US: Producer inflation moderates further

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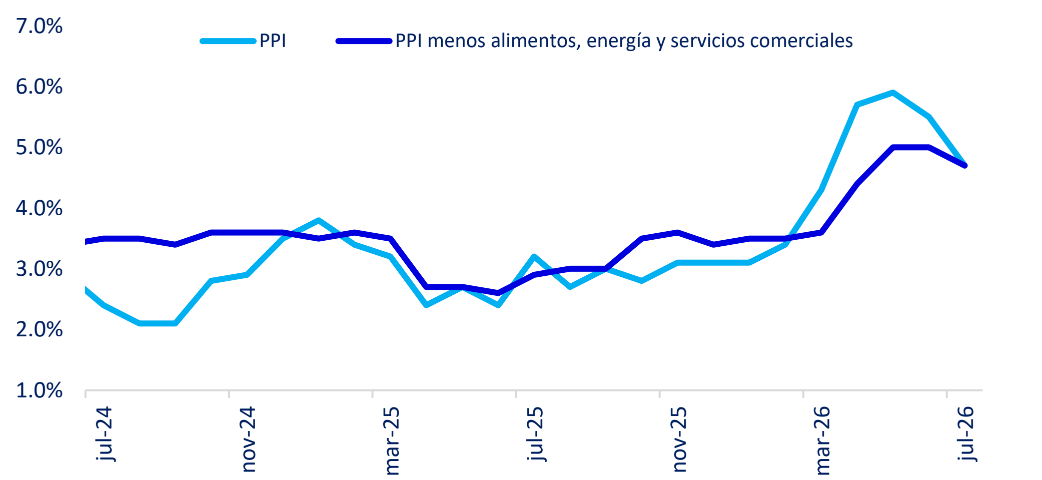
Written by: Janneth Quiroz
Alan D. Olivares
analisis@monex.com.mx

- **In July, the PPI remained unchanged from the previous month, falling short of expectations for a monthly advance of 0.2%.**
- **At an annual rate, PPI inflation moderated to 4.7% from 5.5% in June, thus stringing together two months of slowdown.**
- **This moderation is mainly due to a decrease in inflation of goods and services, as well as a fall in energy inflation.**

In July, the seasonally adjusted Producer Price Index (PPI) remained unchanged from the previous month, after registering a contraction of 0.1% month-on-month (MoM) in June. Likewise, the data was below market expectations, which foresaw an advance of 0.2% MoM. In annual terms (YoY) and with original figures, the PPI grew 4.7%, below the 5.5% recorded in June and the market expectation (+4.9% YoY). With this, producer inflation registered two months of deceleration in a row.

Domestically, the PPI minus food, energy and commercial services increased 0.4% MoM in July, accelerating from the 0.1% advance recorded in the previous month. However, in annual terms, its growth moderated to 4.7% from 5.0% in June. On the other hand, the prices of final demand goods decreased 0.7% MoM, after the 1.4% drop observed in the previous month. In its annual comparison, inflation in this area slowed to 6.5% from 7.8% (revised downwards). Likewise, monthly inflation of final demand goods excluding food and energy moderated to 0.1% from 0.2%. At an annual rate, this component also showed a slowdown, standing at 4.9%, below the previous 5.2% (figure revised upwards). Services inflation moderated to 0.2% MoM from 0.5% in the previous month. In annual terms, this component slowed to 3.9%, compared to the 4.7% recorded in June.

PPI for final demand, annual change (%)



Source: Authors' elaboration with data from the *U.S. Bureau of Labor Statistics*. No seasonal adjustment

Regarding final demand energy prices, with original figures, they fell 3.1% MoM in July, after falling 6.4% the previous month. This was reflected in a moderation of annual inflation to 18.2%, from 22.6% in June (figure revised downwards). Within the category, with the exception of electricity and residential natural gas, all components registered reductions in their prices compared to the previous month. The largest declines were observed in jet fuel (-15.2% MoM), No. 2 diesel (-6.7% MoM) and gasoline (-5.7% MoM).

July's producer inflation reinforces the perspective that the transmission of high energy costs to the production chain has remained limited. We also see greater resilience to absorb these shocks, as despite the sustained rebound in oil prices during July, energy inflation showed a decline. This result is consistent with the moderation observed in CPI inflation during July and suggests that lower pressures on final prices are also due to a slowdown in costs at the producer level. However, this resilience could be overwhelmed if the conflict in the Middle East escalates unexpectedly or extends over a prolonged period.

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