



Economics Group

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

PPI Falls In Line With Expectations

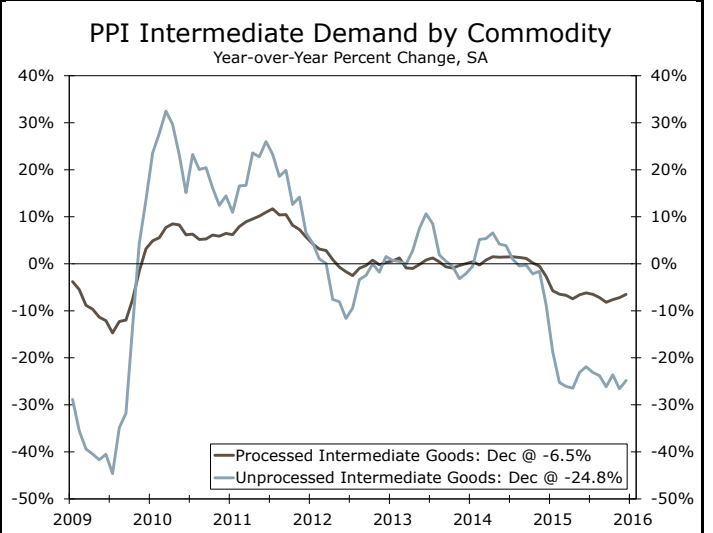
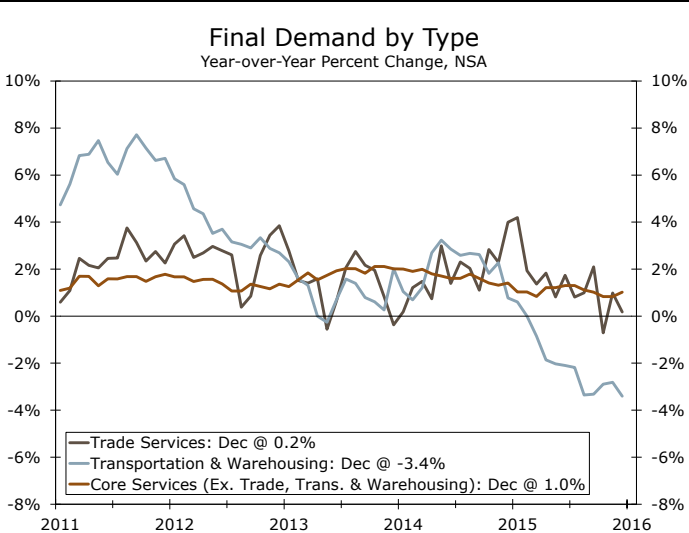
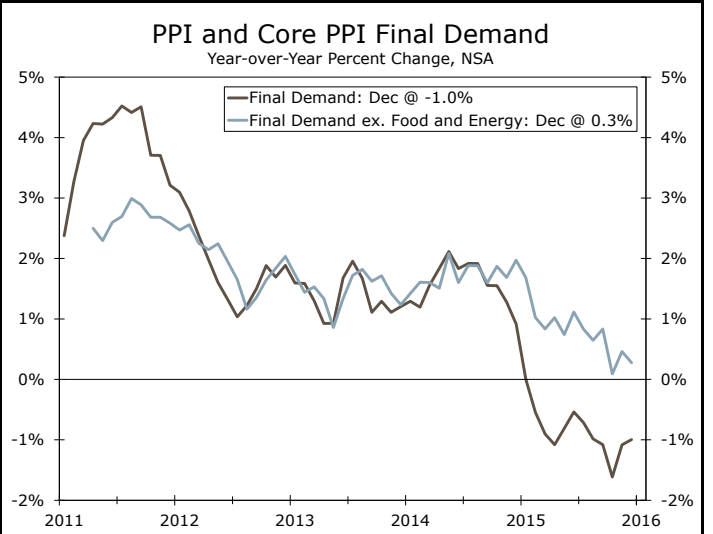
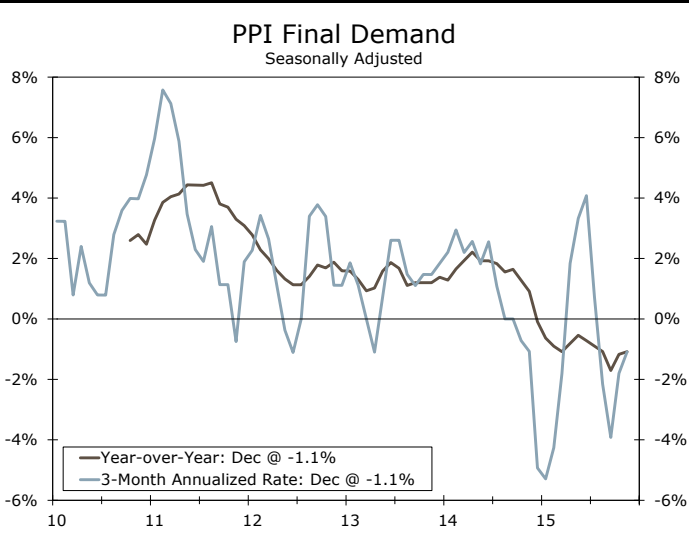
The Producer Price Index (PPI) for final demand fell 0.2 percent in December. While falling energy prices accounted for the bulk of the decline, details showed U.S. producers continue to exhibit little pricing power.

Uptick in Services Not Enough to Offset Fall in Energy

- The producer price index for final demand fell 0.2 percent in December, in line with expectations. Falling food and energy prices dragged the headline lower, while core goods prices edged up 0.1 percent—the first increase since June.
- Services inflation posted a second straight increase as “core” services rose 0.4 percent. The trend remains weak as lower energy prices have flowed through to transportation services.

No Pricing Pressure Back in the Pipeline

- U.S. producers continue to see little pricing power. Our preferred measure of core PPI, which excludes food, energy and trade services, rose 0.2 percent but is little changed over the past year.
- Further back in the pipeline, prices continue to plug lower, including core inputs. The 6.5 percent decline in processed intermediate products should at least offer some support to producers’ margins in the soft environment for final prices.



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 H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Anika R. 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
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloria@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Erik Nelson	Economic Analyst	(704) 410-3267	erik.f.nelson@wellsfargo.com
Alex Moehring	Economic Analyst	(704) 410-3247	alex.v.moehring@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com

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