



Economics Group

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Producer Prices Heading Higher

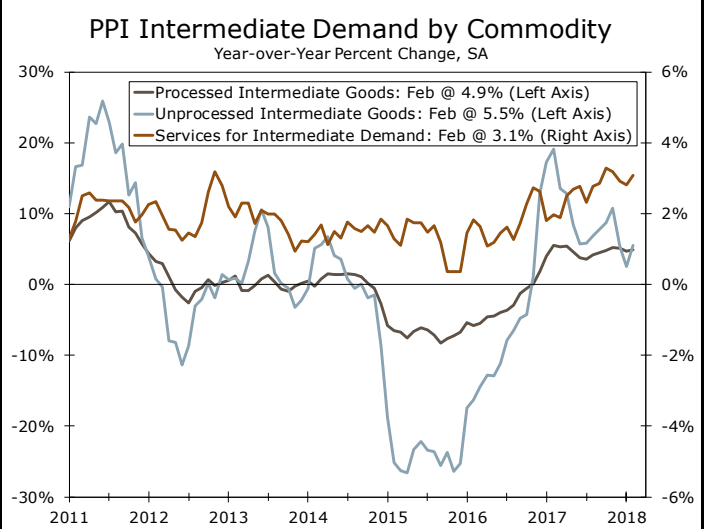
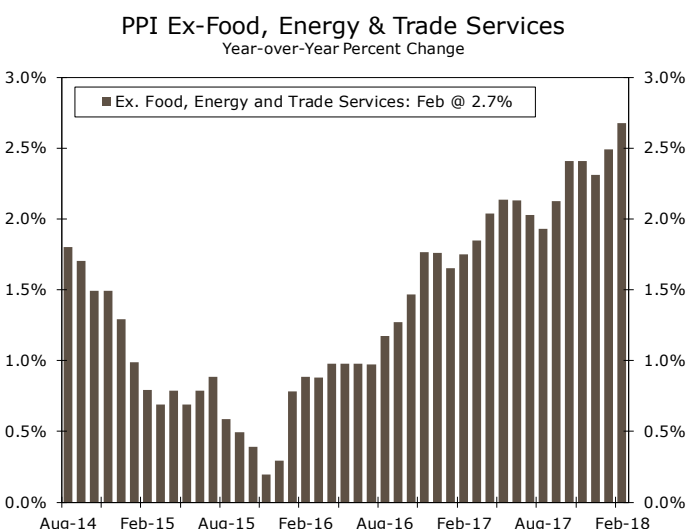
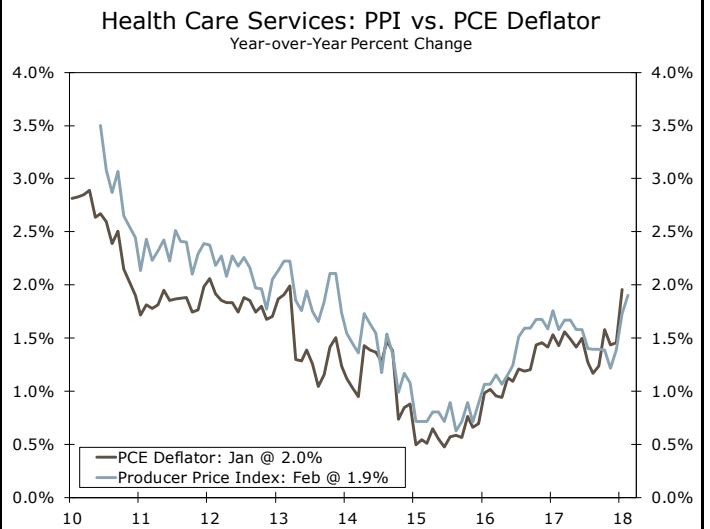
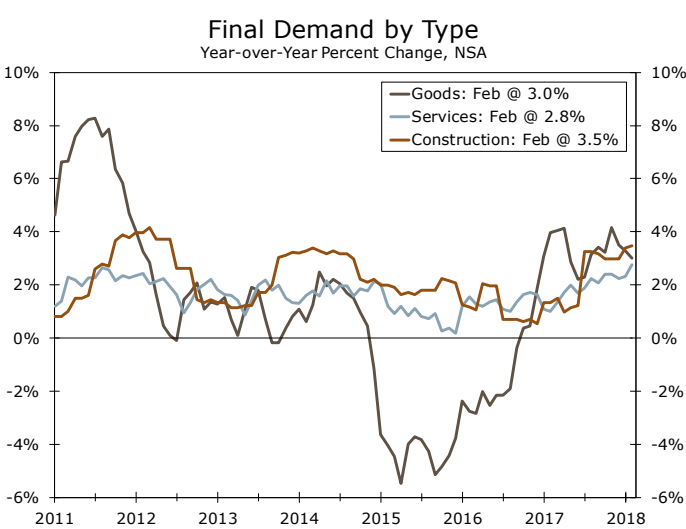
Producer price inflation rose 0.2 percent in February and edged up to 2.8 percent on a year-ago basis. The upward trend in core producer prices is expected to continue as input costs picked up last month.

Services Costs Lead Producer Prices Higher

- Producer prices rose 0.2 percent in February amid another strong month for services inflation. Goods prices edged down despite another increase in non-food/energy products.
- Ex-food, energy and trade services (measured as margins), producer prices rose ahead of expectations and advanced 0.4 percent. On a year-ago basis, the “core-core” is up 2.7 percent compared to 1.8 percent last February.

Upward Trend to Continue With Input Costs Rising

- Healthcare services ticked up and, on a year-ago basis, have risen by the most since 2013. The pickup indicates healthcare will provide a lift to the Fed’s closely watched PCE deflator.
- Input cost growth for goods and services quickened in February. Higher prices for intermediate products suggest producer prices will continue to move up in the coming months, although the pace points to pressures remaining manageable in the near term.



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

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