



Economics Group

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Broad Gains in Producer Prices to Start the Year

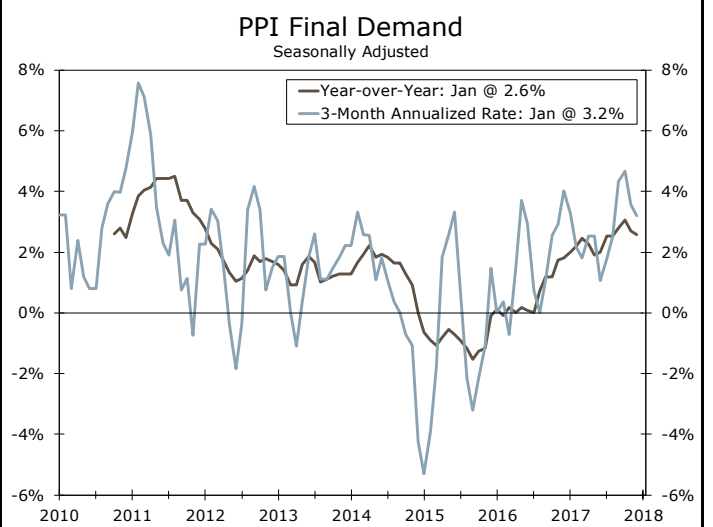
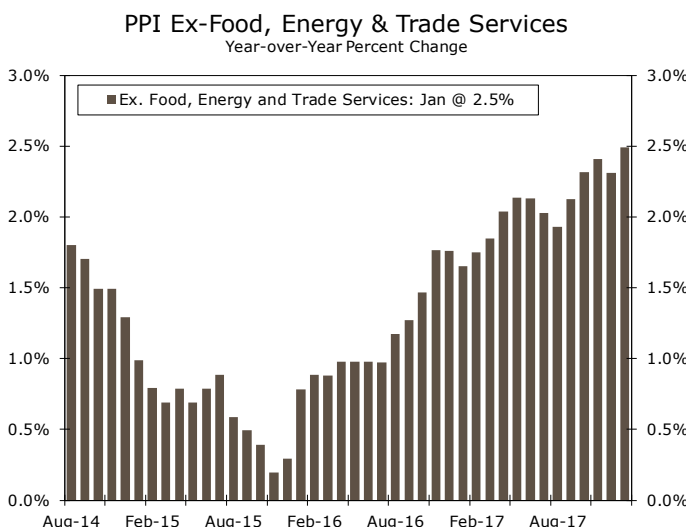
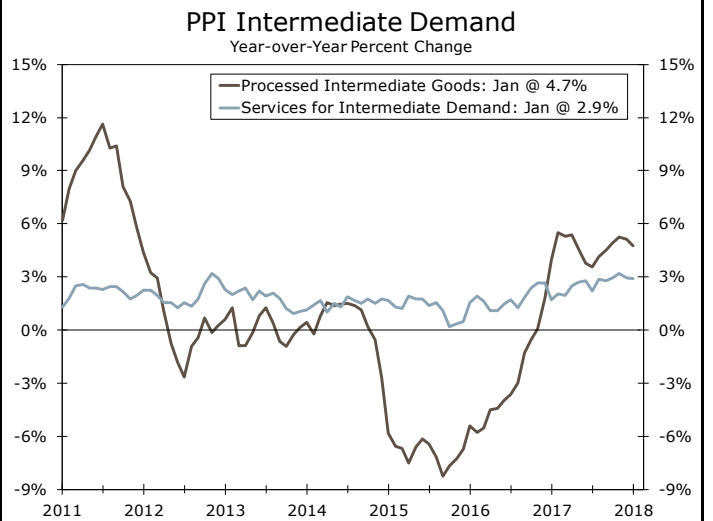
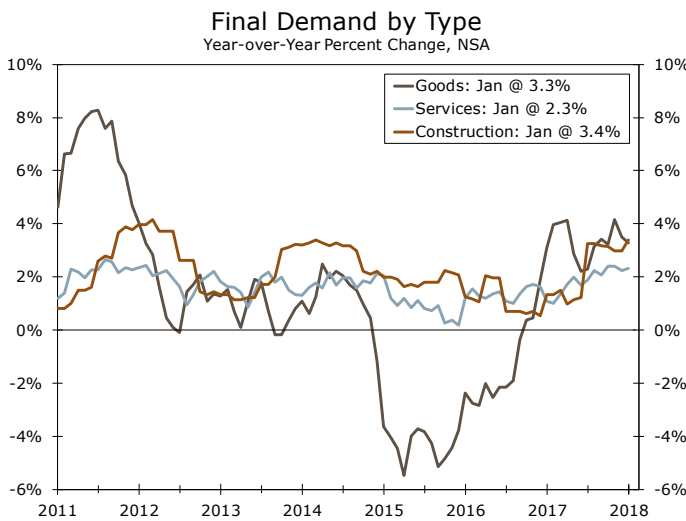
The PPI for final demand rose 0.4 percent in January. While higher energy costs lifted the headline, our preferred measure of core PPI rose 0.4 percent. Input costs are rising, but at a fairly steady pace.

More than Energy

- Domestic producers raised prices 0.4 percent in January, with price increases picking up in the goods, services and construction industries.
- Ex-food, energy and trade services (measured as margins), our preferred measure of core PPI rose 0.4 percent. That took the year-over-year increase up to 2.5 percent and offers further evidence that the underlying trend in inflation is firming.

Input Costs Up, but Pace Easing a Bit

- Prices continue to rise back in the pipeline, but at a fairly steady pace. Input prices for intermediate unprocessed and processed goods have cooled on a year-ago basis, while input costs for services have been rising around 3 percent in recent months. The moderate rise in input costs suggests that inflation should continue to rise in the months ahead, but that the pickup should remain orderly.



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

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