



Economics Group

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Producer Prices Unchanged in August

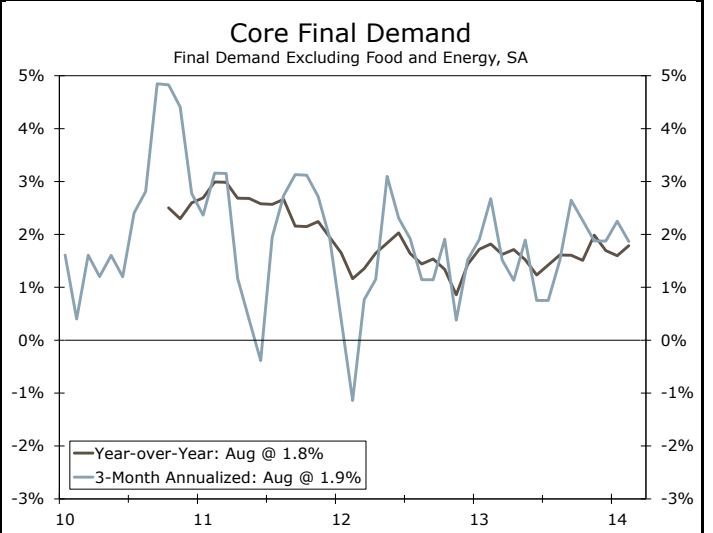
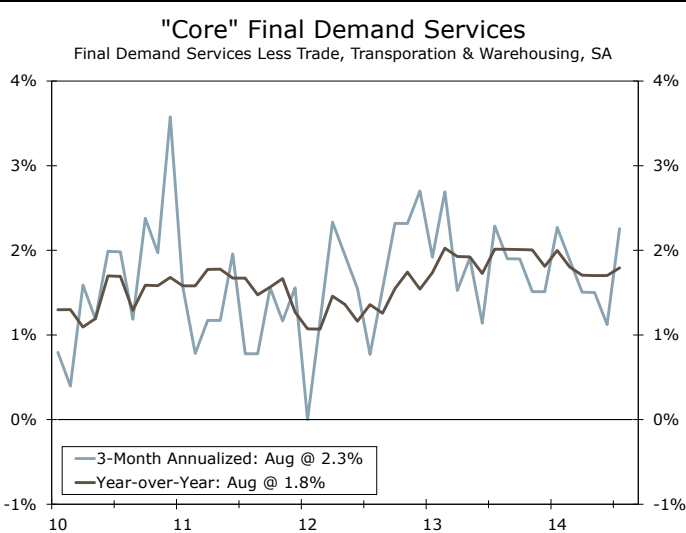
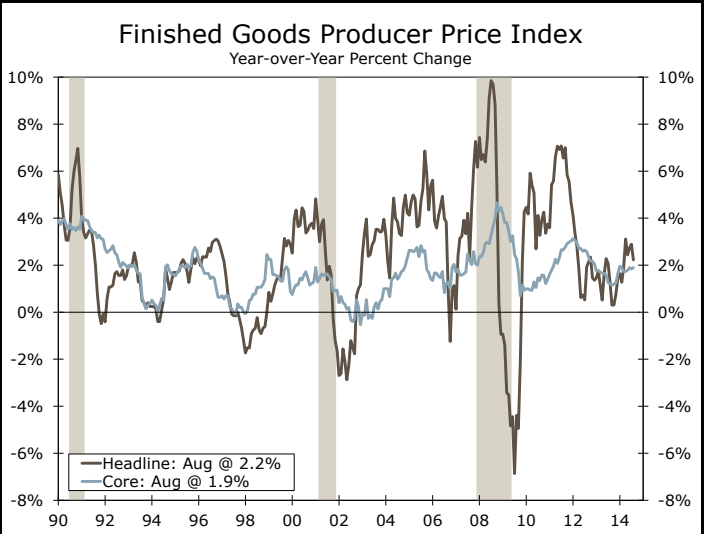
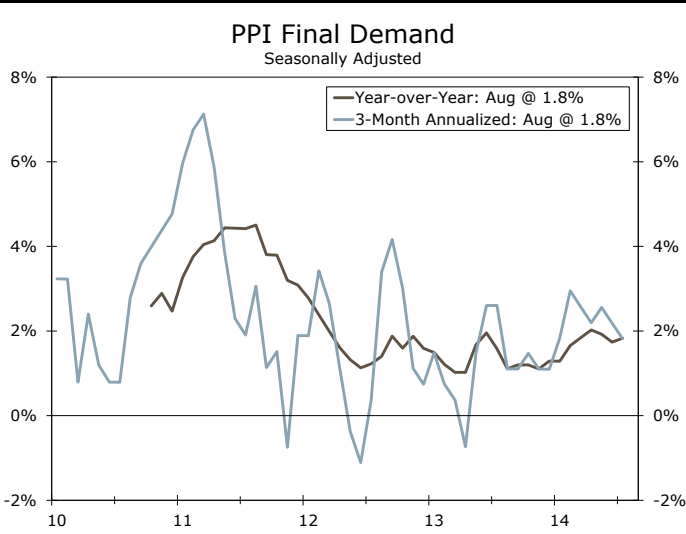
Producer prices were flat in August as rising prices for services offset a pullback in prices for food and energy goods. While core prices ticked up last month, inflation remains modest.

Fall in food and energy offset by rising services

- The PPI for final demand was unchanged in August. As expected, food and energy prices fell over the month, leading to a 0.3 percent drop in goods prices.
- Core prices, however, crept higher. Ex-food and energy, prices are up 1.8 percent over the past year. The increase has been underpinned by stronger pricing power among core services, which increased 0.3 percent in August.

Still some breathing room for Fed

- Finished goods prices measured by the old PPI show the year-over-year pace of producer prices easing amid the recent drop in food and energy. Core inflation has been steady at just below 2.0 percent, but has picked up from last August's read of 1.2 percent.
- New or old, producer price inflation has picked up since earlier this year, but inflation remains low enough to where it will not single-handedly spur the Fed to raise rates.



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

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