

Price Highlights, 1999

Producer price indexes for crude, intermediate, and finished goods rose in 1999; surging energy prices were the driving force behind their acceleration. The finished goods index advanced 2.9 percent, after showing no change in 1998. The 1999 rise was the largest annual increase since a 5.7-percent advance in 1990. Energy prices gained 18.1 percent, following an 11.7-percent decrease during the previous 12 months. The index for finished consumer foods rose 0.8 percent, after a 0.1-percent increase in 1998. However, finished goods other than foods and energy—a category that includes both consumer goods and capital equipment—increased 0.9 percent in 1999, after gaining 2.5 percent a year earlier.

The index for intermediate materials, supplies, and components rose 3.7 percent, following a 3.3-percent decline in 1998. The acceleration in intermediate materials was also due primarily to rising prices for intermediate energy goods, which declined in the previous year. Also contributing to this acceleration were rising prices for nondurable and durable manufacturing materials, which turned up, after falling. The index for materials and components for construction rose more than in the prior year. Prices for intermediate foods and feeds fell less than in 1998. Excluding foods and energy, intermediate goods prices increased 1.9 percent, following a 1.6-percent decline in 1998. Prices for crude materials for further processing advanced 15.3 percent in 1999. As with finished and intermediate goods, much of the increase in crude goods can be attributed to rising prices for energy goods. Prices for crude goods other than foods and energy also turned up substantially. The index for crude foodstuffs and feedstuffs fell less than a year ago. (See table A.)

Energy goods. Over half the acceleration in prices for finished energy goods can be traced to a 74.8-percent surge in gasoline prices. In 1998, gasoline prices fell 33.1 percent. Prices for home heating oil jumped 89.4 percent, after a 36.1-percent decline last year. The indexes for residential natural gas, finished lubricants, and liquefied petroleum gas also turned up. The residential electric power index was the only finished energy component that fell in 1999. Petroleum-based products also led the acceleration at the intermediate stage-of-process. Jet fuel prices surged 90.9 percent, after falling for 2 consecutive years. The indexes for diesel fuel, liquefied petroleum gas, and residual fuel also turned up, following declines. Outside of the refined-petroleum sector, prices for commercial electric power, industrial natural gas, and commercial natural gas rose, after falling in 1998. The index for industrial electric power fell less in 1999. At the crude stage-of-processing, crude-oil prices rose 172.0

percent, after declining 48.6 percent a year earlier. The index for natural gas turned up 7.9 percent, following a 17.8-percent drop. By contrast, coal prices fell 9.3 percent, following a 1.2-percent decrease.

Foods and related products. Prices for finished consumer foods rose 0.8 percent in 1999, after a 0.1-percent increase in 1998. Leading the way, pork prices jumped 29.8 percent, following a 27.3-percent drop in 1998 and a 13.6-percent decline in 1997. This rebound can be traced to a dramatic 266.9-percent jump in the index for slaughter hogs. Also contributing to the increase in finished consumer foods was a 10.8-percent rise in beef and veal prices, which declined 2.7 percent in 1998. Contrasting rising meat prices, the dairy products index fell 11.1 percent. Prices for intermediate foods and feeds declined 4.2 percent, following a 7.3-percent drop in 1998. The index for prepared animal feeds fell 2.7 percent, after falling 20.4 percent in the prior year. Crude vegetable oil prices declined, on weak corn and soybean prices. The index for crude foodstuffs and feedstuffs edged down 0.1 percent in 1999, following an 11.0-percent drop during 1998. Slaughter cattle prices rose 19.4 percent, after falling 12.0 percent. Similarly, a large upturn for slaughter hog prices was posted in 1999. The indexes for corn and alfalfa hay fell less than in the previous year.

Table A. Annual percent changes for major categories of the Producer Price Index, by stage of processing, 1995-99

Index	1995	1996	1997	1998	1999
Finished goods	2.3	2.8	-1.2	0.0	2.9
Foods	1.9	3.4	-8	.1	.8
Energy	1.1	11.7	-6.4	-11.7	18.1
Other	2.6	.6	0	2.5	.9
Intermediate materials, supplies, and components	3.3	.7	-8	-3.3	3.7
Foods and feeds	10.3	2.1	-1.7	-7.3	-4.2
Energy	1.1	11.2	-7.0	-12.1	19.6
Other	3.2	-9	.3	-1.6	1.9
Crude materials for further processing	5.5	14.7	-11.3	-16.7	15.3
Foodstuffs and feedstuffs	12.9	-1.0	-4.0	-11.0	-1
Energy	3.7	51.2	-23.1	-23.8	36.9
Other	-4.2	-5.5	0	-16.0	14.0

Finished goods other than foods and energy. The index for finished goods other than foods and energy increased 0.9 percent, after advancing 2.5 percent in 1998. Consumer goods other than foods and energy increased 1.2 percent, following a 4.2-percent gain in 1998, while the index for capital equipment rose 0.3 percent, after showing no change a year earlier. Most of the deceleration in finished consumer goods other than foods and energy was due to smaller price increases for cigarettes and prescription drugs. The cigarette index rose 9.6-percent in 1999, after jumping 49.4 percent during 1998, and prescription drug prices increased 0.8 percent, after gaining 20.9 percent a year ago. Price increases also slowed for book publishing, alcoholic beverages, periodical circulation, and household furniture. Conversely, prices rose more in 1999 than in the prior year for passenger cars, mobile homes, and newspaper circulation. Within capital equipment, the slight acceleration was led by civilian aircraft prices, which advanced 2.1 percent, following a 0.5-percent rise in 1998. Price increases also accelerated for commercial furniture, transformers and power regulators, and for agricultural machinery and equipment. On the other hand, price increases slowed for light motor trucks, heavy motor trucks, and industrial material handling equipment. The indexes for communication equipment and for x-ray and electromedical equipment fell more than in 1998.

Intermediate industrial materials. Within the nondurable manufacturing materials category, prices for plastic resins and materials, primary basic organic chemicals, paperboard, paper, and woodpulp turned up, after declining in the prior year. Leading the turnaround in durable manufacturing materials, prices for primary nonferrous metals (including copper and aluminum) turned up, following a drop a year ago. Also, the indexes for flat glass and steel mill products fell less than in 1998. Within materials and components for construction, over half of the acceleration was due to the index for softwood lumber, which turned up 10.1 percent in 1999, following a 10.1-percent decline last year. Prices for plastic construction products and nonferrous wire and cable also turned up, after falling in 1998, and the indexes for gypsum products and millwork rose more than in the previous year.

Crude nonfood materials less energy. Prices for crude nonfood materials less energy turned up 14.0 percent in 1999, after declining 16.0 percent in the prior calendar year. Over half of the acceleration in this index was due to price increases for iron and steel scrap and for wastepaper. The index for iron and steel scrap rose 40.0 percent, following a 39.9-percent drop in the previous year. The wastepaper index jumped 110.5 percent, following a 28.9-percent fall in 1998. Upturns in the indexes for aluminum base scrap, copper ores, softwood logs, and copper base scrap also contributed to the price acceleration in basic industrial materials in 1999.

