

## Price Highlights, 2004

### Finished goods

The Producer Price Index for Finished Goods advanced 4.2 percent in 2004, after rising 4.0 percent in the preceding year. Approximately half of the increase in 2004 can be traced to rising prices for energy goods. The indexes for finished goods other than foods and energy and for finished consumer foods also went up in 2004. (See table A.)

Prices for finished energy goods jumped 13.4 percent in 2004, compared with an 11.4-percent gain in 2003. In 2004, price increases were reported for gasoline, residential natural gas, home heating oil, residential electric power, liquefied petroleum gas, and diesel fuel.

The index for finished consumer goods other than foods and energy rose 2.2 percent in 2004, after moving up 1.1 percent in the prior year. Prices for mobile homes advanced 12.6 percent, following a 3.8-percent increase in 2003. Also rising at quicker rates in 2004 than in the previous year were the indexes for household furniture; pet food; tires, tubes, and tread; and book publishing. Prices for cigarettes, sporting and athletic goods, and sanitary papers and health products turned up, following declines in 2003. Conversely, the rate of increase in the light motor trucks index slowed from 2.3 percent in 2003 to 1.0 percent in 2004. Prices for alcoholic beverages, passenger cars, pharmaceutical preparations, and periodical circulation also rose less than they had in 2003, while the index for home electronic equipment fell more in 2004 than it had a year earlier.

Price increases for finished consumer foods decelerated from 7.7 percent in 2003 to 3.1 percent in 2004. The index for beef and veal turned down 3.8 percent, compared with a 27.1-percent jump in 2003. Prices for fresh and dry vegetables, eggs for fresh use, processed young chickens, and milled rice also fell in 2004, after posting gains in the preceding year. The indexes for fresh fruits and melons and for shortening and cooking oils rose less than in the preceding year. By contrast, pork prices surged 22.1 percent in 2004, following a 6.8-percent advance in the previous year. The indexes for dairy products, soft drinks, processed fruits and vegetables, finfish and shellfish, and confectionery end products also increased at quicker rates than they had in 2003.

Capital equipment prices advanced 2.4 percent in 2004, after edging up 0.8 percent a year earlier. The index for heavy motor trucks turned up 3.4 percent, following

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			
	2002	2003	2004	March 2004	June 2004	September 2004	December 2004
Finished goods .....	1.2	4.0	4.2	3.1	5.0	1.9	7.7
Finished consumer foods .....	-6	7.7	3.1	0	9.6	-4.6	8.1
Finished energy goods .....	12.3	11.4	13.4	10.3	9.6	10.9	25.4
Finished goods less foods and energy .....	-5	1.0	2.3	1.9	2.7	1.6	2.9
Finished consumer goods, excluding foods and energy	-5	1.1	2.2	2.3	2.0	1.3	3.0
Capital equipment .....	-6	.8	2.4	1.4	2.9	2.0	3.1
Intermediate materials, supplies, and components .....	3.2	3.9	9.2	9.5	11.4	8.4	7.7
Intermediate foods and feeds .....	4.2	12.9	-2.3	7.9	21.7	-24.8	-7.5
Intermediate energy goods .....	12.0	10.9	15.8	9.8	17.5	12.4	24.4
Intermediate materials less foods and energy .....	1.5	2.1	8.3	9.5	9.6	9.6	4.9
Materials for nondurable manufacturing .....	4.2	4.9	13.7	9.3	14.0	19.7	11.5
Materials for durable manufacturing .....	3.1	4.0	18.3	30.7	15.0	19.1	9.8
Materials and components for construction .....	.8	3.0	10.1	16.3	12.7	9.9	1.6
Crude materials for further processing .....	24.7	19.5	17.4	32.6	26.0	-17.7	39.6
Foodstuffs and feedstuffs .....	4.5	24.1	-2.6	19.3	9.1	-34.2	7.4
Crude energy materials .....	61.5	14.4	35.9	35.5	91.6	-26.6	79.0
Crude nonfood materials less energy .....	12.6	21.6	20.5	53.2	-30.4	58.2	26.6

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

a 1.9-percent decline in the preceding year. Prices for commercial furniture, construction machinery and equipment, industrial material handling equipment, truck trailers, and railroad equipment rose more than they had in 2003. Alternatively, the communication and related equipment index fell 2.1 percent in 2004, after declining 0.9 percent in the preceding year. Prices for x-ray and electromedical equipment also fell more than in 2003, while the indexes for light motor trucks and for passenger cars advanced less in 2004 than they had in the prior year.

