



Macroeconomic Indicators

Producer Price Index

Definition

The Producer Price Index (PPI) measures the average change over time in the selling prices received by domestic producers of goods and services for their output. This contrasts with the Consumer Price Index (CPI), which measures price change from the purchaser's perspective.

Two different PPI indexes are released: PPI measuring final demand (PPI-FD) and PPI measuring intermediate demand (PPI-ID).

- PPI-FD includes indexes that examine inflation from the producer perspective for goods, services, and construction sold as personal consumption, capital investment, government purchase, and export.
- PPI-ID provides data related to the producer perspective for goods, services, and construction sold to businesses as inputs to production, excluding capital investment.

Based on information published by the Bureau of Labor Statistics (BLS), which releases the PPI, the BLS releases about 10,000 PPIs for individual products and groups of products each month. PPIs are available for the output of nearly all industries in the goods-producing sectors of the U.S. economy— mining, manufacturing, agriculture, fishing, and forestry— as well as natural gas, electricity, construction, and goods competitive with those made in the producing sectors, such as waste and scrap materials. The PPI covers approximately 72 percent of the service sector's output, as measured by revenue reported in the 2007 Economic Census.

PPI-FD is the indicator that is most often used when a reference is made to PPI.

Who Releases the Indicator?

U.S. Census Bureau and U.S. Department of Labor, Bureau of Labor Statistics (BLS)

Available to the public: <https://www.bls.gov/ppi/home.htm#news>.

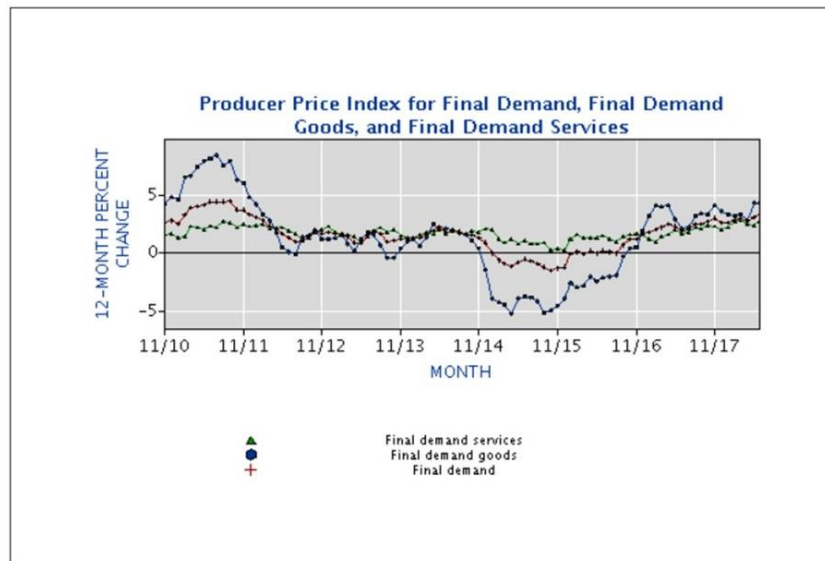
What Does the Indicator Tell Investors?

PPI is a widely used measure of inflation. It measures prices at the producer level, and many view the indicator as a precursor for changes in the Consumer Price Index. Changes in the PPI are used by the Government and the Federal Reserve to aid in formulating fiscal and monetary policies. The Federal



Reserve follows “headline PPI” and “core PPI”. Core PPI excludes the volatile categories food and energy.

The graph below shows the development of PPI Indexes from October 2010 to mid-2018. The graph is published on the website of the Bureau of Labor Statistics.



Source: BLS website

Type of Indicator

PPI is a lagging economic indicator.

How Often Is the Indicator Released?

Once a month, usually during the second full week.

Is the Indicator Revised?

Yes.