Health care. The rate of increase in prices received by offices of physicians slowed from 2.6 percent in 1998 to 2.1 percent in 1999. The index for general medical and surgical hospitals rose at a somewhat faster rate—1.8 percent—versus a 1.3-percent

gain in 1998. Prices received by psychiatric hospitals rose 0.9 percent in 1999, after increasing 0.5 percent in 1998, while the index for specialty hospitals (except psychiatric) advanced 2.7 percent in 1999, following a 2.3-percent rise in the prior year.

Distribution. The robust U.S. economy grew over 4.0 percent during 1999, and coupled with higher fuel costs, permitted the distribution service industries to set higher prices. Of the 20 distribution service industries for which PPI publishes price indexes, all but 3 industries showed increased prices in 1999. In 1998, all but 4 industries raised prices. Freight transportation arrangement, freight transportation on the Great Lakes-St. Lawrence Seaway, and crude petroleum pipelines were the 3 industries with declining prices in 1999.

Real estate. Among real estate industries, the index for operators and lessors of nonresidential buildings rose 5.7 percent in 1999, after registering a 1.2-percent increase in 1998. The index for real estate agents and managers increased 1.5 percent in 1999, after rising 2.6 percent in the previous year. Plentiful employment, rising income, and higher limits on Federal Housing Administration loans led to increasing home sales and rising fees for appraisals and commissions on sales.

Professional, scientific, and technical. The functions performed by advertising, legal, and accounting firms are required in the day-to-day operations of most companies, and professional, scientific, and technical firms from the United States maintain a worldwide client base. Economic strength has also served to further increase demand for activities such as engineering and architectural services. The indexes for each of these industries increased in 1999, for the third consecutive year.

Communications. The index for radio broadcasting advanced 7.7 percent in 1999, following a 0.8-percent rise in the previous year. The index for cable and other pay television services rose 3.3 percent, after a 3.7-percent increase in 1998. The index for telephone communications (except radio telephone) fell 3.0 percent, following a 1.7-percent drop in 1998. Competition among long-distance carriers forced public-switched toll prices down 5.8 percent. By contrast, the index for local service (except private lines) increased 0.2 percent. Introduced in June of 1999, the index for wireless telecommunications fell 3.0 percent during its first 6 months of publication, on the strength of a 4.0-percent drop in prices for cellular and other wireless voice grade services.

Other service industries. The index for passenger car rental (without drivers) turned up 3.8 percent in 1999, after falling 4.0 percent in 1998. Prices received by hotels and motels rose 2.8 percent, following a 4.2-percent gain in the prior year. Prepackaged software prices showed a 2.4-percent decrease in 1999, after a 0.9-percent rise in its first year of publication. The index for property and casualty insurance increased 1.1 percent, mainly due to a 2.8-percent increase in homeowners insurance. By contrast, the index for life insurance carriers declined 0.3 percent from December 1998 to December 1999.

Price Highlights, 2000

The Producer Price Index for Finished Goods advanced 3.6 percent in 2000, after rising 2.9 percent in 1999 and remaining unchanged in 1998. The calendar-year 2000 increase for the finished goods index was the largest annual gain since a 5.7-percent jump in 1990. Prices for finished energy goods increased 16.6 percent in 2000, after advancing 18.1 percent during the previous 12-month period. After registering a 0.8-percent rise in 1999, the index for finished consumer foods moved up 1.7 percent in 2000. Prices for finished goods excluding foods and energy—a category that includes both consumer goods and capital equipment—advanced 1.3 percent in 2000, following a 0.9-percent increase during the prior 12-month period.

At the earlier stages of processing, the Producer Price Index for intermediate goods rose 4.1 percent in 2000, after increasing 3.7 percent in 1999. Prices for crude goods advanced 35.5 percent, after rising 15.3 percent a year earlier. The indexes for energy items and food-related materials at the crude and intermediate stages of processing also moved up in 2000. Excluding foods and energy, intermediate goods prices rose 1.6 percent in the most recent calendar year. By contrast, the index for crude materials other than foods and energy fell 5.5 percent for the same period. (See table A.)

Energy goods. The Producer Price Index for finished energy goods rose 16.6 percent in 2000, following an 18.1-percent advance in 1999. Prices for intermediate energy goods rose 19.0 percent, after rising 19.6 percent a year earlier. The crude energy goods index advanced 85.6 percent in 2000, following a 36.9-percent gain during the prior 12-month period.

The natural gas index exhibited a 192.6-percent rate of increase in calendar-year 2000, as demand outpaced supply and led to declining natural gas reserves. This price pressure pushed residential, commercial, and industrial natural gas prices to unprecedented heights during 2000: the index for residential natural gas advanced 41.8 percent in 2000; commercial natural gas prices rose 56.0 percent; and the industrial natural gas index jumped 91.9 percent for the 12 months ending December 2000. Among other energy items, prices for liquefied petroleum gas rose 49.3 percent, following an 87.0-percent gain a year earlier. The coal index showed no change in 2000, after dropping 9.3 percent in the prior 12-month period. Crude petroleum prices increased 11.0 percent from December 1999 to December 2000, after surging 172.0

percent in the previous calendar year. As for refined-petroleum products, the jet fuel index advanced 42.6 percent in 2000, diesel fuel prices rose 39.8 percent, the gasoline index gained 17.2 percent, and home heating oil prices jumped 37.0 percent. In the utility electric power sector, residential electric power prices increased 3.2 percent in 2000, following a 0.5-percent decline in 1999. Over the same period, the index for commercial electric power advanced 4.4 percent, following a 0.6-percent gain a year earlier, while industrial electric power prices rose 4.9 percent, after a 0.1-percent dip during the prior 12-month period. High natural gas prices encouraged electricity producers to increase user rates through fuel-cost adjustments.

Food and related products. The Producer Price Index for finished consumer foods rose 1.7 percent in 2000, following a 0.8-percent gain in the previous year. The majority of this acceleration can be attributed to higher year-2000 prices for dairy products, beef and veal, pork, bakery products, and eggs for fresh use. Led by rising prices for prepared animal feeds, the index for intermediate foods and feeds turned up 3.6 percent in 2000, after falling 4.2 percent a year earlier. At the crude stage of process, the index for foodstuffs and feedstuffs advanced 7.4 percent, after edging

Table A. Annual percent changes for major categories of the Producer Price Index, by stage of processing, 1996-2000

Index	1996	1997	1998	1999	2000
Finished goods	2.8	-1.2	0.0	2.9	3.6
Consumer foods	3.4	-8	.1	.8	1.7
Energy goods	11.7	-6.4	-11.7	18.1	16.6
Other .....	.6	0	2.5	.9	1.3
Intermediate materials, supplies, and components .....	.7	-8	-3.3	3.7	4.1
Foods and feeds	2.1	-1.7	-7.3	-4.2	3.6
Energy goods	11.2	-7.0	-12.1	19.6	19.0
Other	-9	.3	-1.6	1.9	1.6
Crude materials for further processing	14.7	-11.3	-16.7	-15.3	35.5
Foodstuffs and feedstuffs	-1.0	-4.0	-11.0	-.1	7.4
Energy materials	51.2	-23.1	-23.8	36.9	85.6
Other	-5.5	0	-16.0	14.0	-5.5

down 0.1 percent in 1999. Price increases for fluid milk, corn, soybeans, wheat, slaughter cattle, and slaughter hogs contributed to this turnaround.

