



Economics Group

Sam Bullard, Senior Economist
sam.bullard@wellsfargo.com • (704) 410-3280
Sarah House, Economist
sarah.house@wellsfargo.com • (704) 410-3282

Producer Prices Start Q2 on an Accelerating Note

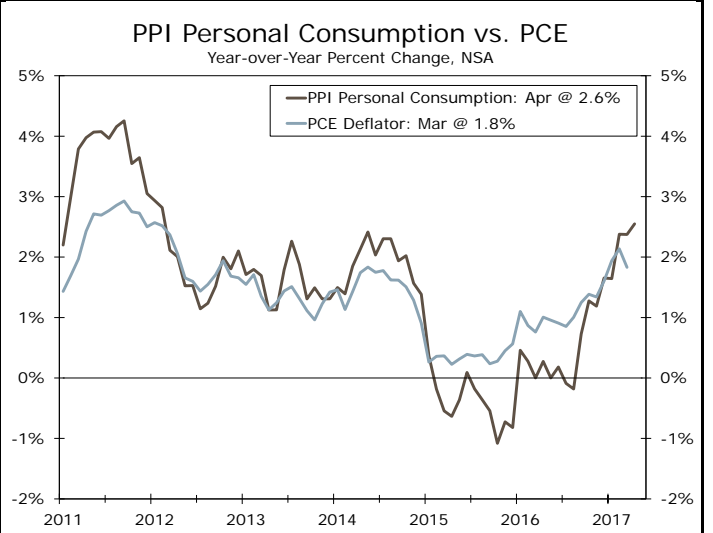
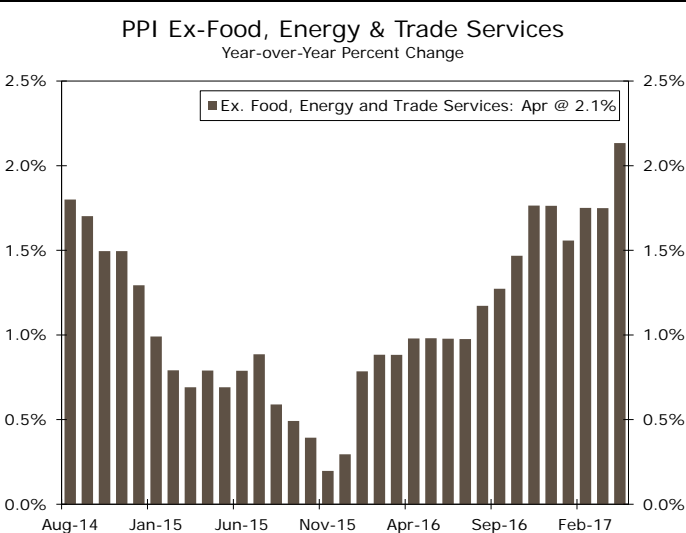
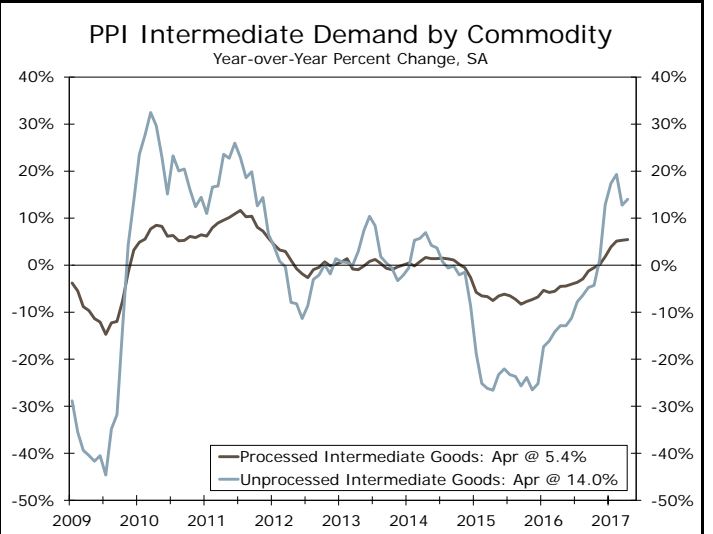
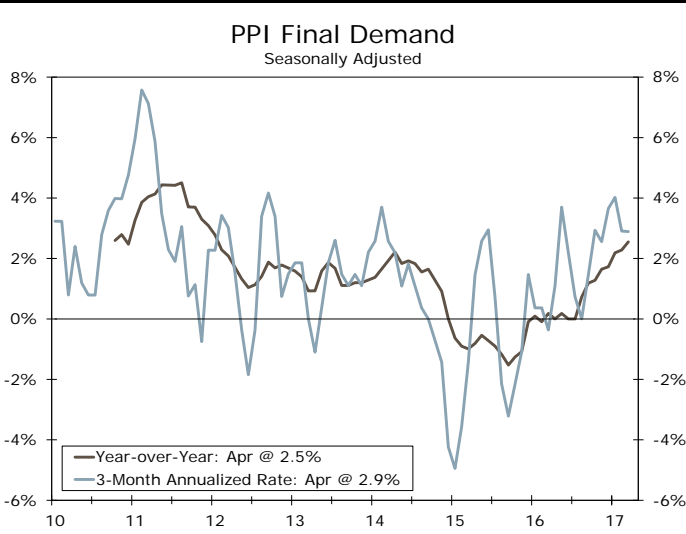
Led by a rebound in services prices, the PPI for final demand increased 0.5 percent in April. Excluding food, energy and trade services, producer inflation is running at its fastest annual pace on record.

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

Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Anika R. Khan	Senior Economist	(212) 214-8543	anika.khan@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloría@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Julianne Causey	Economic Analyst	(704) 410-3281	julianne.causey@wellsfargo.com
E. Harry Pershing	Economic Analyst	(704) 410-3034	edward.h.pershing@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

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