



August Producer Price Index: Core Final Demand Up 0.4% MoM September 10, 2020 by Jill Mislinski of Advisor Perspectives

Today's release of the August Producer Price Index (PPI) for Final Demand was at 0.3% month-over-month seasonally adjusted, down from a 0.6% increase last month. It is at -0.2% year-over-year, up from -0.4% last month, on a non-seasonally adjusted basis. Core Final Demand (less food and energy) came in at 0.4% MoM, up from -0.5% the previous month and is up 0.6% YoY NSA. *Investing.com* MoM consensus forecasts were for 0.2% headline and 0.2% core.

Here is the summary of the news release on Final Demand:

The Producer Price Index for final demand increased 0.3 percent in August, seasonally adjusted, the U.S. Bureau of Labor Statistics reported today. Final demand prices rose 0.6 percent in July and fell 0.2 percent in June. (See table A). On an unadjusted basis, the final demand index declined 0.2 percent for the 12 months ended in August.

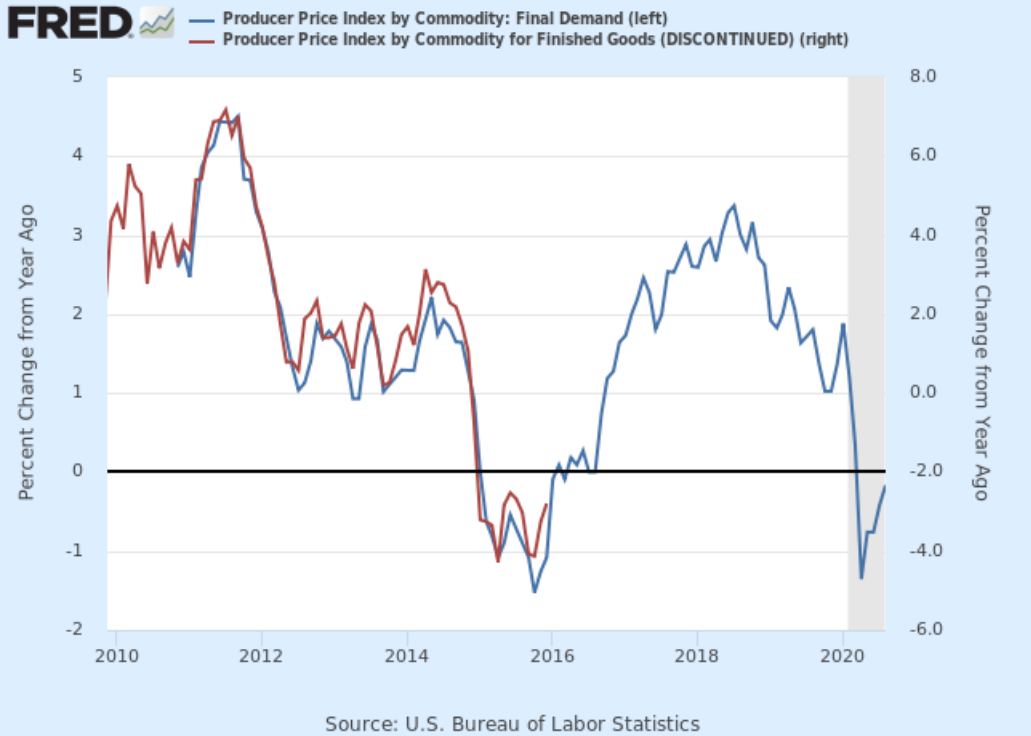
In August, the rise in prices for final demand was led by a 0.5-percent increase in the index for final demand services. Prices for final demand goods also advanced, inching up 0.1 percent.