Finished goods other than foods and energy. Price advances for finished goods other than foods and energy accelerated from a 0.9-percent rate of increase in 1999 to a 1.3-percent rate in 2000. The index for finished consumer goods other than foods and energy rose 1.4 percent, following a 1.2-percent increase in 1999. In this category, prices for items such as alcoholic beverages, prescription drugs, and light trucks rose more than they did a year earlier. The capital equipment index moved up 1.2 percent for the 2000 calendar year, after gaining 0.3 percent in 1999. Rising prices were also observed for civilian aircraft, commercial furniture, industrial material handling equipment, heavy trucks, agricultural machinery, and construction machinery. Partly offsetting the gains in finished goods other than foods and energy, passenger car prices turned down 0.7 percent during 2000, after rising 1.2 percent during the previous 12-month period. Computer prices fell 14.2 percent for the same period.

Intermediate industrial materials. The Producer Price Index for intermediate materials other than foods and energy rose 1.6 percent in 2000, following a 1.9-percent gain in 1999. The index for durable manufacturing materials edged up 0.2 percent, after advancing at a faster 2.4-percent rate a year earlier. Within this category, prices for building paper and board and cement turned down in 2000. The indexes for copper cathode and refined copper and for copper and brass mill shapes increased less in 2000 than they did in the prior year. Plywood prices fell more in 2000 than they did in 1999. By contrast, the rate of decline in prices for steel mill products slowed to a 0.6-percent rate, compared with a 2.4-percent rate of decline a year earlier. The index for materials and components for construction inched up 0.1 percent in

2000, after advancing 2.2 percent in 1999. The price deceleration for this category was primarily due to the indexes for softwood lumber and gypsum products, which turned down in 2000. During the same period, price increases slowed for plastic construction products, millwork, and fabricated structural metal shapes. Conversely, the index for nonferrous wire and cable rose more in 2000 than it did a year earlier. Prices for nondurable manufacturing materials increased 4.1 percent in 2000, following a 4.0-percent gain in 1999. Explaining this advance, rising prices for industrial chemicals, paperboard, nitrogenates, and paper outweighed price declines for phosphates, inedible fats and oils, and medicinal and botanical chemicals.

Crude nonfood materials less energy. After a 14.0-percent rise in 1999, the Producer Price Index for basic industrial materials fell 5.5 percent in 2000. Prices for iron and steel scrap dropped 28.8 percent, following a 40.0-percent surge a year earlier. The indexes for wastepaper, aluminum base scrap, and softwood logs, bolts, and timber also turned down, after rising over the previous 12-month period. Conversely, raw cotton prices turned up 30.2 percent in 2000, following a 20.8-percent decline in the prior year.

Selected service industries. Among services industries in 2000, price increases were registered by the industries for general medical and surgical hospitals, operators and lessors of nonresidential buildings, property and casualty insurance, engineering services, hotels and motels, scheduled air transportation, truck rental and leasing, railroad line-haul operations, and water transportation of freight on the Mississippi River. Conversely, falling prices were observed for the industries for telephone communications (except radiotelephone), wireless telecommunications, life insurance carriers, and psychiatric hospitals.

Price Highlights, 2001

The Producer Price Index (PPI) for Finished Goods declined 1.6 percent in 2001—the largest calendar-year decrease since a 2.3-percent drop in 1986. This index rose 3.6 in 2000 and 2.9 percent in 1999. The majority of the 2001 decline in finished goods prices can be traced to a 17.1-percent decrease in finished energy prices. Excluding energy, the index for finished goods advanced 1.2 percent in 2001. Following a 1.7-percent gain in the prior year, the index for finished consumer foods rose 1.8 percent in 2001. Prices for finished goods less foods and energy—a category that includes both consumer goods and capital equipment—increased 0.9 percent in 2001, following a 1.3-percent advance throughout the previous 12 months.

Prices for commodities at the overall crude and intermediate stages of processing also experienced declines over the 2001 calendar year. The PPI for intermediate materials, supplies, and components fell 4.0 percent in 2001, after posting a 4.1-percent gain in 2000. Prices for crude materials for furthering processing dropped 32.5 percent, following a 35.5-percent jump in the prior calendar year. Throughout 2001, energy prices turned down at both the crude and intermediate stages of processing. The index for intermediate foods and feeds rose at a much slower rate in 2001 than it did in 2000. Prices for crude foodstuffs and feedstuffs turned down, after falling a year earlier. Excluding foods and energy, the indexes for intermediate goods and crude materials posted declines. (See table A.)

Energy goods. Falling prices for both natural gas and petroleum-based commodities pushed energy prices down in 2001 at all three stages of processing. The Producer Price Index for finished energy goods decreased 17.1 percent, following a 16.6-percent advance in 2000. Prices for energy goods at the intermediate stage of processing fell 16.9 percent, subsequent to a 19.0-percent gain a year earlier. The crude energy index dropped 52.9 percent, compared with an 85.6-percent jump in 2000.

After surging 192.6 percent in 2000, the PPI for natural gas decreased 65.6 percent over the 2001 calendar year. Mild weather pushed gas storage stocks to record levels, which helped push prices for natural gas down by the end of the year. For the 12 months ended in December 2001, industrial and commercial natural gas prices

Table A. Annual percent changes for major categories of the Producer Price Index, by stage of processing, 1997-2001

Index	1997	1998	1999	2000	2001
Finished goods	-1.2	0.0	2.9	3.6	-1.6
Consumer foods	-.8	.1	.8	1.7	1.8
Energy goods	-6.4	-11.7	18.1	16.6	-17.1
Other	0	2.5	.9	1.3	.9
Intermediate materials, supplies, and components	-.8	-3.3	3.7	4.1	-4.0
Foods and feeds	-1.7	-7.3	-4.2	3.6	.3
Energy goods	-7.0	-12.1	19.6	19.0	-16.9
Other .....	.3	-1.6	1.9	1.6	-1.6
Crude materials for further processing	-11.3	-16.7	-15.3	35.5	-32.5
Foodstuffs and feedstuffs	-4.0	-11.0	-.1	7.4	-7.6
Energy materials	-23.1	-23.8	36.9	85.6	-52.9
Other	0	-16.0	14.0	-5.5	-9.9

declined 36.7 and 24.3 percent, falling to their lowest levels since May 2000. After an 83.1-percent jump in 2000, the index for natural gas to electric utilities fell 39.9 percent in 2001. The index for residential natural gas decreased 22.1 percent in 2001, following a 41.8-percent gain in 2000. The downward trend in the natural gas market helped lower residual fuel prices. The index for residual fuel fell 29.1 percent, following a 29.8-percent rise a year earlier.

Among other energy items, the liquefied petroleum gas (LPG) index decreased 55.3 percent in 2001. Prices for crude petroleum dropped 42.4 percent in 2001, following an 11.0-percent gain in 2000 and a 172.0-percent surge in 1999. Looking further down the pipeline for petroleum-based products in 2001, the index for jet fuels fell 44.3 percent in 2001, gasoline prices declined 33.1 percent, the index for diesel fuel decreased 44.7 percent, and home heating oil prices dropped 42.9 percent during the same period. The PPI for residential electricity increased 3.6 percent in 2001, after rising 3.2 percent in the previous year. Subsequent to price increases in 2000, the indexes for commercial electric power and industrial electric power advanced 4.4 percent and 3.2 percent, respectively. Electricity prices as a whole continued to be high due to the rate increases in California and the Pacific Northwest. Drought conditions in the Pacific Northwest lowered reservoirs, putting a strain on the hydroelectric power industry located in that region.

