United States – Producer Prices and Import Prices

Indicators Ease as Oil Prices Retreat, but the Overall Picture Remains Concerning

- Final demand PPI declined in June but remained elevated at 5.5% year-over-year (vs. 6.0% in May). The narrow core measure, which excludes food, energy, and trade services, stood at 5.1% (see Chart 1).

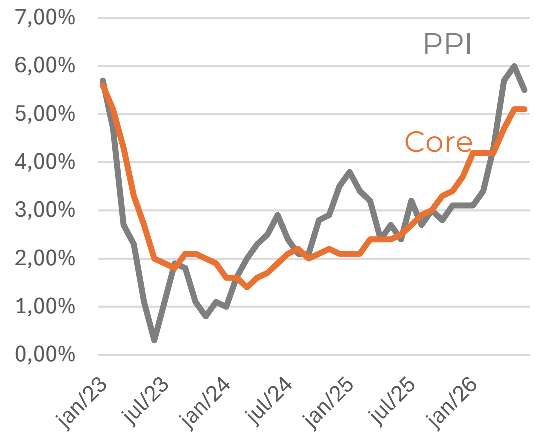
- **The overall picture remains concerning because it points to a significant upward shift in producer inflation, from roughly 2%–3% at the end of last year to around 5% in recent readings. Even if oil prices continue to retreat, wholesale inflation is unlikely to return to its previous range.**

- **The data clearly indicates that the tariff shock has been passed through to producer prices, although much less so to consumer prices. Import prices rose 7.1% over the 12 months through June. While part of this increase reflects higher oil prices, import costs from countries such as Germany, Japan, and China (which are not major energy exporters) have also continued to accelerate (see Chart 2).**

- The Producer Price Index (PPI) for final demand fell 0.3% in June, largely driven by lower energy prices. Gasoline prices declined 12.0%, accounting for nearly two-thirds of the 1.4% drop in goods prices. Final demand services, meanwhile, increased 0.2% during the month.

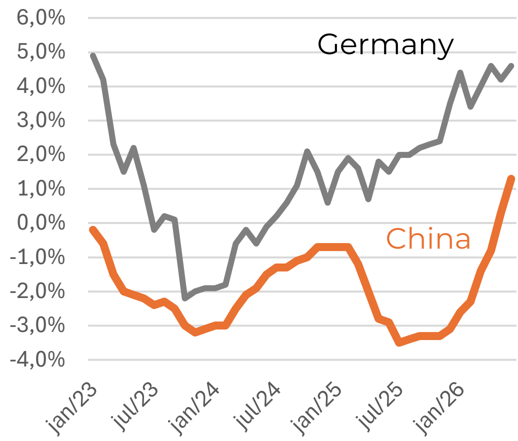
- The underlying details continue to point to persistent inflationary pressures outside the energy sector. Prices for goods excluding food and energy accelerated to 5.1% year-over-year, while plastic products rose 1.6% during the month. This provides further evidence that cost pressures are still being passed through at the wholesale level.

Chart 1: PPI – Total and Goods (ex Foods and Energy) (% 12-month change)



Source: Bureau of Labor Statistics

Chart 2: Transportation and Services (ex Trade and Transp.) (% 12-month change)



Source: Bureau of Labor Statistics