

U.S. Data Review

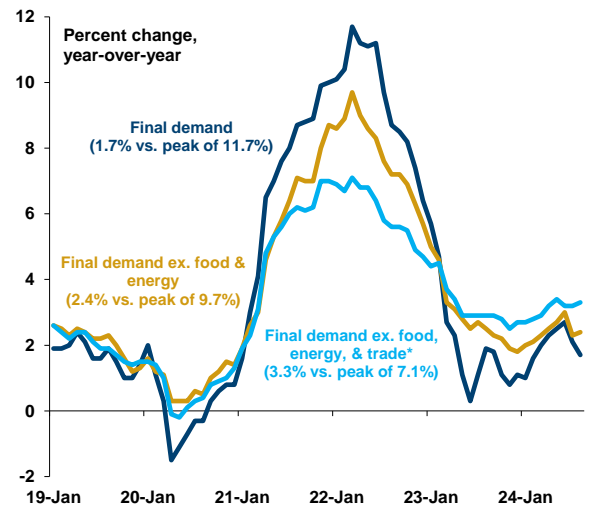
- PPI: August results consistent with ongoing moderation in inflation
- Unemployment claims: modest increases for both initial and continuing claims

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August PPI

- The headline PPI rose 0.2 percent in August, with the PPI excluding food and energy and the measure excluding food, energy, and trade increasing 0.3 percent (charts, below). Although all three readings exceeded their respective Bloomberg median expectations by 0.1 percentage point each, the changes for the headline and prices excluding food and energy occurred from downwardly-revised readings in July. The August readings translated to year-over-year changes of 1.7 percent in the headline measure (versus 2.1 percent in July), 2.4 percent for final demand excluding food and energy (versus 2.3 percent in July), and 3.3 percent for final demand excluding food, energy, and trade services (i.e. core; versus 3.2 percent in July). Broadly speaking, the latest results are consistent with ongoing moderation in prices at the producer level.
- The energy component eased 0.9 percent in August, the third decline in the past four months. On a year-over-year basis, the measure fell 8.4 percent (versus a pickup of 0.5 percent in July).
- The food component rose 0.1 percent after a jump of 0.7 percent in July. The measure increased 2.3 percent on a year-over-year basis, up from 1.8 percent in the prior month, although the latest reading was in line with the pre-pandemic trend.

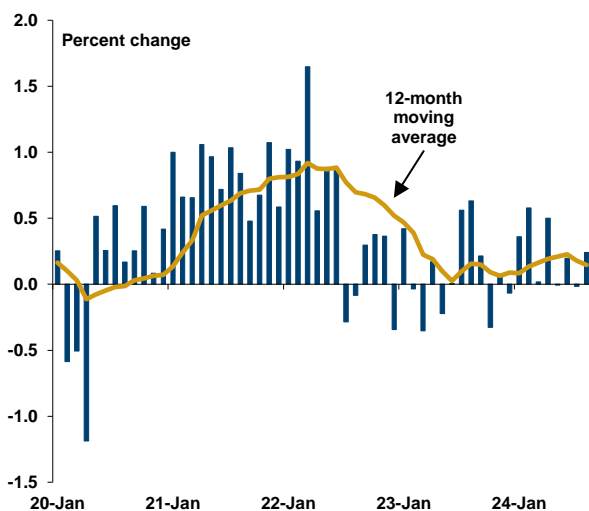
PPI Inflation



* Prices received by domestic producers of good and services excluding food, energy, and trade services.

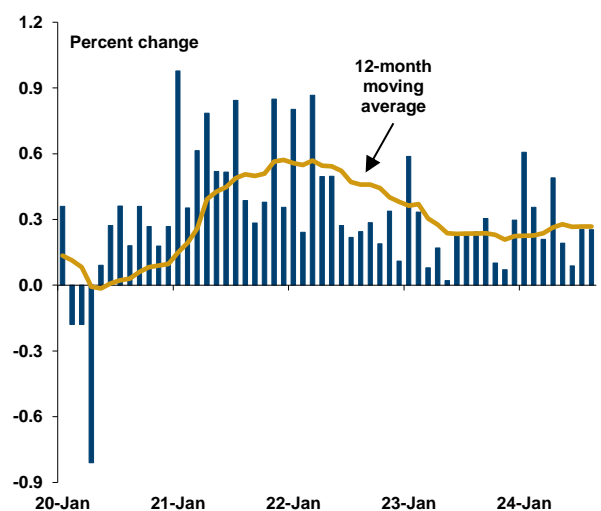
Source: Bureau of Labor Statistics via Haver Analytics