Foods and related products. The Producer Price Index for finished consumer foods advanced 1.8 percent in 2001, following a 1.7-percent increase in the previous year. Contributing to the overall increase, prices for fresh fruits and melons, dairy products, soft drinks, processed fruits and vegetables, and pork rose during this period. Prices for intermediate foods and feeds rose 0.3 percent in 2001, after increasing 3.6 percent in 2000. Most of this deceleration can be traced to the index for prepared animal feeds, which fell 3.6 percent in 2001 after an 8.3-percent gain in the preceding year. Following a 7.4-percent increase in 2000, the index for crude foodstuffs and feedstuffs posted a 7.6-percent decline in 2001. Contributing most significantly to this reversal, the indexes for slaughter cattle, slaughter hogs, and soybeans fell in 2001, after increasing in 2000.

Finished goods other than foods and energy. The Producer Price Index for finished goods other than foods and energy—the core index—rose 0.9 percent in 2001, after increasing 1.3 percent in the previous year. Capital equipment prices showed no change, following a 1.2-percent gain in 2000. Within this category, the index for civilian aircraft moved up at a slower pace in 2001 than it did in the previous year, while prices for light motor trucks, metal-cutting machine tools, truck trailers, and construction machinery and equipment turned down following increases in 2000.

The index for finished consumer goods other than foods and energy increased 1.5 percent in 2001, after rising 1.4 percent a year earlier. Rising prices for cigarettes, alcoholic beverages, book publishing, newspaper circulation, household furniture, sanitary papers and health products, pet food, and periodical circulation outweighed falling prices for light motor trucks, passenger cars, men's and boys' apparel, women's apparel, and floor coverings.

Intermediate industrial materials. The Producer Price Index for intermediate materials other than foods and energy decelerated, falling 1.6 percent in 2000, following a 1.6-percent gain in the previous year. Prices for nondurable manufacturing materials dropped 5.5 percent in 2001, following a 4.1-percent increase in 2000. Much of the 2001 deceleration was the result of a downturn in prices for basic organic chemicals, nitrogenates, plastic resins and materials, paperboard, woodpulp, and paper. The index for durable manufacturing materials fell 4.0 percent in 2001, after increasing 0.2 percent in the prior year. Prices for aluminum mill shapes, cold-rolled sheet and strip, primary aluminum (except extrusion billet), copper and brass mill shapes, and hardwood lumber turned down, after rising in 2000. The PPI for materials and components for construction showed no change in 2001, after edging up 0.1 percent in the preceding year. Falling prices for plastic construction products, non-ferrous wire and cable, hardwood lumber, softwood lumber, fabricated structural metal products, plywood, and wiring devices offset rising prices for millwork, asphalt felts and coatings, switchgear and switchboard equipment, air-conditioning and refrigeration equipment, and metal valves (except fluid power).

Basic industrial materials. Prices for basic industrial materials dropped 9.9 percent in 2001, following a 5.5-percent decline in the preceding year. Contributing most significantly to this overall price decrease, the index for raw cotton plunged 46.7 percent, after advancing 30.2 percent in 2000. Prices for nonferrous metal ores, copper base scrap, and leaf tobacco turned down in 2001, while prices for wastepaper, aluminum base scrap, and pulpwood fell at faster rates in 2001 than they did in the prior year. By contrast, the index for iron and steel scrap fell 5.6 percent in 2001, following a 28.8-percent drop in 2000. Prices for softwood logs, bolts, and timber also fell at a slower pace in 2001 than they did in the previous year. The index for hardwood logs, bolts, and timber turned up in 2001.

Selected service industries. A majority of the service industries tracked in the PPI exhibited advancing prices in 2001. Rising prices were registered by the following indexes: Property and casualty insurance, grocery stores, offices and clinics of doctors of medicine, general medical and surgical hospitals, new-car dealers, skilled

and intermediate care facilities, real estate agents and managers, legal services, drug stores and proprietary stores, operators and lessors of nonresidential buildings, United States Postal Service, engineering design, analysis, and consulting services, air transportation (scheduled), and home healthcare services. Alternatively, prices

declined for security brokers, dealers, and investment bankers, telephone communications (except radiotelephone), travel agencies, truck rental and leasing (without drivers), camera and photographic supply stores, catalog and mail-order houses, optical goods stores, and trucking (except local) during 2001.

Price Highlights, 2002

Finished goods

The Producer Price Index (PPI) for Finished Goods rose 1.2 percent in 2002, after posting a 1.6-percent decrease in 2001. The upturn in finished goods prices during 2002 can be attributed to the index for finished energy goods, which jumped 12.3 percent, following a 17.1-percent drop in the preceding calendar year. Conversely, prices for finished goods other than foods and energy—a category that includes consumer goods and capital equipment—fell 0.5 percent over the 12-month period ended December 2002, after rising at a 0.9-percent rate during 2001. The index for finished consumer foods also turned down; a 0.6-percent decline in 2002 succeeded a 1.8-percent advance in the previous year. (See table A.)

The PPI for Finished Energy Goods climbed 12.3 percent in 2002, after falling 17.1 percent in 2001. This was the fifth consecutive year in which prices for finished energy goods exhibited a double-digit price change. The gasoline index surged 38.7 percent in 2002, following a 33.1-percent decline in the prior year. Prices for residential natural gas, liquefied petroleum gas, home heating oil, diesel fuel, and finished lubricants also went up in 2002, following decreases in 2001. Conversely, the index for residential electric power moved down 1.0 percent in 2002, compared with a 3.6-percent gain during the preceding year.

Prices for finished consumer goods other than foods and energy edged down 0.5 percent in 2002, after registering a 1.5-percent advance in 2001. The largest contribution to this downturn came from the index for cigarettes, which fell 5.8 percent following a 14.1-percent increase a year earlier. Price declines for passenger cars, light motor trucks, and men's and boys' apparel accelerated from 2001 to 2002. The indexes for alcoholic beverages, sanitary papers and health products, mobile homes, and newspaper circulation rose less than they did in the previous year. Prices for pet food, textile housefurnishings, and soaps and synthetic detergents decreased, after rising in 2001. On the other hand, the index for women's apparel edged up 0.6 percent in 2002, following a 1.2-percent decline in 2001. Prices for cosmetics and other toilet preparations and for floor coverings also turned up in 2002. The index for periodical circulation moved up at a faster pace than it did a year earlier.

