

Economics Group

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PPI Inflation Firms in September

Reflecting solid gains in energy and food, the PPI for final demand increased a stronger-than-expected 0.3 percent in September. While still benign, producer prices have picked up over the past year.

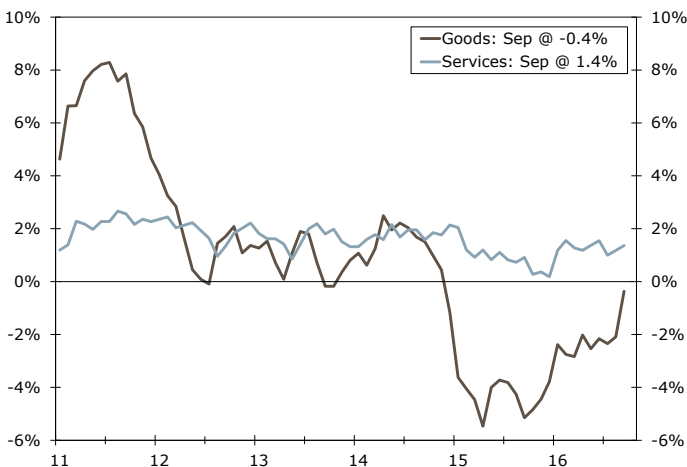
Solid Food and Energy Prices Gains

- Following back-to-back 0.4 percent declines in August and July, PPI for goods increased 0.7 percent last month. Over 60 percent of the gain can be attributed to energy, though wholesale food prices increased a solid 0.5 percent.
- Services inflation maintained its steady course, edging up 0.1 percent for the second consecutive month as an increase in transportation/warehousing offset a decline in trade services.

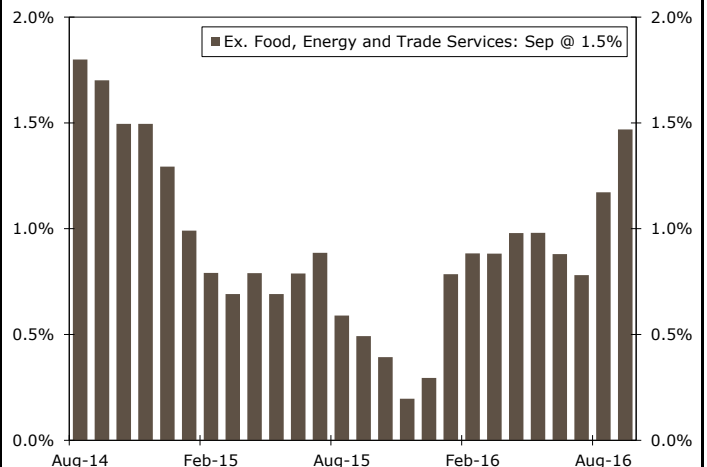
Core Producer Price Inflation Strengthening

- Our preferred measure of core PPI, which excludes food, energy and trade services, rose a stronger-than-expected 0.3 percent. September's performance pushed the year-over-year rate up to 1.5 percent, the fastest pace since November 2014.
- Admittedly still tame, producer prices have picked up over the past year and support our outlook for stronger inflation pressures in the coming quarters.

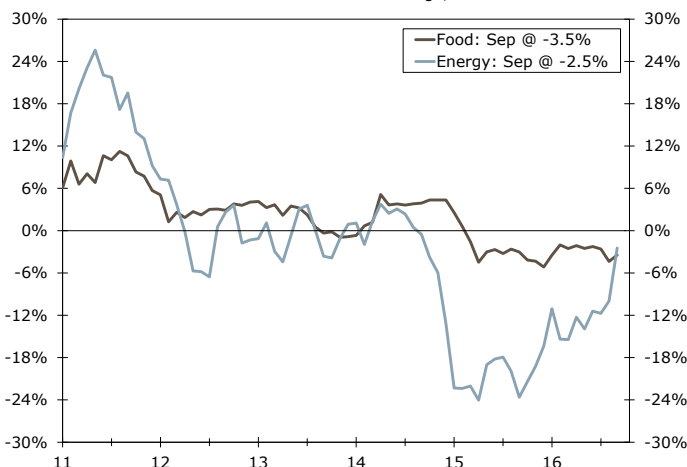
PPI Final Demand by Type
 Year-over-Year Percent Change, NSA



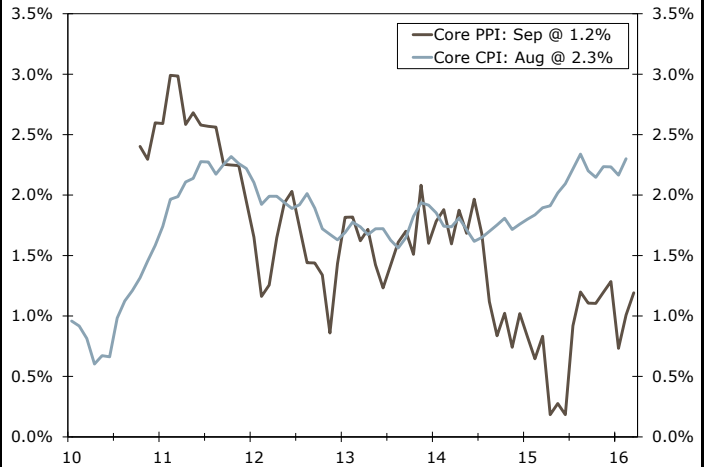
PPI Ex-Food, Energy & Trade Services
 Year-over-Year Percent Change



PPI Final Demand
 Year-over-Year Percent Change, NSA



Core CPI vs. Core PPI
 Excluding Food and Energy, SA



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

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