

Economics Group

Sam Bullard, Senior Economist
sam.bullard@wellsfargo.com • (704) 410-3280
Sarah Watt, Economist
sarah.watt@wellsfargo.com • (704) 410-3282

Producer Prices Pick Up on Energy Prices

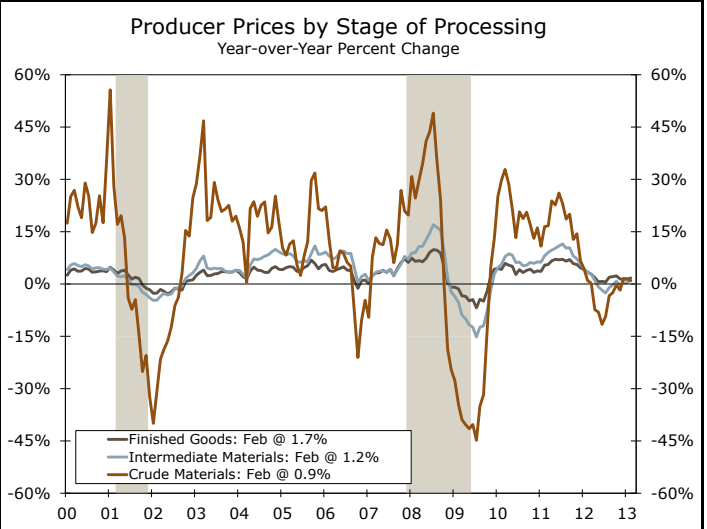
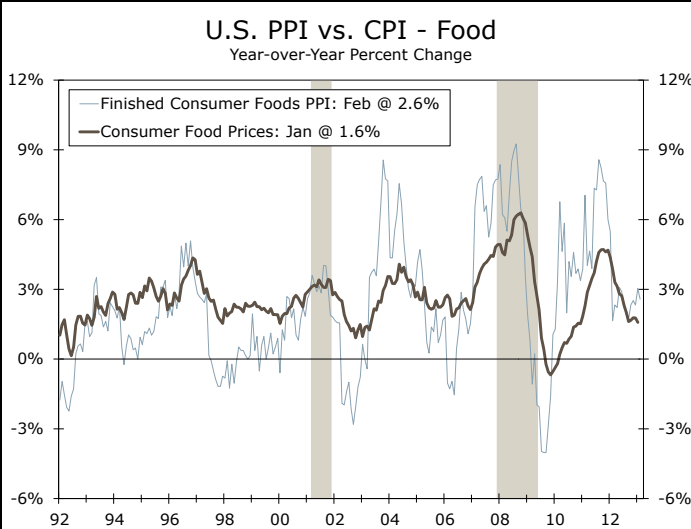
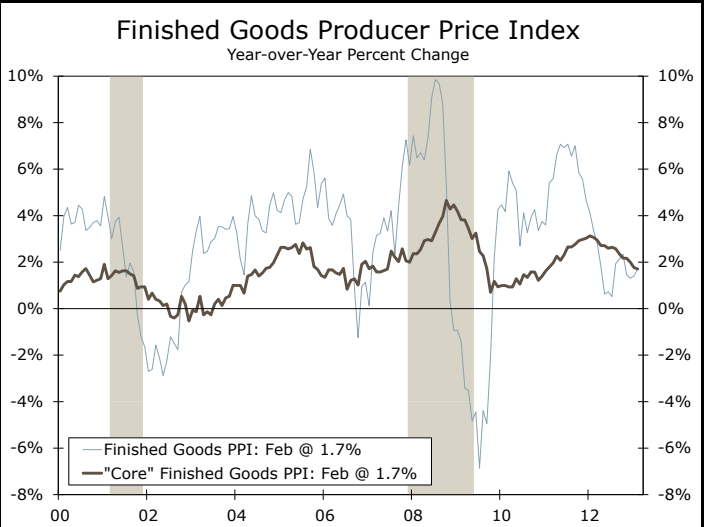
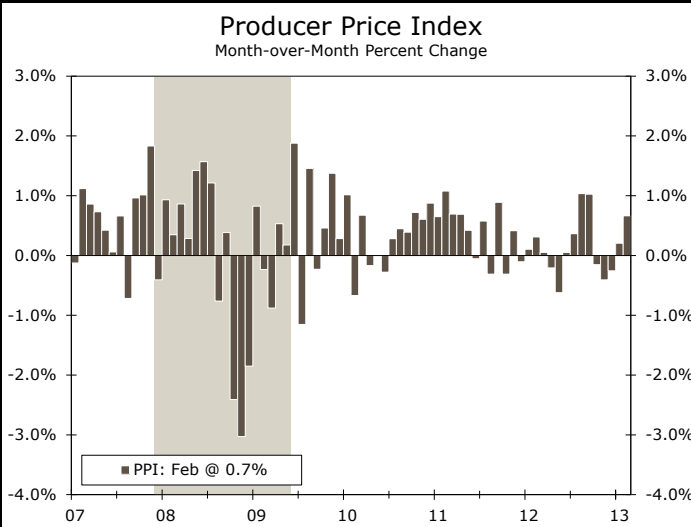
Producer prices rose in line with expectations in February, up 0.7 percent. As expected, energy prices were a major factor, but core prices also edged higher. On a year-over-year basis, price growth remains contained.

Energy Drives Headline Higher, Food Prices Fall

- Wholesale prices rose 0.7 percent in February, driven largely by a rise in energy prices. The 3.0 percent rise in finished energy goods was the first increase in three months.
- Helping to hold down the headline was a 0.5 percent decline in finished consumer foods. With the initial effects of last summer's drought fading, wholesale prices for food should moderate, generating less pressure at the consumer level.

Another Gain for the Core, but Outlook Contained

- Outside of food and energy, prices ticked up 0.2 percent for the second consecutive month. Pharmaceuticals was once again a major driver, but capital equipment ticked up 0.1 percent
- Despite today's pickup, prices at the wholesale level remain relatively modest across processing stages. We expect price growth to accelerate in the coming months, however, as the U.S. economy continues to firm, but not enough to derail Fed policy.



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

Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Anika Khan	Senior Economist	(704) 410-3271	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Sarah Watt	Economist	(704) 410-3282	sarah.watt@wellsfargo.com
Kaylyn Swankoski	Economic Analyst	(704) 410-3276	kaylyn.swankoski@wellsfargo.com
Sara Silverman	Economic Analyst	(704) 410-3281	sara.silverman@wellsfargo.com
Zachary Griffiths	Economic Analyst	(704) 410-3284	zachary.griffiths@wellsfargo.com
Peg Gavin	Executive Assistant	(704) 410-3279	peg.gavin@wellsfargo.com
Cyndi Flowe	Administrative Assistant	(704) 410-3272	cyndi.h.flowe@wellsfargo.com

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