

US producer prices and retail sales: December data and outlook Commentary by Philippe Waechter, Director of Economic Research

Producer Price Index

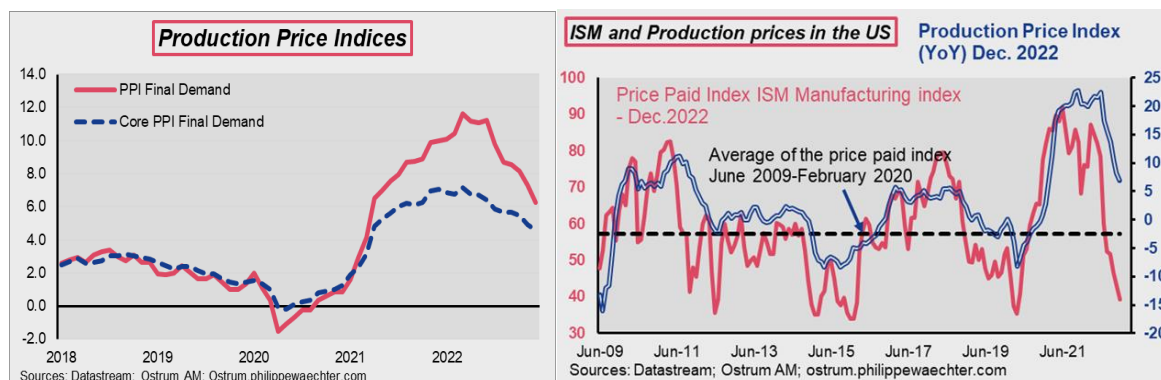
Producer prices on final demand are falling again in December. The headline index stands at 6.2%, a far cry from the June high of 11.2% for producer prices on final demand.

In fact, like the consumer price index, there has been a change of pace since June. The producer price index for final demand has fallen by 2% at an annualised rate since then [the CPI is at 0% over the same period].

This reflects the fall in energy prices but not simply because the underlying index for final demand excluding food and energy is only up 2% on an annualised basis over the last 6 months.

The overall producer price index follows the pattern of prices paid as captured by the ISM manufacturing survey.

Output prices will continue to slow in early 2023. Nominal pressures are fading. The year-on-year change will continue to slow despite the rebound in commodity prices since mid-December.



Retail sales

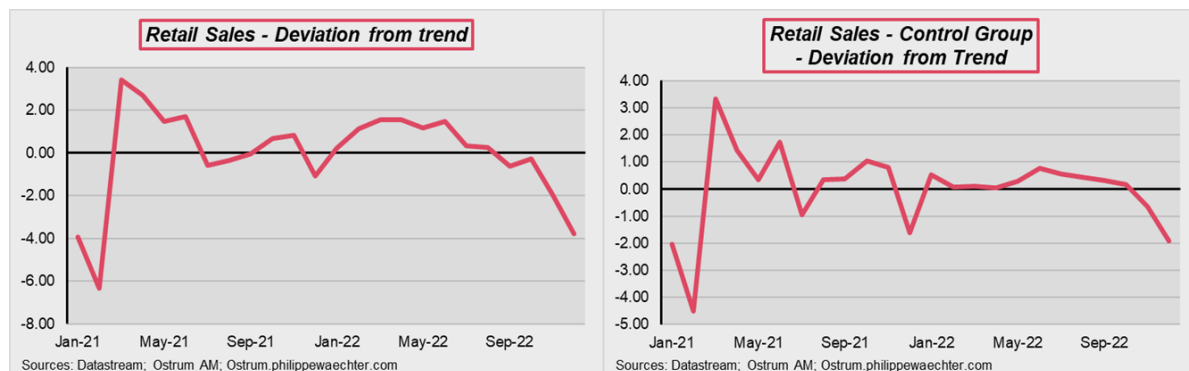
Since the beginning of the last quarter of 2022, the trend in retail sales has reversed. The indicator is below trend, showing a slowdown in consumer spending.

Declining purchasing power, reduced income dynamics and rising interest rates on bank cards are hurting US households.

The observation is the same for the control indicator, which is included as is in the consumption measure for the quarterly national accounts assessment.

However, care must be taken as the retail sales data is in nominal terms whereas the figure associated with GDP growth is in volume terms.

For this reason, the associated consumption figure in the national accounts is not expected to fall, however, as the contributions of goods and food fell sharply in the last quarter.



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