The index for final demand less foods, energy, and trade services moved up 0.3 percent in August, the same as in both July and June. For the 12 months ended in August, prices for final demand less foods, energy, and trade services increased 0.3 percent. [More...](#)

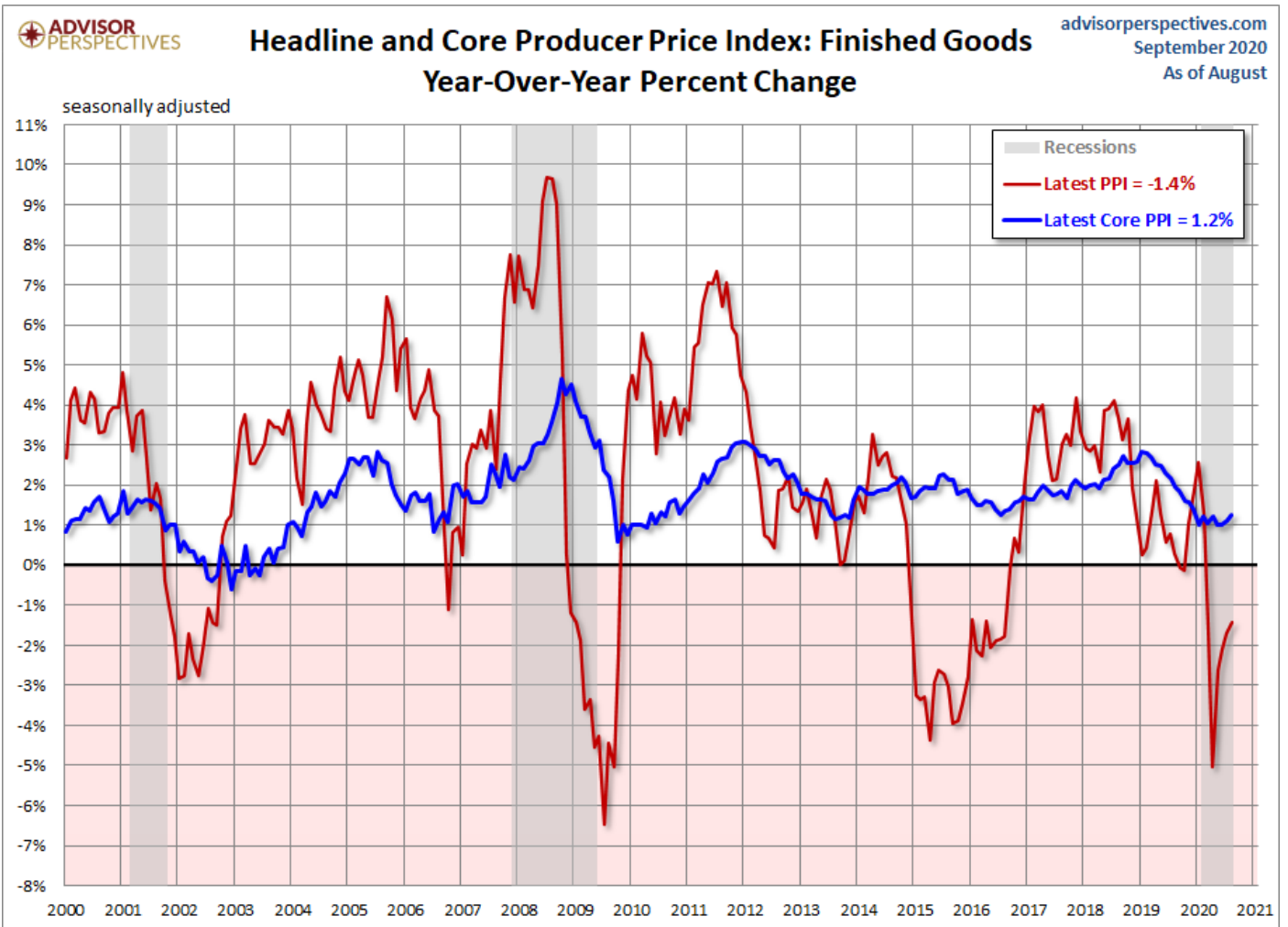
Finished Goods: Headline and Core

The BLS shifted its focus to its new "Final Demand" series in 2014, a shift we support. However, the data for these series are only constructed back to November 2009 for Headline and April 2010 for Core. Since our focus is on longer-term trends, we continue to track the legacy **Producer Price Index for Finished Goods**, which the BLS also includes in their monthly updates.

As this (older) overlay illustrates, the Final Demand and Finished Goods indexes are highly correlated.

