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Producer Price Index News Release text

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PRODUCER PRICE INDEXES - NOVEMBER 2013

The Producer Price Index for finished goods edged down 0.1 percent in November, seasonally adjusted, the U.S. Bureau of Labor Statistics reported today. Prices for finished goods decreased 0.2 percent in October and 0.1 percent in September. At the earlier stages of processing, prices received by manufacturers of intermediate goods declined 0.5 percent, and the crude goods index fell 2.6 percent. On an unadjusted basis, prices for finished goods advanced 0.7 percent for the 12 months ended November 2013. (See table A.)

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							
Nov.	-0.5	1.1	-3.1	0.1	1.5	-0.8	0.3
Dec.	-0.1	-0.6	-0.4	0.2	1.4	0.0	1.3
2013							
Jan.	0.2	0.7	-0.6	0.2	1.5	0.2	0.0
Feb.	0.7	-0.7	3.2	0.1	1.8	1.2	0.1
Mar.	-0.6	0.9	-3.6	0.2	1.1	-1.2	-1.7
Apr.	-0.7	-1.0	-2.5	0.1	0.5	-0.6	-0.9
May	0.5	0.7	1.1	0.1	1.6	0.0	2.2
June	0.6	-0.1	2.5	0.2	2.3	0.4	-0.2
July(1)	0.2	0.3	0.2	0.1	2.1	0.1	0.9
Aug.(1)	0.4	0.7	1.0	-0.1	1.4	0.1	-2.1
Sept.	-0.1	-1.0	0.5	0.1	0.3	0.1	0.5
Oct.	-0.2	0.8	-1.5	0.2	0.3	-0.4	-0.9
Nov.	-0.1	0.0	-0.4	0.1	0.7	-0.5	-2.6
Footnotes							
(1) Some of the figures shown above and elsewhere in this release may differ from those previously reported because data for July 2013 have been revised to reflect the availability of late reports and corrections by respondents.							

Stage-of-Processing Analysis

Finished goods

In November, the decrease in the finished goods index can be traced to a 0.4-percent decline in prices for finished energy goods. By contrast, prices for finished goods less foods and energy advanced 0.1 percent. The index for finished consumer foods was unchanged.

Finished energy: The index for finished energy goods declined 0.4 percent in November after falling 1.5 percent in October. Nearly three-quarters of the November decrease is attributable to gasoline prices, which moved down 0.7 percent. Lower prices for diesel fuel and home heating oil also were factors in the decline in the index for finished energy goods. (See table 2.)

Finished core: The index for finished goods less foods and energy inched up 0.1 percent in November, the third consecutive advance. Leading the November rise, prices for light motor trucks increased 0.6 percent. Higher prices for agricultural machinery and equipment also contributed to the advance in the finished core index.

Finished foods: Prices for finished consumer foods were unchanged in November subsequent to a 0.8-percent rise a month earlier. In November, higher prices for pork were offset by lower prices for processed young chickens.

Intermediate goods

The Producer Price Index for intermediate materials, supplies, and components fell 0.5 percent in November, the largest decline since a 0.6-percent drop in April 2013. Accounting for over two-thirds of the broad-based November decrease, prices for intermediate energy goods moved down 1.5 percent. The index for intermediate foods and feeds fell 0.9 percent and prices for intermediate materials less foods and energy inched down 0.1 percent. For the 12 months ended in November, the intermediate goods index declined 0.5 percent, the third straight 12-month decrease. (See table B.)

Intermediate energy: The index for intermediate energy goods moved down 1.5 percent in November, the largest decrease since a 1.8-percent decline in April 2013. Nearly three-fifths of the November drop can be traced to prices for diesel fuel, which fell 5.6 percent. Decreases in the indexes for jet fuel and lubricating oil base stocks also contributed to the decline in prices for intermediate energy goods. (See table 2.)

Intermediate foods: In November, the index for intermediate foods and feeds decreased 0.9 percent after falling 1.5 percent a month earlier. More than half of the November decline is attributable to prices for prepared animal feeds, which moved down 2.4 percent. A decrease in the index for refined sugar and by-products also factored into lower prices for intermediate foods and feeds.

Intermediate core: Prices for intermediate materials less foods and energy edged down 0.1 percent in November, the same as in October. The November decrease was led by the index for basic organic chemicals, which fell 2.0 percent.