Subsequent to a 1.8-percent rise in 2001, the index for finished consumer foods inched down 0.6 percent in 2002. Prices for fresh fruits and melons dropped 34.6

Table A. Summary of December-to-December and 3-month seasonally adjusted annual rates for selected stages of processing

Grouping	Percentage change , 12 months ended December—			Seasonally adjusted annual rate for the 3 months ended—			
	2000	2001	2002	March 2002	June 2002	September 2002	December 2002
Finished goods	3.6	-1.6	1.2	4.4	-1.7	1.2	0.9
Finished consumer foods	1.7	1.8	-6	8.8	-11.4	-3.7	4.7
Finished energy goods	16.6	-17.1	12.3	21.3	3.3	15.9	8.2
Finished goods less foods and energy	1.3	.9	-5	-8	.8	-5	-1.6
Finished consumer goods, excluding foods and energy	1.4	1.5	-5	-8	1.8	-5	-2.5
Capital equipment	1.2	0	-6	-3	-9	-6	-6
Intermediate materials, supplies, and components	4.1	-4.0	3.2	1.6	3.2	4.8	2.2
Intermediate foods and feed	3.6	.3	4.2	1.4	-2.1	13.2	4.8
Intermediate energy goods	19.0	-16.9	12.0	6.8	11.7	15.6	7.1
Intermediate materials less foods and energy	1.6	-1.6	1.5	.6	1.8	2.4	.9
Materials for nondurable manufacturing	4.1	-5.5	4.2	.6	7.5	9.0	.3
Materials for durable manufacturing .....	.2	-4.0	3.1	3.0	3.3	3.6	2.6
Materials and components for construction .....	.1	0	.8	1.1	1.3	2.1	-1.3
Crude materials for further processing	35.5	-32.5	24.7	40.1	4.3	20.9	36.4
Foodstuffs and feedstuffs	7.4	-7.6	4.5	26.5	-26.3	15.4	10.9
Crude energy materials	85.6	-52.9	61.5	87.8	40.1	37.5	88.0
Crude nonfood materials less energy	-5.5	-9.9	12.6	10.2	30.2	4.4	7.7

NOTE: Seasonally adjusted indexes may be revised for 5 years due to the recalculation of seasonal factors each January.

percent, after posting a 24.0-percent gain a year earlier. The indexes for dairy products, pork, processed young chickens, processed turkeys, and fresh and dry vegetables also decreased in 2002, following increases in 2001. Price advances for processed fruits and vegetables and for soft drinks slowed, compared with the prior year. By contrast, the beef and veal index went up 4.0 percent in 2002, after declining 4.5 percent in 2001. Prices for eggs for fresh use and for finfish and shellfish also turned up. The index for shortening and cooking oils moved up at a faster pace, while roasted coffee prices fell more slowly in 2002 than they did a year earlier.

The capital equipment index edged down 0.6 percent in 2002, after showing no change over the 2001 calendar year. Prices for communication and related equipment decreased 2.6 percent, following a 0.7-percent dip in the previous year. The indexes for passenger cars and light motor trucks also exhibited accelerated rates of decline in 2002. Prices for civilian aircraft, industrial material handling equipment, pumps and compressors, and agricultural machinery and equipment rose at a slower rate, compared with 2001. The index for x-ray and electromedical equipment turned down in 2002. Alternatively, prices for electronic computers fell at a slower 20.5-percent rate in 2002, after dropping 29.9 percent in 2001. The index for metal-cutting machine tools also fell less, while prices for integrating and measuring instruments and heavy motor trucks advanced more in 2002 than in the preceding year. The indexes for construction machinery and equipment and truck trailers increased, after falling in 2001.

Intermediate goods

The PPI for Intermediate Materials, Supplies, and Components rose 3.2 percent in 2002, compared with a 4.0-percent decrease in the prior year. Leading this upturn, prices for intermediate energy goods increased significantly, following large declines in 2001. The indexes for materials for nondurable manufacturing and materials for durable manufacturing also turned up, after moving down in the previous year. Prices for intermediate foods and feeds advanced at a faster pace in 2002 than they did a year earlier. The materials and components for construction index rose, after showing no change in the prior year. Prices for intermediate goods other than foods and energy increased 1.5 percent in 2002, following a 1.6-percent decline in 2001. (See table A.)

Prices for intermediate energy goods jumped 12.0 percent in 2002, compared with a 16.9-percent drop in the previous year. The industrial natural gas index moved up 12.2 percent, after plummeting 36.7 percent in 2001. Prices for gasoline, diesel fuel, jet fuels, commercial natural gas, natural gas to electric utilities, and liquefied petroleum gas also turned up, following declines in the prior year. By contrast, the commercial electric power index fell 1.9 percent in 2002, after rising 4.4 percent a year earlier. Prices for industrial electric power increased less than they did in 2001.

The index for materials for nondurable manufacturing advanced 4.2 percent in

2002, following a 5.5-percent decline in the prior year. Prices for basic organic chemicals moved up 13.8 percent, compared with an 11.6-percent drop in 2001. The indexes for plastic resins and materials, fertilizer materials, woodpulp, and paint materials also turned up, after decreasing in the previous year. Paperboard prices fell less than they did in 2001. On the other hand, the rate of increase for the basic inorganic chemicals index slowed from 7.1 percent in 2001 to 0.8 percent in 2002. Prices for medicinal and botanical chemicals decreased at quicker pace than they did in the preceding year.

The materials for durable manufacturing index moved up 3.1 percent in 2002, compared with a 4.0-percent decrease in the previous year. This reversal was driven by an 11.1-percent rise in prices for steel mill products—their largest calendar-year increase since 1981, when the index rose 11.3 percent. In 2001, prices for steel mill products declined 6.1 percent. The indexes for primary nonferrous metals, hardwood lumber, and building paper and board also turned up, after falling in the prior year. Prices for copper and brass mill shapes and aluminum mill shapes decreased at a slower rate than they did a year earlier. Alternatively, the flat glass index inched up 0.1 percent in 2002, following a 0.6-percent gain in the previous year. Prices for prepared paint increased at a slightly slower rate than they did in 2001.

The index for intermediate foods and feeds rose 4.2 percent in 2002, after edging up 0.3 percent in the prior year. Much of this acceleration was due to prices for prepared animal feeds, which increased 4.0 percent following a 3.6-percent drop in 2001. The indexes for beef and veal and for malt and malt byproducts also turned up, after falling a year earlier. Prices for crude vegetable oils; flour; and mayonnaise, salad dressings, and sandwich spreads rose more in 2002 than they did in 2001. Partially counteracting these accelerating prices, the index for pork fell 7.2 percent in 2002, following a 4.7-percent gain in the previous year. Prices for natural, processed, and imitation cheese and for fluid milk products also turned down, after rising in the prior year. The confectionery materials index advanced more slowly than it did in 2001. Prices for dry milk products fell more in 2002 than they did a year earlier.

The materials and components for construction index rose 0.8 percent in 2002, after showing no change in the previous year. Prices for plastic construction products advanced 3.1 percent, compared with a 2.7-percent decline in 2001. The indexes for fabricated structural metal products, hardwood lumber, softwood lumber, wiring devices, and steel wire also turned up, after falling in the prior year. Prices for gypsum products increased at a faster pace than they did a year earlier. By contrast, the millwork index inched up 0.1 percent in 2002, following a 1.7-percent gain in the previous year. Prices for asphalt felts and coatings turned down, after rising in 2001. The indexes for switchgear and switchboard equipment, air-conditioning and refrigeration equipment, and heating equipment moved up at a slower pace in 2002 than they did a year earlier. Nonferrous wire and cable prices fell more than they did in 2001.

Crude goods

The PPI for Crude Materials for Further Processing surged 24.7 percent in 2002, after falling a record 32.5 percent in calendar year 2001. The majority of this acceleration can be traced to prices for crude energy materials, which increased following declines in 2001. The indexes for crude foodstuffs and feedstuffs and for basic industrial materials also turned up in 2002, after moving down in the prior year. (See table A.)

