

Topline PPI Down by 0.1% in December 2023; Core PP Inflation Flat

- **Topline PPI was down for a third consecutive month in December 2023**
- **Core PPI, less Food & Energy, declined by 0.1% for the month in December 2023**
- **Both Goods and Services PPI prices declined in December 2023**
- **Producers' Energy prices fell for a third straight month, down 1.2% versus the month prior**

Producer Price Index (PPI) inflation for December 2023 continued to trend downward in December 2023. The topline PPI measure fell by 0.1% on a seasonally-adjusted basis. Core PPI inflation for December 2023, excluding volatile costs for food and energy producers, was flat for the month (technically -0.01%), the second such no-growth result out within the past three months. What inflation risks remain in the U.S. economy clearly cannot be sourced to any upward pressure in producers' costs.

Prices in Final Demand for Goods producers saw a substantial decline of -0.4% for the month in December 2023. This doubles down on a revised November result that is now also a significant negative reading – down 0.3%. Versus one year ago, Goods PPI inflation was negative for the entirety of 2023Q4, and posted a -0.7% year-over-year result to close 2023. Consumer demand for Goods, both Durable and Nondurable, was revealed in the Bureau of Economic Analysis' 2023Q3 GDP release to be somewhat stronger in 2023Q3 than its post-pandemic trends. But the trend in consumer expenditures does not have momentum toward goods in the coming year given a lack of home sales over the past year and the resulting lack of demand for the goods that accompany such commitments. Goods PPI therefore does not face significant risk from the demand side toward reigniting inflationary pressure in the coming year.

Energy PPI declined by 1.2% in December 2023. This is the Energy PPI component index's third consecutive monthly decline despite ongoing geopolitical risks in the Middle East region. Producers' energy costs are down 4.4% versus one year ago amidst the current downward trend in Energy PPI. Given the broad downward trend in producers prices across the board, even a reactionary spike in oil prices in response to Middle East tensions does not seem capable of undermining progress toward stabilizing inflation in the U.S. economy. Gasoline prices will always be a high-profile threat to household budgets, but the pass-through cost of energy from producers to consumers does not appear capable of compromising household budgets given recent PPI trends.

Intermediate Demand inflation for Components for Manufacturing increased modestly in December 2023, up by 0.2% for the month. But this component still managed to post a full year of declines. Intermediate demand for manufacturers' materials and components posted negative year-over-year growth in every month of 2023 and was down 2.3% in aggregate from December 2022 through December 2023. Intermediate demand PPI for Transportation and Warehousing Services was also down for the year at -0.7%. And intermediate demand for Construction materials and components was up only 1.4% for the year. Whether surveying from producers' intermediate or final demand perspective, there is little to no pricing pressure headed into the U.S. economy from the supply side entering 2024.

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