Crude goods

The Producer Price Index for crude materials for further processing declined 2.6 percent in November. For the 3 months ended in November, prices for crude goods fell 3.0 percent following a 1.3-percent decrease for the 3 months ended in August. The monthly decline in November was led by the index for crude energy materials, which dropped 6.6 percent. Lower prices for crude foodstuffs and feedstuffs also contributed to the decrease, declining 0.3 percent. By contrast, the index for crude nonfood materials less energy advanced 1.4 percent. (See table B.)

Crude energy: The index for crude energy materials decreased 6.6 percent in November. From August to November, prices for crude energy materials fell 7.4 percent after rising 1.8 percent from May to August. In November, most of the monthly decline can be traced to an 11.7-percent drop in the index for crude petroleum. Lower prices for coal also were a factor in the decrease in the index for crude energy materials. (See table 2.)

Crude foods: The index for crude foodstuffs and feedstuffs moved down 0.3 percent in November. For the 3 months ended in November, prices for crude foodstuffs and feedstuffs rose 0.5 percent compared with a 5.4-percent decrease for the 3 months ended in August. The monthly decline in November was led by the index for corn, which fell 4.5 percent. Lower prices for slaughter barrows and gilts also contributed to the decrease in the crude foods index.

Crude core: The index for crude nonfood materials less energy advanced 1.4 percent in November. From August to November, prices for crude nonfood materials less energy were unchanged after moving down 0.8 percent from May to August. Leading the monthly increase in November, the index for carbon steel scrap rose 6.0 percent. Higher prices for gold ores also were a factor in the advance in the crude core index.

Table B. Monthly and 12-month percent changes in selected price indexes for intermediate goods and crude goods.

Table B-1 Monthly and 12-month percent changes in selected price indexes for intermediate goods and crude goods, seasonally adjusted

Month	Intermediate goods				Crude goods			
	Foods	Energy	Except foods and energy	Change in intermediate goods from 12 months ago (unadj.)	Foods	Energy	Except foods and energy	Change in crude goods from 12 months ago (unadj.)
2012								
Nov.	-0.2	-3.5	-0.1	-0.2	0.5	-0.4	1.6	-1.9
Dec.	-0.6	0.1	0.2	0.4	0.4	2.3	1.3	1.4
2013								
Jan.	-1.2	-0.6	0.7	0.6	-0.3	0.9	-1.4	0.5
Feb.	-0.1	3.6	0.6	1.3	-2.1	2.7	-0.8	0.3
Mar.	0.2	-5.0	-0.2	-0.9	1.8	-6.2	0.8	0.0
Apr.	-1.1	-1.8	-0.2	-1.1	-2.5	2.3	-2.7	2.9
May	1.1	0.3	-0.2	-0.2	1.9	4.9	-1.6	7.4
June	0.2	1.3	0.0	0.8	-0.3	0.0	-0.4	10.7
July⁽¹⁾	1.6	0.6	-0.2	1.3	-1.1	3.1	-0.1	8.6
Aug.⁽¹⁾	-2.3	0.9	0.2	0.5	-4.0	-1.3	-0.3	1.6
Sept.	0.3	0.3	0.1	-0.5	-0.4	2.0	-1.0	0.3
Oct.	-1.5	-1.2	-0.1	-0.8	1.2	-2.9	-0.5	-0.5
Nov.	-0.9	-1.5	-0.1	-0.5	-0.3	-6.6	1.4	-3.3
Footnotes ⁽¹⁾ Some of the figures shown above and elsewhere in this release may differ from those previously reported because data for July 2013 have been revised to reflect the availability of late reports and corrections by respondents.								

Services Analysis

Trade industries: The Producer Price Index for the net output of total trade industries decreased 0.6 percent in November after rising 1.2 percent in October. (Trade indexes measure changes in margins received by wholesalers and retailers.) Leading the decline, margins received by wholesale trade industries fell 0.9 percent. Lower margins received by family clothing stores and supermarkets also were factors in the decrease in the total trade industries index.

Transportation and warehousing industries: The Producer Price Index for the net output of transportation and warehousing industries moved down 0.4 percent in November following a 0.4-percent advance in October. Most of the decline can be traced to a 1.9-percent drop in prices received by the industry for scheduled passenger air transportation. Lower prices for deep sea freight transportation and for general warehousing and storage also contributed to the decrease in the transportation and warehousing industries index.

Services less trade, transportation, and warehousing: The Producer Price Index for the net output of services less trade, transportation, and warehousing inched up 0.1 percent in November, the same as in October. A 0.4-percent increase in prices received by general medical and surgical hospitals led the November advance. Higher prices received by the industry group for securities, commodity contracts, and similar activities, as well as by offices of real estate agents and brokers also were factors in the rise in the index for services less trade, transportation, and warehousing.