### **Intermediate goods**

The Producer Price Index for Intermediate Materials, Supplies, and Components advanced 9.2 percent in 2004, after rising 3.9 percent in the previous year. Prices for materials for durable manufacturing, materials for nondurable manufacturing, materials and components for construction, and intermediate energy goods increased more than they had in 2003. In contrast, the index for intermediate foods and feeds turned down in 2004, following an increase in the preceding year. Prices for intermediate goods less foods and energy rose 8.3 percent in 2004, compared with a 2.1-percent gain in the prior year.

The materials for durable manufacturing index went up 18.3 percent in 2004, after moving up 4.0 percent in the previous year. More than three-fourths of this acceleration was due to prices for steel mill products, which advanced 48.8 percent, following a 1.7-percent rise in 2003. The indexes for primary nonferrous metals and for copper and brass mill shapes also increased at faster rates than they had in the preceding year, while prices for aluminum mill shapes, cement, and titanium mill shapes turned up in 2004, after falling in the preceding year. By contrast, the building paper and board index edged down 1.0 percent, after jumping 38.6 percent in the prior year. Plywood prices also turned down in 2004, and the index for hardwood lumber rose less than it had a year earlier.

Subsequent to a 4.9-percent gain in 2003, the index for materials for nondurable manufacturing advanced 13.7 percent in 2004. Leading this acceleration, prices for industrial chemicals climbed 24.6 percent, after increasing 8.1 percent in the preceding year. The indexes for plastic resins and materials, paper, and synthetic rubber also rose more than in 2003, while paperboard prices turned up in 2004, after falling in the prior year. Alternatively, the inedible fats and oils index dropped 15.6 percent, following a 29.4-percent advance in 2003. The index for medicinal and botanical chemicals also turned down in 2004, after posting a gain a year earlier. The rates of increase in prices for nitrogenates, leather, and stemmed and redried tobacco decelerated from 2003 to 2004.

The index for materials and components for construction rose 10.1 percent in 2004, following a 3.0-percent gain in the previous year. Prices for fabricated structural metal products jumped 17.6 percent in 2004, after inching up 0.6 percent in the prior year. The indexes for steel mill products, concrete products, wiring devices,

millwork, plastic construction products, nonferrous wire and cable, fabricated ferrous wire products, and gypsum products also rose more than they had in 2003. By contrast, plywood prices fell 3.4 percent in 2004, compared with a 31.3-percent upsurge in the preceding year. The index for building paper and board also turned down in 2004, and prices for treated wood, hardwood lumber, and asphalt felts and coatings increased less than in the previous year.

The intermediate energy goods index advanced 15.8 percent in 2004, following a 10.9-percent increase in the prior year. Prices for jet fuels soared 45.5 percent, after rising 10.2 percent a year earlier. The indexes for diesel fuel, gasoline, home heating oil, natural gas to electric utilities, liquefied petroleum gas, and commercial electric power also increased at quicker rates in 2004 than they had in 2003. Alternatively, residual fuel prices inched up 1.0 percent in 2004, after jumping 39.1 percent in the preceding year. The indexes for commercial natural gas, industrial natural gas, and industrial electric power also increased less than in 2003.

Prices for intermediate foods and feeds turned down 2.3 percent in 2004, after rising 12.9 percent in the previous year. Accounting for approximately half of this downturn, the prepared animal feeds index fell 11.1 percent, following a 14.7-percent rise in 2003. Prices for beef and veal, processed young chickens, and refined sugar and byproducts also decreased, after increasing in the preceding year, while the indexes for shortening and cooking oils and for fluid milk products rose less than they had in 2003. By contrast, the pork index moved up 22.1 percent in 2004, following a 6.8-percent gain in the prior year. Prices for natural, processed, and imitation cheese also rose more than in the preceding year. The indexes for dry, condensed, and evaporated milk products and for confectionery materials turned up in 2004.

### **Crude goods**

The index for crude materials for further processing rose 17.4 percent in 2004, after increasing 19.5 percent in the prior year. In 2004, rising prices were reported for crude energy materials and crude nonfood materials less energy. By contrast, the index for crude foodstuffs and feedstuffs moved down in 2004.