The index for crude energy materials jumped 61.5 percent in 2002, following a 52.9-percent decline in the previous year. The 2002 rise in crude energy material prices was surpassed only by a record 85.6-percent increase in 2000. Leading the way in 2002, natural gas prices climbed 89.1 percent, compared with a 65.6-percent decrease in 2001. The crude petroleum index moved up 60.6 percent, after dropping 42.4 percent in the prior year. On the other hand, price increases for coal slowed to 1.0 percent in 2002, following a 10.1-percent gain a year earlier.

The index for crude foodstuffs and feedstuffs rose 4.5 percent in 2002, following a 7.6-percent decrease in the previous year. Slaughter cattle prices increased 10.3 percent, after moving down 15.1 percent in the prior year. The index for soybeans also turned up, following a decline in 2001. Prices for slaughter hogs fell at a slower rate than they did in the previous year. The indexes for corn and wheat rose more than they did in 2001. By contrast, fluid milk prices dropped 11.4 percent in 2002, compared with a 3.0-percent gain a year earlier. The indexes for fresh fruits and melons, alfalfa hay, dry vegetables, and fresh vegetables (except potatoes) also turned down, after rising in the prior year.

Prices for crude nonfood materials less energy advanced 12.6 percent in 2002, after decreasing 9.9 percent in the previous year. Leading this acceleration, iron and steel scrap prices rose 27.8 percent, following a 5.6-percent decline in 2001. The indexes for wastepaper, raw cotton, nonferrous metal ores, aluminum base scrap, and copper base scrap also turned up, after falling in the prior year. Alternatively, prices for hardwood logs, bolts, and timber decreased 6.2 percent in 2002, compared with a 27.8-percent gain a year earlier. Construction sand, gravel, and crushed stone prices advanced at a slower rate than they did in 2001. The iron ore index turned down, after rising in the previous year.

Net output price indexes for selected service industries

Among service industries in 2002 (see table B), prices received by the health services sector rose 3.2 percent. Leading this increase, the index for general medical and surgical hospitals advanced 5.3 percent. The indexes for skilled and intermediate care facilities, psychiatric hospitals, specialty hospitals (except psychiatric), medical laboratories, and home healthcare services also moved up in 2002. In contrast, prices charged by the industry for physicians' services inched down 0.2 percent in 2002.

The index for water transportation services went up 9.6 percent in 2002, as prices

received by the industry for deep sea foreign transportation of freight jumped 19.9 percent. The PPIs for deep sea domestic freight transportation, freight transportation on the Mississippi River, and tugging and towing services also rose in 2002. On the other hand, prices received by the industry for freight transportation on the Great Lakes and the Saint Lawrence Seaway and the industry index for marine cargo handling fell in 2002.

Prices charged by the motor freight transportation and warehousing sector increased 2.3 percent in 2002. Within this industry group, the indexes for courier services (except by air), local trucking without storage, and nonlocal trucking rose 3.2, 1.5, and 2.6 percent, respectively. Prices received by the industries

Table B. Summary of December-to-December and 3-month percent changes for selected services industries, not seasonally adjusted

Grouping	Percentage change 12 months ended December—			Not seasonally adjusted percent changes for the 3 months ended—			
	2000	2001	2002	March	June	September	December
				2002	2002	2002	2002
Railroads, line-haul operating	1.8	2.3	1.3	0.5	0.3	0.1	0.4
Motor freight transportation and warehousing	5.3	1.0	2.3	.3	.6	.6	.6
Water transportation	7.7	3.8	9.6	-.8	4.1	3.7	2.3
Air transportation, scheduled	18.6	2.0	1.0	-.5	-.6	1.4	.8
Air courier services	8.3	3.3	3.6	.4	2.5	.1	.7
Communications	—	—	-.4	-1.0	1.1	0	-.5
Grocery stores	4.7	5.6	3.9	1.8	.1	2.2	-.3
New car dealers	1.0	3.0	3.6	4.8	.4	-.5	-1.0
Gasoline service stations	—	—	-56.6	-38.6	32.0	-56.3	22.6
Property and casualty insurance	1.1	3.7	5.1	1.1	1.0	1.2	1.6
Operators and lessors of nonresidential buildings	1.3	1.3	3.0	2.9	.6	-.2	-.3
Advertising agencies	4.0	2.5	3.6	.8	2.5	.3	0
Building cleaning and maintenance services	3.9	3.7	.3	.1	-.1	0	.3
Help supply services	1.2	0	2.3	-.2	1.2	1.1	.1
Prepackaged software	2.4	-2.6	1.7	-.5	-1.0	1.8	1.5
Offices of physicians	1.6	2.8	-.2	-.3	0	.1	0
Skilled and intermediate care facilities	6.3	5.4	2.7	1.3	.4	1.3	-.4
General medical and surgical hospitals	3.7	2.7	5.3	.9	.3	1.9	2.1
Legal services	3.9	4.2	3.4	1.6	.6	.8	.4
Engineering services	3.1	5.9	2.6	1.0	.6	1.2	-.2
Accounting, auditing, and bookkeeping	3.3	.6	2.9	1.4	.9	.5	.1

NOTE: Dash indicates data are not available.

for general freight warehousing and storage, local trucking with storage, and farm product warehousing and storage also moved up in 2002. Conversely, the index for the refrigerated warehousing and storage industry fell 0.5 percent in 2002.

Among other service-sector gains in 2002, prices received by the U.S. Postal Service climbed 6.6 percent, due to a rate increase implemented on June 30. The industry-based PPIs for professional services—engineering, architectural, accounting, and legal—also rose. Prices charged for help supply services, passenger car

rental, prepackaged software, advertising agencies, air courier services, airports and flying fields, scheduled air transportation, and railroad line-haul operations also moved higher in 2002.

The index for the communications sector edged down 0.4 percent in 2002, due to a 3.6-percent decline in prices received by the industry for telephone communications (except radiotelephone). Nearly offsetting this decrease, the industry indexes for television broadcasting, cable and other pay-television services, wireless telecommunications, and radio broadcasting advanced in 2002.

Price Highlights, 2003

Finished goods

The Producer Price Index for Finished Goods advanced 4.0 percent in 2003, after posting a 1.2-percent gain in 2002. Leading this acceleration, the index for finished consumer foods climbed 7.7 percent in 2003, following a 0.6-percent decline in the preceding calendar year. Prices for finished goods other than foods and energy turned up 1.0 percent, after a 0.5-percent decrease in 2002. On the other hand, the index for finished energy goods rose at a slightly slower pace in 2003, 11.4 percent, than in 2002, 12.3 percent. (See table A.)

Prices for finished consumer foods jumped 7.7 percent in 2003, their largest calendar-year increase since an 11.7-percent rise in 1978. This index edged down 0.6 percent in 2002. Prices for beef and veal surged 27.1 percent in 2003, following a 4.0-percent advance in the previous year. The indexes for confectionery end products and for eggs for fresh use also increased at a quicker rate in 2003 than they did a year earlier. Prices for fresh fruits and melons, fresh and dry vegetables, dairy products, processed young chickens, and pork turned up, following declines in 2002. By contrast, the soft drinks index inched up 0.8 percent in 2003, after rising 2.2 percent in 2002. Prices for bakery products and processed fruits and vegetables also advanced at a slower pace compared with the previous calendar year.

