



# Economics Group

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## PPI Inflation Picks Up More than Expected

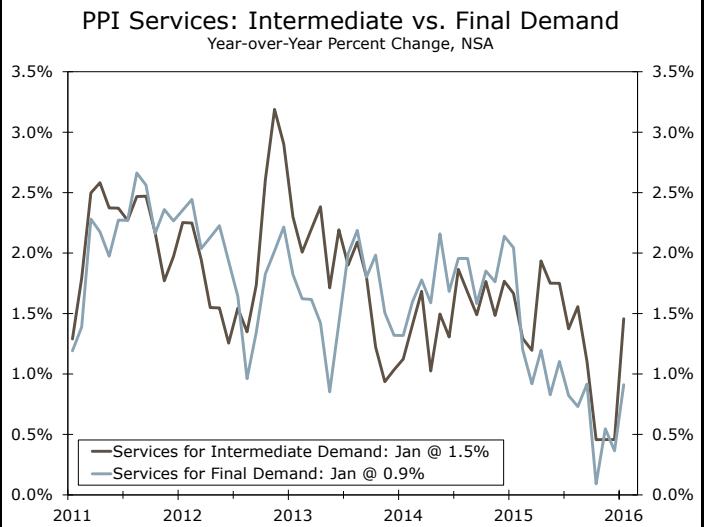
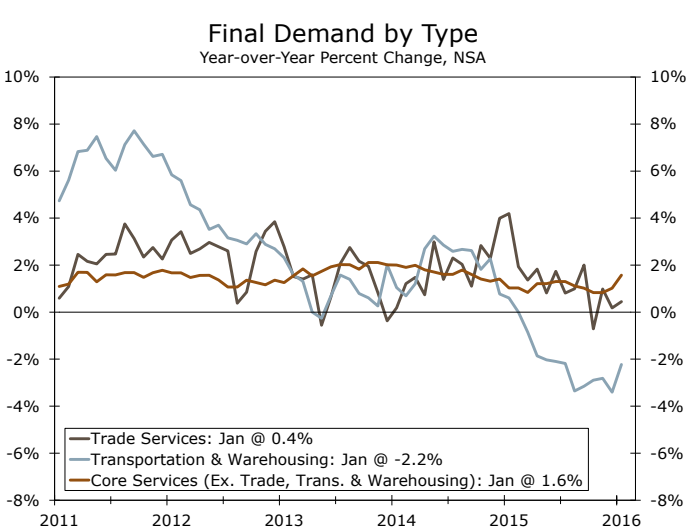
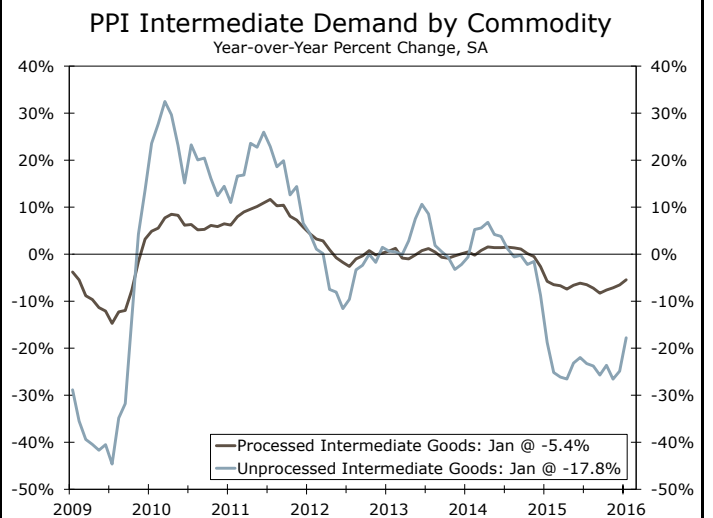
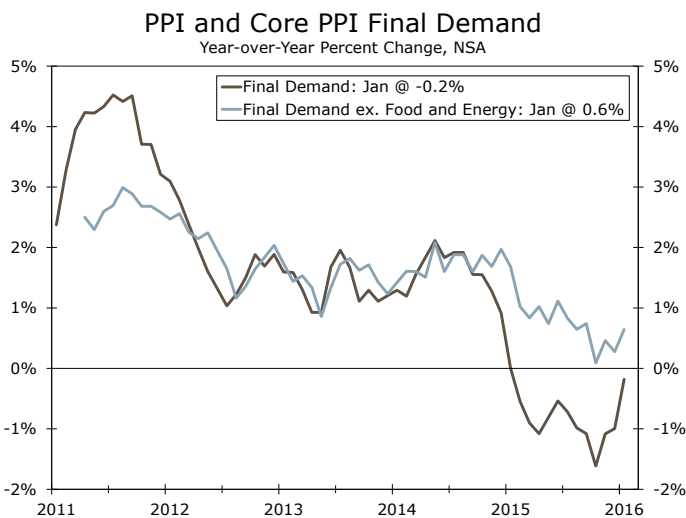
*PPI for final demand rose 0.1 percent in January. While the overall trend remains soft, weakness is moderating. Energy continues to weigh on the headline, but a pickup in services inflation was broadly based.*

### Some Signs of a Bend in the Trend

- Producer price inflation was stronger than expected in January, ticking up 0.1 percent. A further drop in energy sent goods prices lower, but services rose 0.5 percent. Trade services—which are measured in margins—led the gain, but prices at transportation & warehousing and other services also edged up.
- Ex-food, energy and trade services—our preferred measure of PPI—rose 0.2 percent and is up 0.8 percent from a year ago.

### Little Pressure in the Pipeline for Goods

- Prices for intermediate goods continued to fall amid lower energy prices. Processed good inputs once again fell across the board, including for core goods. Input prices for services rebounded sharply, but tend to jump at the start of the year.
- The general softness in input prices suggests that weak inflation will persist in the coming months as businesses have little need to raise selling prices, in our view, to maintain margins.



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

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