

Economics Group

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PPI Inflation Remained Soft in August, but Core Edging Up

The PPI for final demand was flat in August as a rise in core services offset a decline in goods prices. Input prices for both goods and services remain weak and suggest little near-term pressure on PPI.

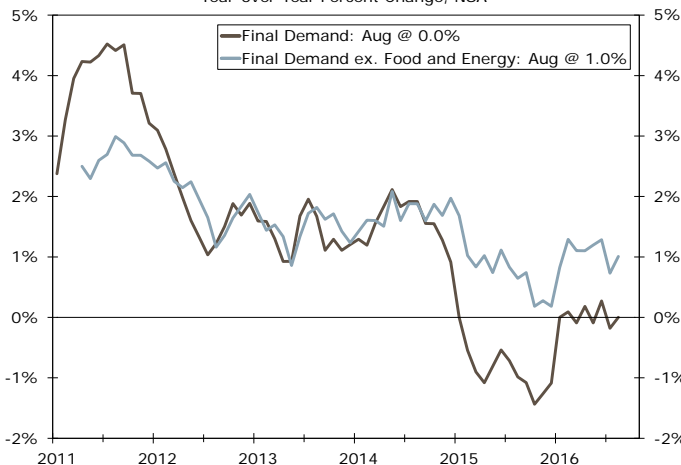
Domestic Inflation Still Weak with PPI Flat in August

- The PPI for goods fell 0.4 percent last month on further declines in food and energy prices. Core goods ticked up.
- Services inflation partially rebounded in August, up 0.1 percent after declining 0.3 percent the previous month. Trade services—measured in margins—and transportation & warehousing services posted declines over the month, but other services rose 0.5 percent.

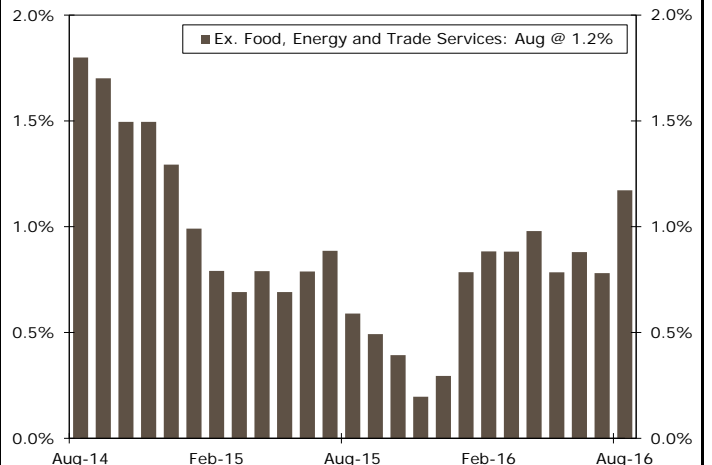
Core PPI Moving Up, but Pipeline Pressures Subdued

- Our preferred measure of core PPI, which excludes food, energy and trade services, rose a better-than-expected 0.3 percent, pushing the year-ago rate up to a 20-month high.
- Pipeline pressures remain subdued and suggest overall PPI will remain soft. Falling prices for food and energy inputs more than offset a rise in core goods inputs. Input prices for services were flat, lowering the 12-month change to 1.4 percent.

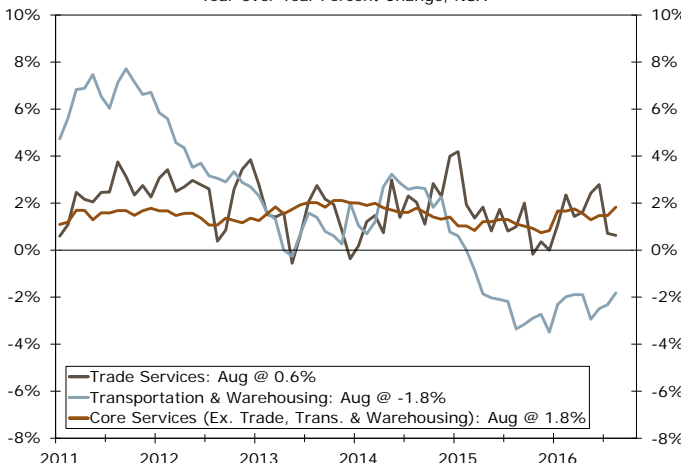
PPI and Core PPI Final Demand
 Year-over-Year Percent Change, NSA



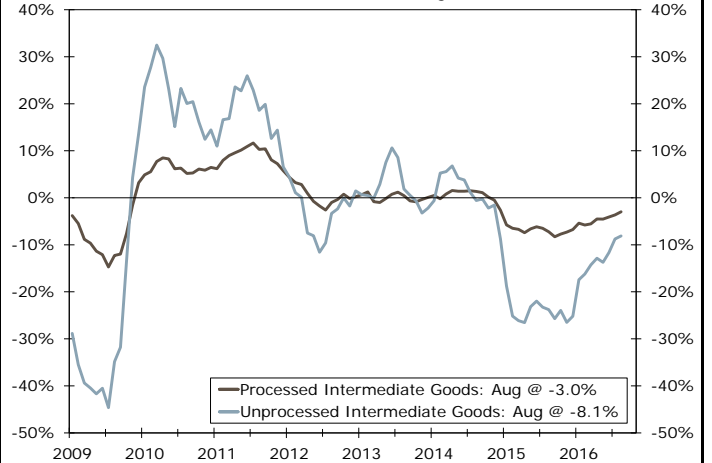
PPI Ex-Food, Energy & Trade Services
 Year-over-Year Percent Change



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



PPI Intermediate Demand by Commodity
 Year-over-Year Percent Change, SA



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

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