Following a 0.5-percent decrease in 2002, the index for finished consumer goods other than foods and energy moved up 1.1 percent in 2003. Prices for light motor trucks rose 2.3 percent in 2003 after declining 3.6 percent in 2002, while passenger car prices gained 2.0 percent following a 2.6-percent drop in the preceding year. The index for soaps and synthetic detergents also turned up in 2003. The rate of increase in prices for pharmaceutical preparations, mobile homes, and alcoholic beverages was higher in 2003 than in 2002. The indexes for cigarettes and men's and boys' apparel fell less than they did in 2002. Alternatively, the household furniture index edged up at a 0.3-percent rate in 2003, after advancing 1.4 percent a year earlier. Prices for periodical circulation and for cosmetics and other toilet preparations also rose at a slower pace than they did in 2002. The index for sanitary paper products turned down, after increasing the year before.

The capital equipment index went up 0.8 percent in 2003, following a 0.6-percent decrease in 2002. Price movements for transportation equipment dominated this

Table A. Summary of December-to-December and 3-month seasonally adjusted annual rates for selected stages of processing

Grouping	Percent change 12 months ended December			Seasonally adjusted annual rate for the 3 months ended			
	2001	2002	2003	March 2003	June 2003	September 2003	December 2003
Finished goods	-1.6	1.2	4.0	16.1	-5.2	3.1	2.8
Finished consumer foods	1.8	-6	7.7	10.4	5.4	6.8	8.1
Finished energy goods	-17.1	12.3	11.4	93.4	-26.8	7.3	1.2
Finished goods less foods and energy .....	.9	-5	1.0	3.5	-1.8	1.1	1.3
Finished consumer goods, excluding foods and energy	1.5	-5	1.1	4.1	-2.0	.8	2.0
Capital equipment	0	-6	.8	2.9	-1.7	1.2	.9
Intermediate materials, supplies, and components	-4.0	3.2	3.9	22.3	-9.3	2.7	2.7
Intermediate foods and feeds ....	.3	4.2	12.9	8.3	13.1	8.6	21.9
Intermediate energy goods	-16.9	12.0	10.9	134.6	-40.0	7.9	-7
Intermediate materials less foods and energy	-1.6	1.5	2.1	5.7	-.6	.9	2.6
Materials for nondurable manufacturing	-5.5	4.2	4.9	28.1	-7.5	-2.3	4.8
Materials for durable manufacturing	-4.0	3.1	4.0	1.6	-.6	5.8	9.3
Materials and components for construction	0	.8	3.0	2.1	1.1	5.9	2.9
Crude materials for further processing	-32.5	24.7	19.5	166.5	-37.0	-4.6	27.9
Foodstuffs and feedstuffs	-7.6	4.5	24.1	15.7	10.2	37.0	36.8
Crude energy materials	-52.9	61.5	14.4	579.4	-62.9	-38.7	10.8
Crude nonfood materials less energy	-9.9	12.6	21.6	18.7	-4.5	29.4	50.0

NOTE: Seasonally adjusted indexes may be revised for 5 years due to the recalculation of seasonal factors each January.

upturn. Most notably, the indexes for light motor trucks and passenger cars climbed, after falling in the previous calendar year, while price increases for civilian aircraft accelerated from 2002 to 2003. Prices for communication and related equipment and for electronic computers declined at a slower rate in 2003 than they did in 2002. By contrast, the index for heavy motor trucks decreased 1.9 percent, compared with a 4.3-percent gain in the preceding year. Prices for integrating and measuring instruments and for printing trades machinery also turned down, after advancing in 2002. The index for construction machinery and equipment rose less, while prices for x-ray and electromedical equipment fell more in 2003 than they did a year earlier.

The index for finished energy goods rose 11.4 percent in 2003, a slightly slower rate of increase than the 12.3-percent rate observed in 2002. Prices for gasoline advanced 14.9 percent, and the index for liquefied petroleum gas climbed 21.0 percent, compared with increases of 38.7 and 95.2 percent, respectively, in 2002. Price increases also slowed in 2003 for home heating oil, diesel fuel, and finished lubricants. On the other hand, the index for residential electric power rose 4.9 percent, following a 1.0-percent decline a year earlier. Prices for residential natural gas surged 19.9 percent, after advancing 9.3 percent in 2002.

Intermediate goods

Having risen 3.2 percent in 2002, the Producer Price Index for Intermediate Materials, Supplies, and Components climbed 3.9 percent in 2003. Half of this acceleration can be traced to prices for intermediate foods and feeds, which advanced at a faster pace in 2003 than they did in 2002. The indexes for materials and components for construction, materials for nondurable manufacturing, and materials for durable manufacturing also rose more in 2003 than they did in the preceding calendar year. Conversely, price increases for intermediate energy goods slowed slightly from 2002 to 2003. Excluding prices for foods and energy, the index for intermediate goods advanced 2.1 percent, following a 1.5-percent gain in 2002.

The index for intermediate foods and feeds jumped 12.9 percent in 2003, after posting a 4.2-percent advance in the previous calendar year. Prepared animal feed prices increased 14.7 percent, following a 4.0-percent gain in 2002. The index for beef and veal also climbed at a quicker rate in 2003 than it did a year earlier. After declining in 2002, prices moved up for processed young chickens; pork; portion control meats; fluid milk products; and natural, processed, and imitation cheese. By contrast, the index for crude vegetable oils advanced 27.0 percent in 2003, following a 53.7-percent gain in the prior year. Prices for refined sugar and byproducts and for flour also rose less than they did in 2002, while the index for confectionery materials turned down in 2003.

The index for materials and components for construction rose 3.0 percent, after inching up 0.8 percent in the preceding calendar year. Plywood prices surged 31.3 percent in 2003, after falling 1.1 percent in 2002. The indexes for nonferrous wire and

cable, concrete products, asphalt felts and coatings, and treated wood also went up, following declines a year earlier. Price increases for softwood lumber, hardwood lumber, and millwork quickened in 2003, compared with 2002. Conversely, the index for steel mill products rose at a slower rate in 2003, 1.7 percent, compared with 11.7 percent in 2002. Prices for fabricated structural metal products also increased less in 2003, while the index for switchgear and switchboard equipment decreased, after climbing in the previous year.

Prices for materials for nondurable manufacturing rose 4.9 percent in 2003, a slightly faster pace than the 4.2-percent increase observed for 2002. The index for fertilizer materials surged 20.9 percent, after registering a 9.8-percent gain in the preceding calendar year. Prices for basic inorganic chemicals, woodpulp, and synthetic rubber also advanced more than they did in 2002. The indexes for medicinal and botanical chemicals and for paper moved up in 2003, following declines a year earlier. Prices for processed yarns and threads, which were unchanged in 2002, rose 2.4 percent in 2003. By contrast, the index for basic organic chemicals increased 9.3 percent, compared with a 13.8-percent jump in 2002. Prices for plastic resins and materials and for paint materials also rose less in 2003 than they did in 2002, while the paperboard index fell more than it did in the prior year.

The index for materials for durable manufacturing advanced 4.0 percent in 2003, after climbing 3.1 percent in 2002. In 2003, price increases for primary nonferrous metals (except precious) accelerated to a 12.7-percent rate, following a 2.2-percent gain in 2002. The indexes for building paper and board; semifinished steel mill products; hot rolled steel bars, plates, and structural shapes; hardwood lumber; prepared paint; and primary precious metals also rose more rapidly in 2003 than they did in the prior year. Prices for plywood, copper and brass mill shapes, and adhesives and sealants turned up, after falling in 2002. On the other hand, the index for hot rolled steel sheet and strip decreased 5.4 percent in 2003, compared with an 18.6-percent increase a year earlier. Prices for cold rolled steel sheet and strip, cement, and flat glass also declined in 2003, after advancing in the preceding year.

