



PPI Inflation Accelerated to 0.5% in December 2025

Headlines

- **Final Demand PPI rose by 0.5% in December 2025.**
- **Goods PPI was flat at 0.0% in December 2025** versus the month prior.
- **Intermediate Demand posted 7-month highs** for both Construction and Manufacturing goods producers.
- **Services PPI rose by 0.7%**, its most rapid monthly gain since September.
- **Energy prices for producers fell by 1.4% for the month in December 2025.**

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Details

The Producer Price Index (PPI) for December 2025 revealed new momentum behind price gains on the cusp of the new year. The Bureau of Labor Statistics (BLS) catches up with their PPI data release schedule after delays caused by the U.S. Federal government shutdown with this report. Final Demand inflation rose by 0.5%, led by Service providers who faced some of their strongest price gains this year, while Goods producers' cost gains fell flat for the month. Concern over the higher Final Demand inflation reading is compounded by an uptick in Intermediate Demand inflation, signaling that there is building momentum throughout the supply chain in terms of producers' costs. The potential for this pressure to make its way through to retail shelves in the way of consumer price inflation therefore rises with the December PPI report as well.

Goods PPI inflation posted virtually no gain for the month in December 2025. Goods producers had seen renewed upward pressure on their costs

throughout the second half of 2025, after year-over-year Goods PPI inflation fell to a paltry 0.5% in April. The year-ago gain for Goods PPI finished 2025 at 2.4%—down modestly from its recent peak of 3.2% (September 2025). The accumulation of tariff policy action throughout the year seemed to have caught-up with U.S. manufacturers who were forced to re-evaluate their supply chains and bear higher costs. Passing their higher costs on to consumers has proven difficult after several years of outsized price gains on retail shelves and shifting consumption habits toward more economical options—though, importantly, little sign of declining consumer spending overall. With Goods PPI gains back to their strongest pace of gains since 2018, discounting the post-pandemic experience, 2026 sets up as a new testing ground for producers' ability to pass on their own higher costs or to install productivity and/or cost-cutting measures to account for their new price inflation reality.



Services PPI growth bounced by 0.7% in December 2025.

This result pushed Services PPI to a 3.2% year-over-year gain to close out the year. The upward pressure through the fourth quarter of 2025 puts Services providers' costs firmly above that of Goods producers. Services consumption is by far the larger share of household purchases, as compared to Goods, at about two-thirds of total monthly consumer spending. And so a sustained Services PPI inflation trend entering the new year is cause for concern. The outcomes from such a trend could include renewed consumer price inflation as producers pass their costs on, or efforts by businesses to cut costs—including workers, as has been seen by big tech firms as first movers on artificial intelligence (AI) adoption. The broader economy may not yet be ready for a full-blown AI shift to reduce headcount and offset higher input costs, but a sustained uptick in PPI inflation could force such efforts, even prematurely.

Prices of Material Components for Manufacturers jumped in December 2025,

rising by 0.6% for the month. This result comes on the heels of two consecutive monthly declines in this Intermediate Goods cost category. For the year, Manufacturers' intermediate input prices rose by 4.3% with December's result in place. This is well up from the 2024 end-of-year reading of +1.1%, and the outright declines seen in the two years prior. Rather than a natural progression of raw materials, intermediate goods, and final goods price trends following each other in succession, there appears to be momentum behind all of these forces simultaneously as the U.S. economy enters 2026—not to mention recent U.S. dollar weakness that naturally makes imported goods priced in dollars more expensive.

The Federal Reserve held the Fed Funds rate steady in their January 2026 meeting as they balance the risks of inflation stalling above their target and a demonstrably weakened U.S. labor market. And while job growth concerns have not evaporated, upstream signals from producers' costs suggest that concern on the inflation front remains warranted as well.

Energy PPI fell by 1.4% for the month in December 2025.

This monthly result yielded a -0.8% year-over-year Energy inflation reading for producers. It is important to note, however, that oil prices have surged to close out January as U.S. rhetoric regarding Iran has jumped to the fore of geopolitical tensions. Couple this spike with frigid weather throughout the month and across the U.S. which has pushed up natural gas prices, and yet another upstream pressure is likely to be layered onto producers' costs in the early months of the new year. It bears repeating that while producers in large part found themselves unable to efficiently pass their costs onto consumers over the past year, a renewed multi-front rise in their own costs coupled with consumers' apparent willingness to keep spending despite above-trend inflation may result in that pass-through mechanism re-establishing itself. Or worse, producers could accelerate cost-cutting on the labor front in order to account for the higher prices that they face in so many aspects of their operations.

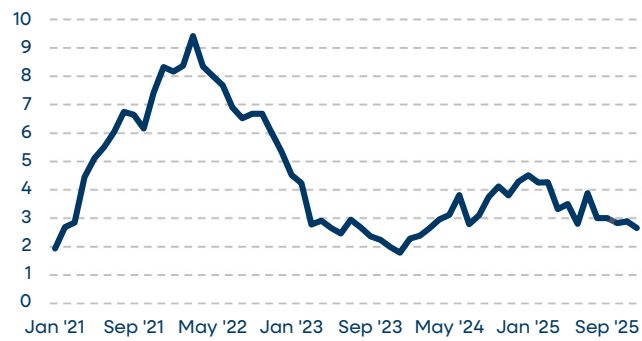
Figure 1: PPI – Final Demand: Goods (y/y % change)



Source: BLS



Figure 2: PPI – Final Demand: Services (y/y % change)



Source: BLS



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