fastest clip in more than a decade, the PPI showed no let up in sight with intermediate costs continuing to pick up further back in the pipeline.

Economist(s)

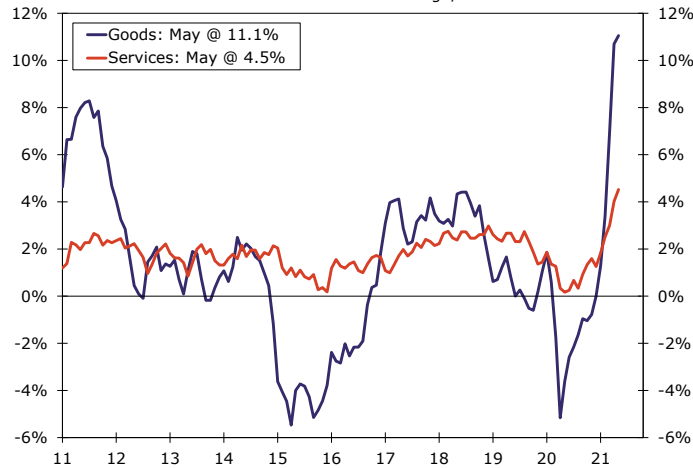
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## Staring Down the Pipeline

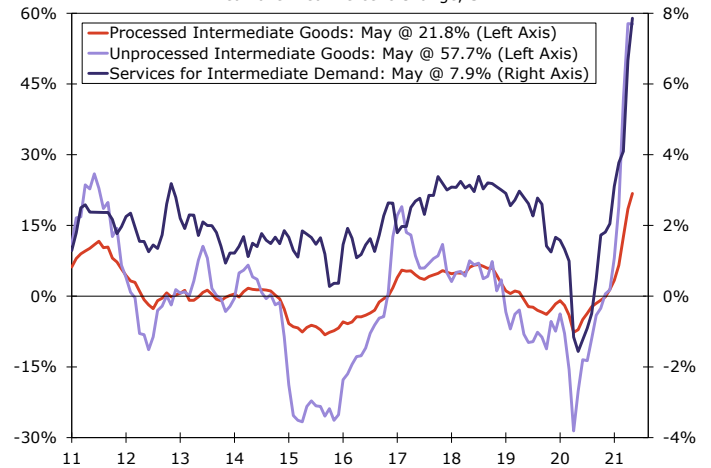
- Last week's sizable jump in the Consumer Price Index went down relatively easy with markets and Fed watchers as outsized gains in a few categories such as travel and vehicles drove much of the increase. However, May's Producer Price Index (PPI) showed input costs continuing to rise at a heady clip, putting upward pressure on costs beyond a few select industries.
- The PPI for final demand rose 0.8% in May, pushing the index up 6.6% over the past 12 months. Higher food and energy costs pushed goods prices up 1.5%, but prices in the larger service sector continued to charge higher as well, up 0.6%.
- Further back in the pipeline, prices are generally growing faster. Unprocessed goods for intermediate demand jumped 8.4%, while processed goods rose 2.8%.
- It is not just physical input costs continuing to rise either. Even if businesses can find needed parts and materials, getting them comes at an increasingly steep price. Transportation costs for goods rose another 1.7% in May and are up more than 8% over the past year.
- Sharp cost increases have become an obstacle for new construction over the past few months, with prices for materials and components for the industry up another 3.9% in May. Although lumber prices have come down over the past couple weeks, other input costs, such as steel, continue to rise, and with prices across components up 17% year-over-year, input costs will remain a major headwind for the sector.

**PPI Final Demand by Type**  
Year-over-Year Percent Change, NSA



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

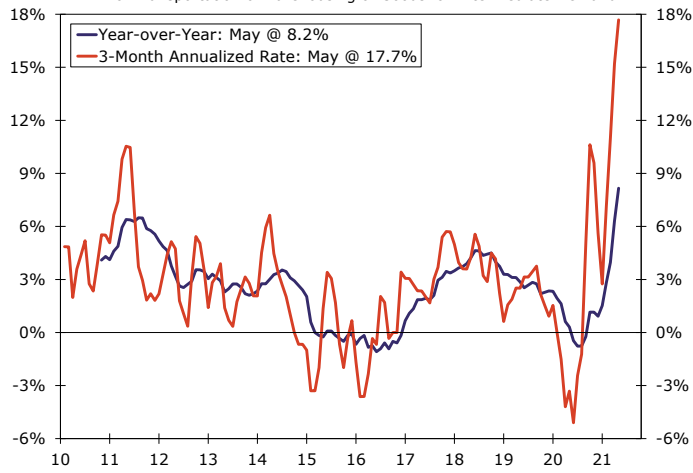
**PPI Intermediate Demand**  
Year-over-Year Percent Change, SA



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

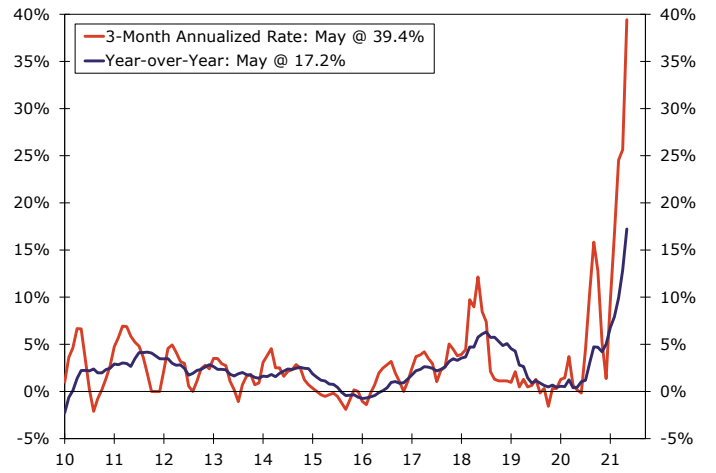
### Transportation Costs for Goods

PPI for Transportation & Warehousing of Goods for Intermediate Demand



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

### PPI: Materials & Components for Construction



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

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