Following a 12.0-percent rise in 2002, the index for intermediate energy goods increased 10.9 percent in 2003. Smaller price increases for gasoline, diesel fuel, jet fuel, liquefied petroleum gas, home heating oil, finished lubricants, and natural gas to electric utilities contributed to this slowdown. Conversely, the indexes for industrial natural gas, commercial natural gas, and residual fuel climbed at a faster rate than they did in 2002. Prices for commercial electric power turned up in 2003, after falling in the preceding year.

Crude goods

The Producer Price Index for Crude Materials for Further Processing rose 19.5 percent in 2003, following a 24.7-percent advance in 2002. Price increases for crude energy materials slowed in 2003, accounting for the deceleration in the index for

crude goods. By contrast, prices for crude foodstuffs and feedstuffs and crude nonfood materials less energy increased at a quicker pace in 2003 than they did in 2002.

The index for crude energy materials went up 14.4 percent in 2003, after rising 61.5 percent a year earlier. Natural gas prices, which surged 89.1 percent in 2002, climbed 17.2 percent in 2003, while the crude petroleum index advanced 14.3 percent, following a 60.6-percent gain in the preceding year. Conversely, the coal index increased more in 2003 (2.1 percent) than in 2002 (1.0 percent).

Prices for crude foodstuffs and feedstuffs jumped 24.1 percent in 2003, after posting a 4.5-percent increase in the preceding year. The slaughter cattle index moved up at a 35.4-percent rate, following a 10.3-percent gain in 2002. Prices for soybeans and unprocessed finfish also advanced more than they did a year earlier. The indexes for slaughter broilers and fryers, slaughter hogs, fluid milk, fresh fruits and melons, and fresh and dry vegetables (except potatoes) turned up, after falling in 2002. On the other hand, price increases for wheat slowed from 24.0 percent in 2002 to 4.0 percent in 2003. The corn index also rose less than it did a year earlier. Prices for alfalfa hay fell faster in 2003 than in 2002, while the indexes for Irish potatoes for processing and for raw cane sugar moved down, after advancing a year earlier.

The index for crude nonfood materials less energy climbed 21.6 percent in 2003, following a 12.6-percent rise in the prior year. Much of the faster rate of increase for this index can be traced to prices for iron and steel scrap, which surged 64.9 percent after posting a 27.8-percent gain in 2002. Prices for nonferrous metal ores, nonferrous metal scrap, pulpwood, and phosphates also advanced at an accelerated pace, while the indexes for iron ore and hardwood logs, bolts, and timber went up, following declines in 2002. By contrast, wastepaper prices rose 8.7 percent in 2003, compared with a 35.1-percent increase a year earlier. The indexes for raw cotton and for hides and skins also advanced at a slower rate, while prices for leaf tobacco and softwood logs, bolts, and timber turned down after rising in 2002.

Net output price indexes for selected service industries

Among service industries, prices received by security brokers and dealers advanced 2.2 percent, following a 2.6-percent decline in 2002. By contrast, the industries for life insurance carriers, operators and lessors of nonresidential buildings, and real estate agents and managers reported smaller price increases in 2003 than they did in the prior year. (See table B.)

Prices received by the health services sector moved up 4.0 percent in 2003, compared with a 3.2-percent gain in 2002. The industry index for offices of physicians rose 2.2 percent in 2003, after inching down 0.2 percent in the previous year. Prices received by skilled and intermediate care facilities, home health care services, and medical laboratories increased at a quicker pace in 2003 than they did a year earlier. Conversely, the industry index for general medical and surgical hospitals

advanced 4.9 percent, following a 5.3-percent rise in 2002.

The index for the communications sector declined 0.4 percent in both 2002 and 2003. Prices received by the telephone communications (except radiotelephone) industry fell 2.2 percent in 2003, while the index for wireless telecommunications decreased 1.2 percent during the same period. Partly offsetting these declines, prices received by the cable and other pay television services industry rose 4.4 percent in 2003, the index for television broadcasters advanced 1.7 percent, and

Table B. Summary of December-to-December and 3-month percent changes for selected service industries, not seasonally adjusted

Grouping	Percent change 12 months ended December			Not seasonally adjusted percent changes for the 3 months ended			
	2001	2002	2003	March 2003	June 2003	September 2003	December 2003
Railroads, line-haul operating	2.3	1.3	2.3	1.2	0.7	0.1	0.2
Motor freight transportation and warehousing	1.0	2.3	2.5	1.1	.1	1.0	.3
Water transportation	3.8	9.6	4.9	-.9	4.8	2.8	-1.6
Air transportation, scheduled	2.0	1.0	1.9	1.1	.5	-.4	.6
Air courier services	3.3	3.6	1.8	2.2	-.6	-.1	.3
Communications	-	-.4	-.4	-.5	.9	-.3	-.5
Grocery stores	5.6	3.9	3.8	-1.7	4.5	-1.9	3.0
New car dealers	3.0	3.6	2.5	3.9	.6	-1.6	-.4
Gasoline service stations	-	-56.6	7.1	-1.8	29.3	23.2	-31.6
Securities brokers, dealers, and investment bankers	-13.2	-2.6	2.2	-.5	2.4	.6	-.2
Life insurance carriers	1.4	1.9	1.4	.1	1.0	.6	-.3
Property and casualty insurance	3.7	5.1	5.0	1.8	1.5	.9	.8
Operators and lessors of nonresidential buildings	1.3	3.0	1.9	.5	-.5	.9	1.0
Real estate agents and managers	1.6	2.0	1.8	.4	1.3	-.1	.1
Advertising agencies	2.5	3.6	.9	.7	-.2	.4	0
Building cleaning and maintenance services	3.7	.3	.3	-.3	.1	.5	0
Help supply services	0	2.3	2.2	1.0	0	.7	.4
Prepackaged software	-2.6	1.7	-5.5	-2.2	-.4	-1.6	-1.4
Offices of physicians	2.8	-.2	2.2	.8	.7	.5	.1
Skilled and intermediate care facilities	5.4	2.7	4.3	1.6	.7	.9	1.1
General medical and surgical hospitals	2.7	5.3	4.9	1.1	1.3	.7	1.7
Legal services	4.2	3.4	2.8	1.7	.2	.6	.4
Engineering services	5.9	2.6	3.0	1.5	.3	.6	.6
Accounting, auditing, and bookkeeping .....	.6	2.9	2.9	1.4	.7	.6	.2

NOTE: Dash indicates data are not available.

prices received by radio broadcasters increased 5.7 percent.

Among other service industries, prices for scheduled air transportation services, railroad line-haul operations, courier services (except by air), local trucking without storage, engineering services, and truck rental and leasing rose at a faster pace, while the industry indexes for deep sea foreign transportation of freight, airports and

airports, air courier services, passenger car rental, legal services, and advertising agencies advanced at a slower rate in 2003 than they did in 2002. Prices received by the industries for prepackaged software and for hotels and motels turned down in 2003, and the index for the United States Postal Service was unchanged, after rising 6.6 percent in 2002.