



Economics Group

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Producer Price Index Heats Up Heading Into Summer

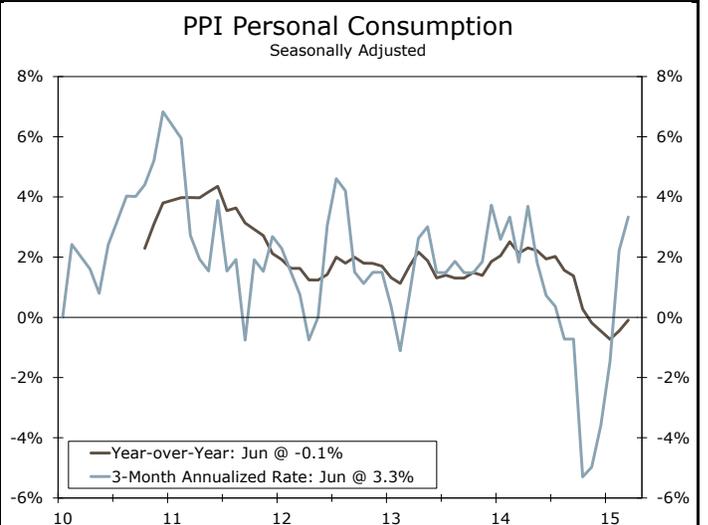
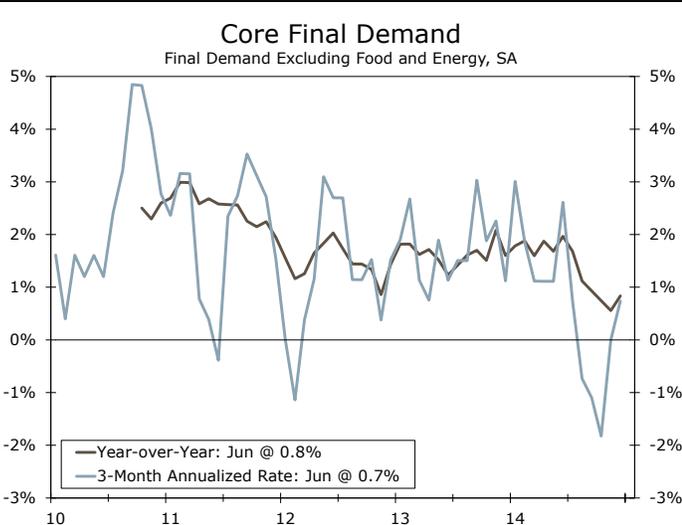
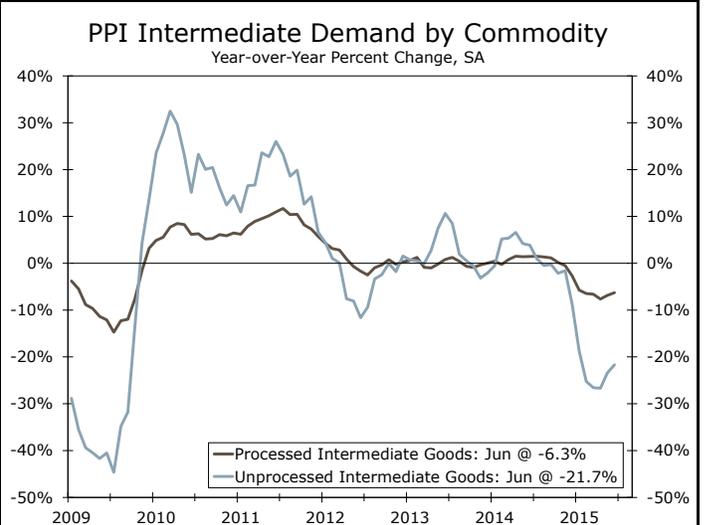
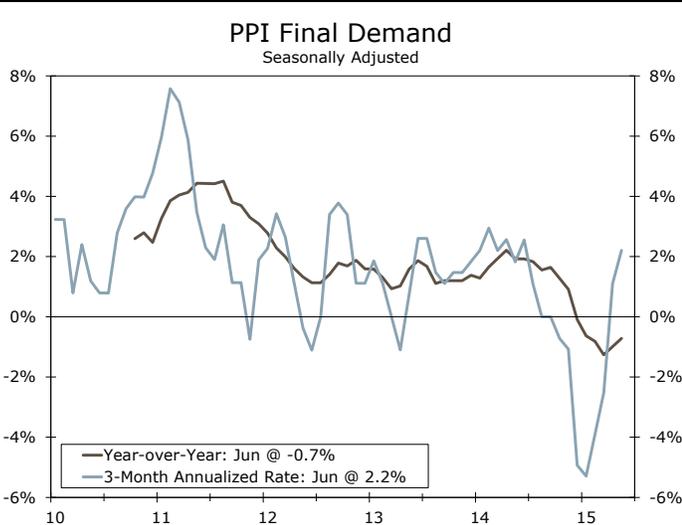
The Producer Price Index for final demand rose 0.4 percent, with widespread gains across goods and services components. Although prices remain down 0.7 percent from a year earlier, the recent trend is heating up.

Broad Increases in PPI Inflation in June

- The trend in inflation for domestically produced goods and services is picking up, with prices rising 0.4 percent in June and at a 2.2 percent annualized rate in the past three months.
- Nearly two-thirds of the rise in June was attributed to goods prices, which saw gains in energy, food and core goods. Services inflation was also stronger, increasing 0.3 percent. More than half of the increase was attributed to core services.

Pipeline Prices Firming

- Further back in the pipeline, price trends are also firming. Processed and unprocessed intermediate goods rose 0.7 percent and 1.2 percent, respectively, in June, with increases in food, energy and core components.
- The PPI for personal consumption, which closely tracks the PCE deflator, rose 0.5 percent in June and suggests that inflation is quickly moving back to the Fed's target.



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

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