



Economics Group

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Producer Prices Rise in December, Pipeline Pressures Firming

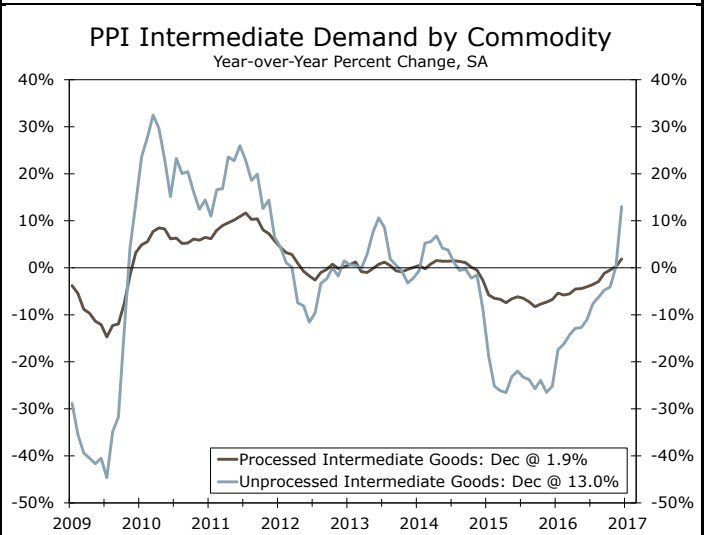
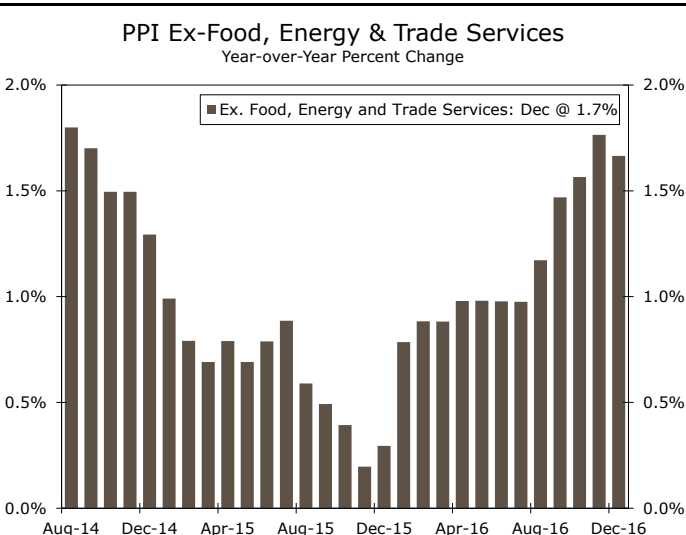
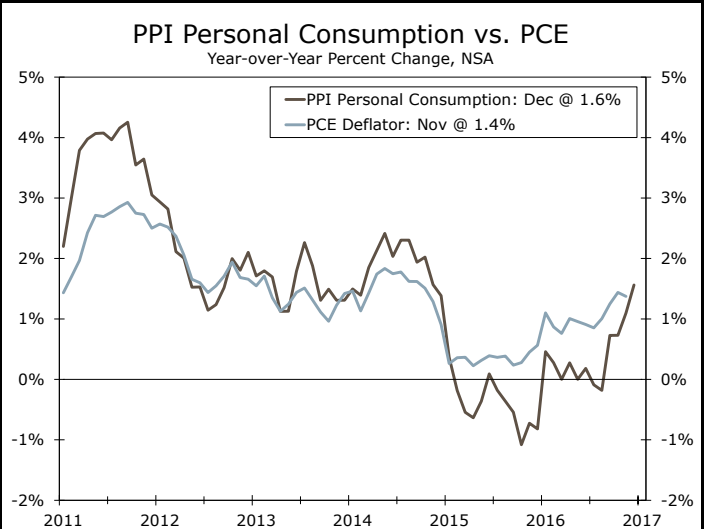
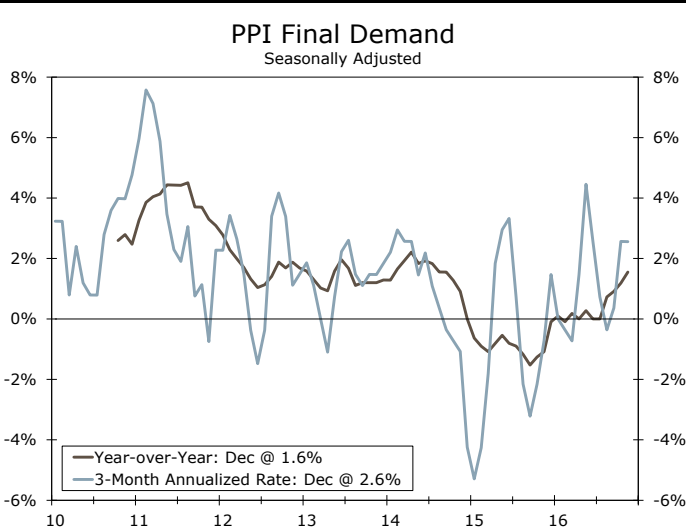
Led by the rebound in energy prices, the PPI for final demand rose 0.3 percent in December. Prices for food services also moved up, while broad strength in input prices suggests higher inflation is on its way.

Broad Gains Push PPI Higher

- The PPI for final demand rose 0.3 percent in December, bringing the year-over-year gain to 1.6 percent. As expected, higher energy prices lifted the headline, but also rising were non-energy goods (+0.3 percent) and services (+0.1 percent).
- Our preferred measure of core PPI, which excludes food, energy and trade services, edged up 0.1 percent, signaling the upward trend in core inflation remains rather gradual.

Prices Rising Further Down the Pipeline

- The PPI for personal consumption has seen the biggest year-over-year increase since late 2014, signaling a further pickup in the more closely watched PCE deflator is in the offing.
- Pipeline pressures are also building. In addition to energy goods, intermediate prices for food are once again pressing higher. Higher input prices have also extended to services recently, up 0.4 percent last month and 2.5 percent from a year ago.



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

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