IT'S NOT ALL BEER AND SKITTLES IN THE LAND OF THE FREE

The **P**roducer **P**rice **I**ndex (**PPI**) for finished goods rose 0.70 percent in February, seasonally adjusted, according to the latest data, compiled by The Bureau of Labour Statistics, a branch of the US Government's Department of Labour.

In its recent release, dated March 14 (Eastern Daylight Time), The Bureau said, inter alia, that the prices of finished goods *'moved up 0.2 percent in January and declined 0.3 percent in December.'*

The PPI measures price changes from the perspective of domestic producers of goods and services in the US.

The Bureau has produced a family of indices in order to measure price changes over time. These indices, when lumped together, are aptly named: The Producer Price Index.

The importance of the PPI varies from the **CPI – C**onsumer **P**rice **I**ndex – since the CPI measures price changes from the perspective of the purchaser not the producer.

The difference between the PPI and the CPI is that the CPI may include US Government subsidies, sales and excise taxes, as well as distribution costs.

The PPI, therefore, is a *'cleaner'* and *'unvarnished'* indicator of prices, achieved by producers in the US and may be considered a better gauge of the business climate than the CPI in respect of the largest, single economy of the world, today.

The Bureau said that, at the earlier stages of processing, *'the index for intermediate goods* (supplies and components) *advanced 1.3 percent in February, and crude goods* (crude materials for further processing) *decreased 0.3 percent.'*

For the 12 months, ended February 28, 2013, The Finished Goods Index rose 1.7 percent, *'the largest 12-month increase since a 2.3-percent rise in October 2012,'* The Bureau pointed out.

One foul wind no more makes a winter, than one swallow makes a summer, as everybody knows, but the recent statistics, compiled by The Bureau, appears to be a little more than just hope for the future.

It is, also, devoid of any political agenda.

The following table is lifted from The Bureau's release and appears to say it all:

Table A. Monthly and 12-month percent changes in selected stage-of-processing price indexes, seasonally adjusted

Month	Finished goods					Intermediate goods	Crude goods
	Total	Foods	Energy	Except foods and energy	Change in finished goods from 12 months ago (unadj.)		
2012							
Feb.	0.3	-0.1	0.9	0.2	3.4	0.5	0.4
Mar.	0.1	0.3	-0.5	0.2	2.8	1.0	-1.6
Apr.	-0.2	-0.1	-1.1	0.1	1.8	-0.5	-3.8
May	-0.6	-0.2	-2.8	0.1	0.6	-0.8	-1.9
June	0.1	0.4	-0.4	0.2	0.7	-0.7	-2.9
July	0.4	0.2	0.0	0.5	0.5	-0.4	2.8
Aug.	1.0	0.7	4.1	0.0	1.9	1.0	4.7
Sept.	1.0	0.1	4.1	0.1	2.1	1.2	1.5
Oct.(1)	-0.2	0.5	-0.9	0.0	2.3	0.0	0.0
Nov.(1)	-0.4	1.1	-3.0	0.1	1.5	-0.9	0.4
Dec.	-0.3	-0.8	-0.6	0.1	1.3	0.1	1.4
2013							
Jan.	0.2	0.7	-0.4	0.2	1.4	0.0	0.8
Feb.	0.7	-0.5	3.0	0.2	1.7	1.3	-0.3

Footnotes

Table A. Monthly and 12-month percent changes in selected stage-of-processing price indexes, seasonally adjusted							
	Finished goods						
Month	Total	Foods	Energy	Except foods and energy	Change in finished goods from 12 months ago (unadj.)	Intermediate goods	Crude goods
(1) Some of the figures shown above and elsewhere in this release may differ from those previously reported because data for October 2012 have been revised to reflect the availability of late reports and corrections by respondents.							

With regard to finished goods prices, the rise in February was *'led by the index for finished energy goods, which rose 3.0 percent. Also contributing to the increase in finished goods prices, the index for finished goods less foods and energy moved up 0.20 percent. By contrast, prices for finished consumer foods fell 0.5 percent.'*

As for Intermediate Goods, the PPI *'moved up 1.3 percent in February, the largest increase since a 1.4-percent jump in April 2011 ...'.*

However, The Bureau explained that nearly 66 percent of the February increase *'can be attributed to higher prices for intermediate energy goods, which climbed 3.36 percent.'*

Intermediate energy prices *'advanced 3.6 percent in February, the largest increase since a 5.6-percent rise in January 2010. A major factor in the February advance was a 6.1-percent jump in the diesel fuel index. Higher prices for gasoline and jet fuel also contributed to the increase in the intermediate energy goods index.'*

Still on the subject of energy, The Bureau stated that *'From November* (2012) *to February 2013, the index for crude energy materials climbed 7.2 percent subsequent to a 1.7-percent advance from August to November. In February, the over-the-month rise can be traced to a 6.3-percent jump in the index for crude petroleum.'*

Another negative aspect that The Bureau isolated was in the PPI for the net output of total trade industries: It moved down 0.8 percent in February, the third straight decline.

'Leading the February decrease, margins received by wholesale trade industries fell 1.8-percent. Lower margins received by discount department stores and by electronic shopping and mail-order houses also contributed to the decline in the total trade industries index,' The Bureau said.

So the situation with regard to the US economy is not all beer and skittles, after all.

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