The Producer Price Index for December 2013 is scheduled to be released on Wednesday, January 15, 2014 at 8:30 a.m. (EST).

Producer Price Index to Transition from Stage-of-Processing to Final Demand-Intermediate Demand Aggregation System

Effective with the January 2014 PPI data release in February 2014, BLS will transition from the Stage of Processing (SOP) to the Final Demand-Intermediate Demand (FD-ID) aggregation system. This shift will result in significant changes to the PPI news release, as well as other documents available from PPI. The transition to the FD-ID system is the culmination of a long-standing PPI objective to improve the current SOP aggregation system by incorporating PPIs for services, construction, government purchases, and exports. In comparison to the SOP system, the FD-ID

system more than doubles current PPI coverage of the United States economy to over 75 percent of in-scope domestic production. The FD-ID system was introduced as a set of experimental indexes in January 2011. Nearly all new FD-ID goods, services, and construction indexes provide historical data back to either November 2009 or April 2010, while the indexes for goods that correspond with the historical SOP indexes go back to the 1970s or earlier.

The FD-ID system will highlight the index for final demand, which measures price changes for goods, services, and construction sold to final demand: personal consumption, capital investment, government purchases, and exports. The composition of products in the final demand price index differs from that of the finished goods index in two major respects. First, it includes government purchases and exports. Second, it includes services and construction, which are not reflected in finished goods.

The FD-ID system also includes two separate parallel treatments of intermediate demand: price changes for goods, services, and construction sold to business as inputs to production. The first treatment, intermediate demand by commodity type, measures price changes based on similarity of product and includes aggregate indexes for processed goods for intermediate demand, unprocessed goods for intermediate demand, and services for intermediate demand.

The second treatment, intermediate demand by production flow, is a stage-based system of price indexes, where price changes for goods, services, and construction can be studied as they move through the production chain of the economy to final demand. This treatment includes four stages of intermediate demand, which were established to maximize forward flow of production through the economy, while minimizing backflow of production.

These FD-ID indexes are constructed using PPI commodity indexes for goods, services, and construction, where products are assigned to various categories according to buyer type and level of fabrication. A product purchased by different classes of buyers is assigned to multiple FD-ID aggregates, with unique weights allocated to each aggregate based on the product's value of shipments to each buyer type.

To assist with the transition to the FD-ID system, PPI will provide, on a monthly basis, a version of the PPI news release based on the FD-ID model, starting with the publication of July 2013 data in August. The document will be labeled "Experimental" through the December release in January 2014 and will be posted to the PPI Experimental Aggregation webpage about two weeks after each month's scheduled PPI release. That webpage, <http://www.bls.gov/ppi/experimentalaggregation.htm>, also contains detailed methodological information for the FD-ID aggregation system. With the publication of January 2014 data in February 2014, the FD-ID version of the PPI news release will become the official news release document of record.

Further information also is available from the PPI Section of Index Analysis and Public information, at ppi-info@bls.gov or (202) 691-7705.

Recalculated Seasonal Adjustment Factors and Relative Importance Figures to be Available on February 14, 2014

Each year with the release of PPI data for January, seasonal adjustment factors and relative importance figures are recalculated to reflect price movements from the just-completed calendar year. In accordance with the transition to the Final Demand-Intermediate Demand aggregation system, aggregate seasonal factor and relative importance data will be published on this new basis. The following seasonal adjustment information will be available on February 14, 2014 (2 workdays prior to the release of PPI data for January 2014 on February 19):

- * Direct seasonal factors for commodity indexes for the year 2014,
- * Recalculated seasonal factors for the last 5 years (2009-2013) for the commodity indexes,
- * Recalculated seasonal factors for the last 5 years (2009-2013) for the final demand-intermediate demand indexes.

This routine recalculation may result in revisions to seasonally adjusted indexes for the previous 5 years, which also will be posted on BLS website. In addition, the following relative importance tables for December 2013 will be available on February 14, 2014:

- * Final demand by individual commodities,
- * Final demand by component series,
- * Individual commodities of intermediate demand by commodity type,
- * Component series of intermediate demand by commodity type,
- * Individual commodities of intermediate demand by production flow,

- * Component series of intermediate demand by production flow,
- * Commodities, all levels,
- * Wherever-provided services and construction.

To obtain this information, visit the PPI website at www.bls.gov/ppi or call the Division of Industrial Prices and Price Indexes, Section of Index Analysis and Public Information at (202) 691-7705.

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