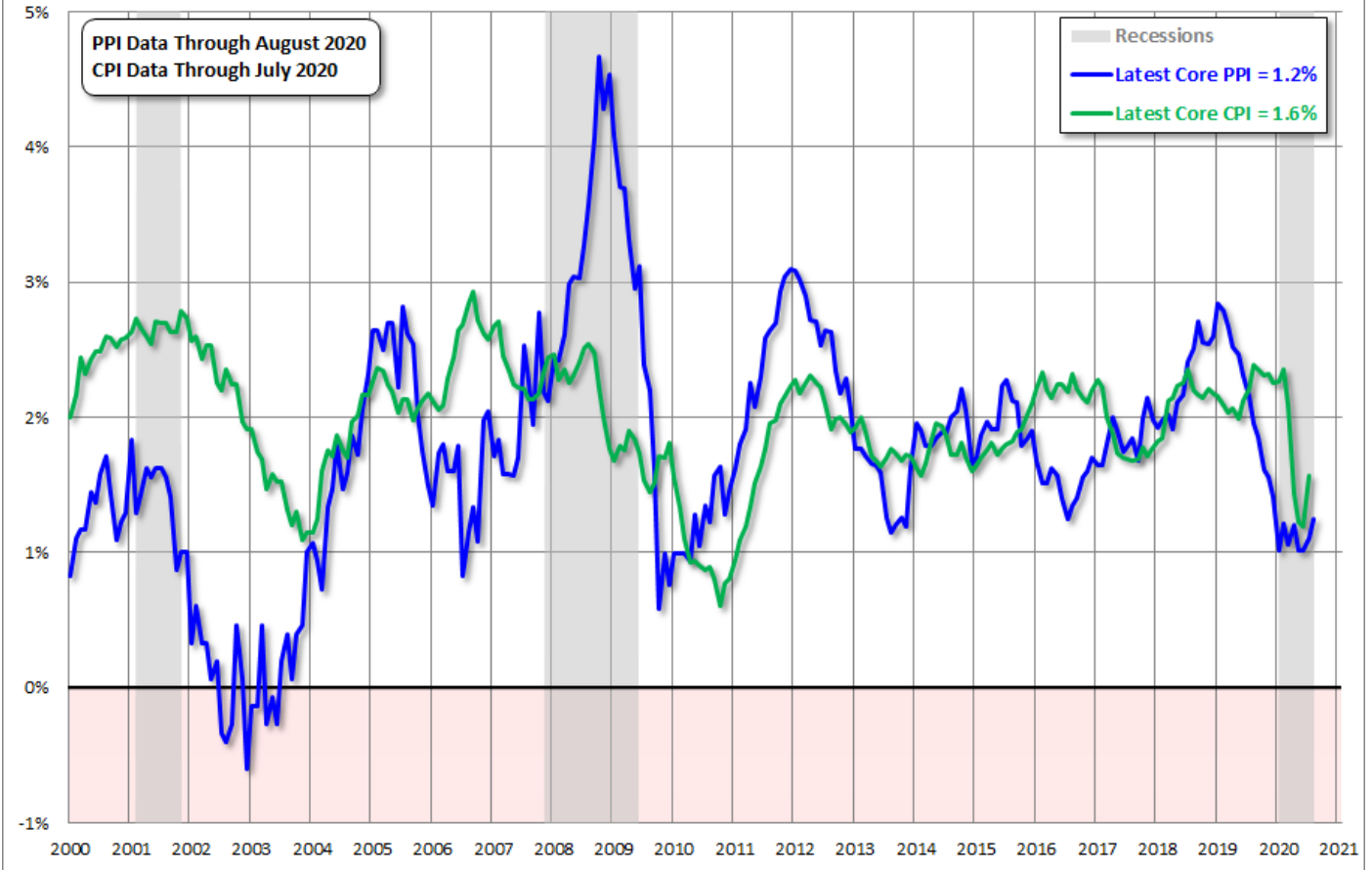


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As the next chart shows, the Core Producer Price Index is far more volatile than the Core Consumer Price Index. For example, during the last recession producers were unable to pass cost increases to the consumer.

Core CPI and Core PPI Year-Over-Year Percent Change



Check back next month for a new update.