Monthly PPI Inflation Was 1.3%, Doubling Up on Market Expectations

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Headlines

- Final demand producer prices rose 1.3% in September 2026 and were 6.3% higher than one year earlier.
- Goods PPI rose 2.6% in September 2026, its largest monthly increase in data going back to 2009.
- Energy producer prices increased by 10.8% in September 2026.
- Services PPI inflation was up by 0.8%.

Details

The Final Demand Producer Price Index (PPI) gained 1.3% in September 2026 versus August. On a year-over-year basis, this result translates to a 6.3% rise in producers' input costs (see Figure 1). Producers' prices for both goods and services saw significant acceleration in September, though inflation in goods prices posted the more eye-catching result at 2.6%. Producers' energy prices rose by 10.8% for the month, topping the 10.5% monthly gain in March after the U.S.'s military conflict with Iran commenced. The September PPI data suggest continued upward pressure on consumer prices in coming months.

Energy PPI gained 10.8% in September 2026 alone. This result puts producers' energy costs 35.6% higher than one year ago (see Figure 2). This tops the previous year-ago PPI inflation high for 2026 of 32.3% seen in May. The spike in the September 2026 consumer price index, released by the Bureau of Labor Statistics, was attributed largely to the bounce in gasoline prices, which were up by 9.1% for the month in September. Energy PPI's acceleration foretells more gains in consumers' energy costs in the months ahead, not to mention the follow-on effects as goods and services price in higher energy costs related to their generation and delivery.

Goods PPI posted its highest monthly inflation result on record, with data from the Bureau of Labor Statistics available back through November 2009. Goods PPI inflation had moderated through the middle of the year, falling an average of 0.3% per month since May. While some of September's PPI result might be attributable to catch-up production as consumer demand has remained strong, goods production relies heavily upon energy inputs and the renewed acceleration in energy PPI inflation dampens prospects of a return to that cooler inflation pace for goods production input costs in the months ahead.

Core final demand PPI, which excludes food and energy producers' costs, pushed higher by 0.7% in September 2026. This result compares with a 0.2% monthly gain in August. Removing the significant

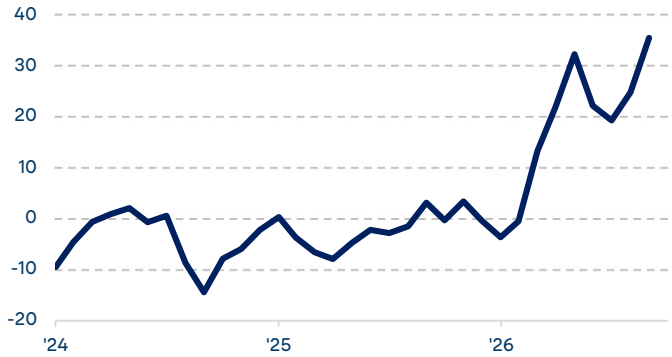
bounce in energy PPI in September thus does not temper concern that broader inflation across the U.S. economy has re-established roots as a result of lingering high energy prices and relentless consumer demand.

The September PPI report supports the case for additional monetary policy tightening from the Fed. PNC projects two more 25 basis point Fed Funds rate hikes through early 2027. The exceptional pace of producers' cost increases in September provides data that supports future Fed rate hike moves. Higher prices may also contribute to slower growth in consumer demand, reducing some of the inflationary pressure that the Fed is attempting to address with higher interest rates.

Figure 1: Final demand PPI: total (% chg., y/y)

Sources: BLS, PNC

Figure 2: Final demand PPI: energy (% chg., y/y)



Sources: BLS, PNC

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