PPI: Final Demand



Source: Bureau of Labor Statistics via Haver Analytics

PPI Ex. Food, Energy, & Trade Services



Source: Bureau of Labor Statistics via Haver Analytics

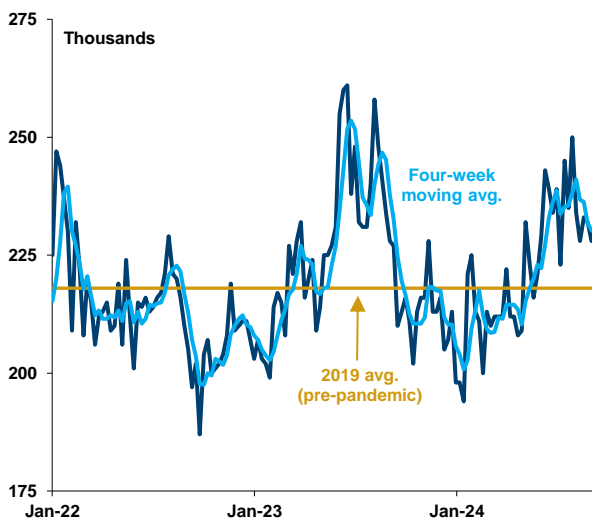
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- As discussed above, prices excluding food and energy rose 0.3 percent, a reading in line with the average in the first seven months of the year. Goods prices excluding food and energy registered a moderate gain (+0.2 percent month-over-month, matching the average in the first seven months of the year; +2.1 percent year-over-year – in line with the pre-pandemic trend). Service prices jumped 0.4 percent, but the change followed a decline of 0.3 percent in July (+2.6 percent year-over-year, up two ticks from July). Construction costs rounded down to no change in August after an advance of 0.7 percent in the prior month. The subdued year-over-year advance of 1.3 percent matched the reading in the prior month.
- As noted earlier, we viewed the detail of today's PPI release, along with CPI data published yesterday, as consistent with a slowing in inflation and a return to two percent in the medium term. Additionally, both measures in context point to a moderate advance in the price index for personal consumption expenditures (August data released on September 27). Our calculations suggest increases of 0.2 percent in both the headline and core indexes.

Unemployment Claims

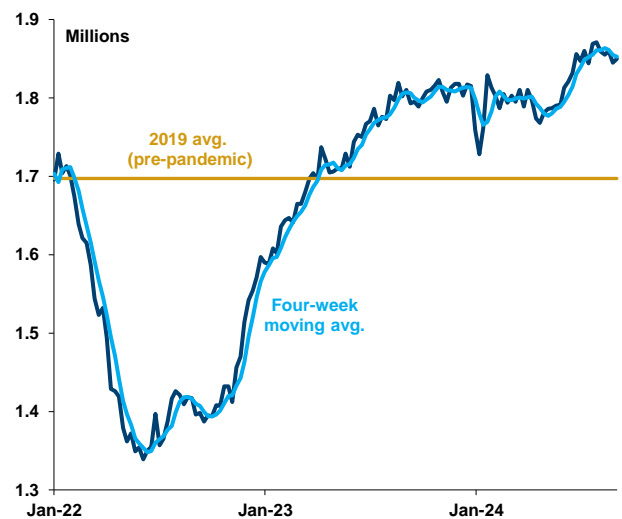
- Initial claims for unemployment insurance increased in the week ending September 7, rising by 2,000 to 230,000 (associated with a marginal increase of 500 to 230,750 for the four-week moving average). Following the latest performance, claims have remained above the 2019 pre-pandemic average of 218,000 for sixteen consecutive weeks (a period when the labor market was viewed as firm; chart, below left). That said, after steadily rising since the spring of this year, claims have been essentially range-bound in recent weeks (range of 228,000 to 234,000 since early August). With that in mind, we interpret the latest performance as indicative of a labor market, while not deteriorating, that has notably loosened.
- Continuing claims also moved higher, increasing 5,000 to 1.850 million in the week ending August 31. The four-week moving average, in contrast, dipped 2,250 to 1.853 million. Claims have remained above the 2019 pre-pandemic average of 1.697 million since March 2023, but this softening appears consistent with a rebalancing in a previously tight labor market (chart, below right). Absent a sharp move upward, we do not yet see evidence of material weakness in underlying labor market conditions – which would be a necessary condition for an aggressive series of cuts by the Federal Open Market Committee.

Initial Claims for Unemployment Insurance



Source: U.S. Department of Labor via Haver Analytics

Continuing Claims for Unemployment Insurance



Source: U.S. Department of Labor via Haver Analytics