

## Economics Group

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## Producer Prices Heating Up

**The Producer Price Index for final demand rose a larger-than-expected 0.6 percent in April. Food prices were again a major driver, but a 0.5 percent increase in the core index shows some broadening of price pressures.**

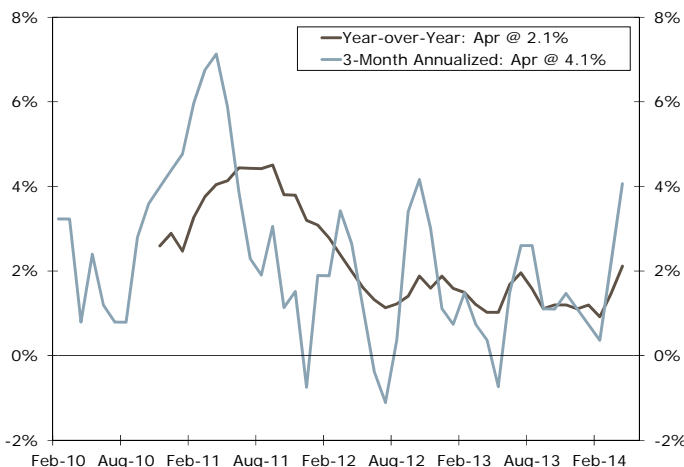
### Producer Prices Quickly Firming

- Producer prices rose 0.6 percent in April, beating market expectations of a 0.2 percent gain. Prices are now rising at a 4.1 percent annualized rate and are up 2.1 percent from a year ago.
- A 0.6 percent increase in goods prices was driven by the largest increase in food prices since February 2011. Energy prices were tamer, as rising gasoline prices were nearly offset by declining natural gas prices.

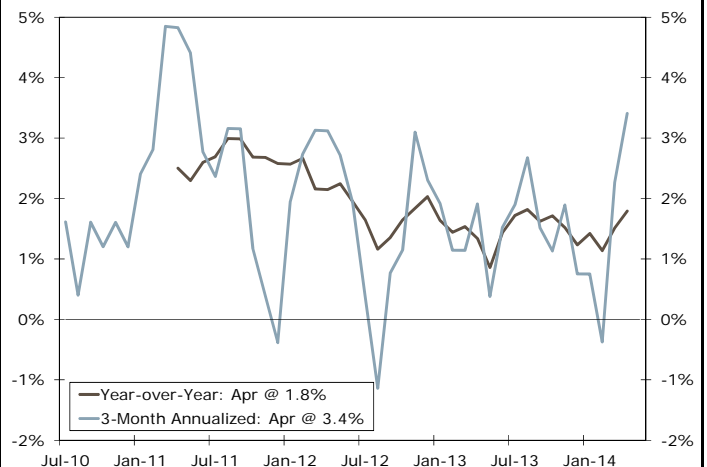
### More in the Pipeline

- Widespread price increases should allay fears over disinflation. Excluding food and energy, prices rose 0.5 percent, bringing the core index up 1.8 percent over the past year.
- Increasing margins for trade, which can be volatile on a monthly basis, accounted for two-thirds of the 0.6 percent rise in services.
- Input prices for energy products fell last month, but rising food and core input costs show pipeline pressures building.

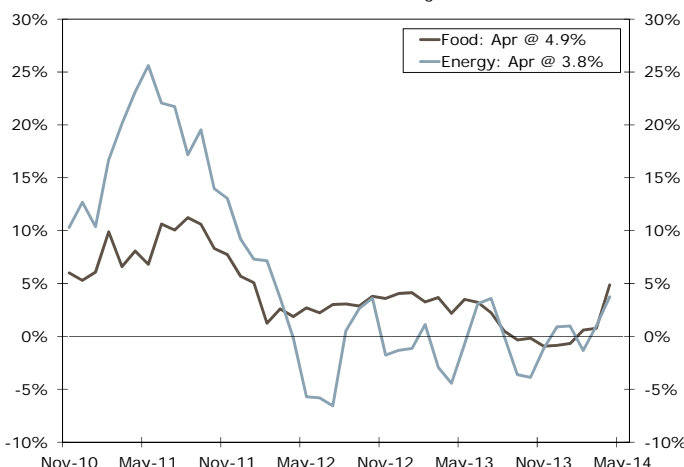
PPI Final Demand  
Seasonally Adjusted



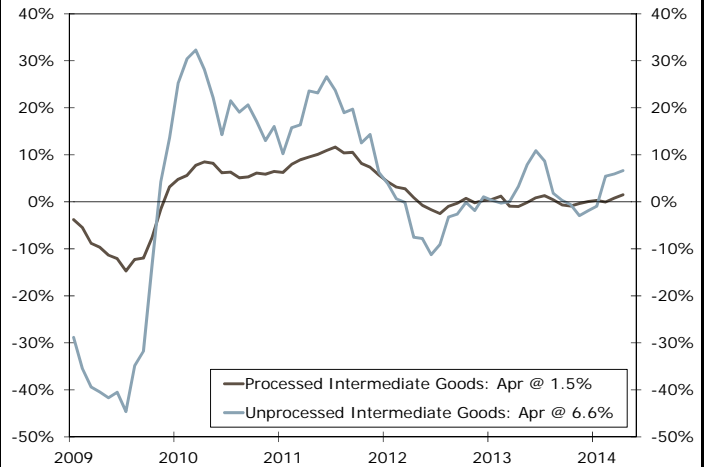
Core Final Demand  
Final Demand Excluding Food and Energy, SA



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



Intermediate Demand by Commodity  
Processed and Unprocessed Goods, SA



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

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