Prices for crude energy materials increased 35.9 percent in 2004, following a 14.4-percent advance in the preceding year. More than two-thirds of this acceleration can be traced to the index for natural gas, which jumped 44.3 percent after moving up 17.2 percent in 2003. Additionally, crude petroleum prices rose 30.5 percent, following a 14.3-percent gain in the previous year, while the rate of increase in the coal index accelerated from 2.1 percent in 2003 to 10.0 percent in 2004.

Prices for crude nonfood materials less energy moved up 20.5 percent in 2004, after rising 21.6 percent in the prior year. Over half of the 2004 increase in crude nonfood materials less energy prices can be attributed to a 50.8-percent advance in the index for iron and steel scrap. Also increasing in 2004 were prices for nonferrous metal ores; copper base scrap; wastepaper; aluminum base scrap; construction

sand, gravel, and crushed stone; phosphates; and softwood logs, bolts, and timber. In contrast, price declines were reported for raw cotton and pulpwood.

The crude foodstuffs and feedstuffs index turned down 2.6 percent in 2004, after climbing 24.1 percent in the previous year. Leading this downturn, slaughter cattle prices declined 10.9 percent, after rising 35.4 percent in 2003. The indexes for soybeans, corn, fresh vegetables (except potatoes), and wheat also decreased in 2004, following gains in the prior year. Prices for slaughter broilers and fryers and for fresh fruits and melons rose less than they had in 2003. By contrast, prices for slaughter hogs went up 48.7 percent in 2004, compared with a 20.7-percent advance in the previous year. The indexes for slaughter turkeys and fluid milk also rose more than in the preceding year, while prices for alfalfa hay and Irish potatoes for processing turned up in 2004.

### Net output price indexes for selected services industries

In 2004, increases were reported in the industry indexes for general medical and surgical hospitals, direct property and casualty insurance carriers, offices of lawyers, investment banking and securities dealing, portfolio management, direct life insurance carriers, couriers, offices of real estate agents and brokers, lessors of nonresidential buildings (excluding miniwarehouses), long-distance general freight trucking (less than truckload), and nursing care facilities. Alternatively, prices received by the following industries decreased in 2004: Scheduled passenger air transportation; wired telecommunications carriers; cellular and other wireless carriers; data processing and related services; travel agencies; software publishers; and truck, utility trailer, and RV rental and leasing. (See table B.)

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

Grouping	Percent change, 12 months ended December			Not seasonally adjusted percent change for the 3 months ended				Grouping	Percent change, 12 months ended December			Not seasonally adjusted percent change for the 3 months ended			
	2002	2003	2004	March 2004	June 2004	September 2004	December 2004		2002	2003	2004	March 2004	June 2004	September 2004	December 2004
Scheduled passenger air transportation .....	1.0	1.9	-1.5	-0.2	0.5	-2.9	1.1	Cellular and other wireless carriers .....	3.9	-1.2	-4.7	-0.9	0.1	-1.5	-2.4
Nonscheduled air transportation .....	3.2	2.2	2.4	.3	.3	1.5	.2	Data processing and related services .....	1.2	.3	-1.4	-1.6	.6	-.3	-.1
Line-haul railroads .....	1.3	2.3	7.4	1.8	1.0	1.9	2.5	Portfolio management .....	—	11.8	9.9	4.9	4.0	.7	.2
Deep sea freight transportation .....	19.9	8.7	3.1	-.8	.9	2.6	.4	Direct life insurance carriers .....	1.9	1.4	1.9	.6	1.1	.2	0
Inland water freight transportation .....	3.8	-.2	7.6	-1.9	2.0	7.6	-.1	Direct property and casualty insurance carriers .....	5.1	5.0	2.6	.7	.7	.6	.6
Pipeline transportation of crude oil .....	-1	-1.2	5.0	1.6	1.7	1.7	-.1	Lessors of nonresidential buildings (excluding miniwarehouses) .....	3.0	1.9	4.2	-.4	2.5	1.8	.2
Pipeline transportation of refined petroleum products .....	-4	3.2	2.8	.3	-.3	2.5	.2	Passenger car rental .....	7.4	2.6	-.3	-1.4	-4.5	4.6	1.2
Marine cargo handling .....	-7	1.8	1.2	.2	-.2	.5	.7	Truck, utility trailer, and RV rental and leasing .....	1.9	7.6	-1.8	-1.8	3.5	-1.6	-1.7
Navigational services to shipping .....	1.1	2.3	3.0	.8	.5	.4	1.3	Offices of lawyers .....	3.4	2.8	4.3	4.1	.1	0	.2
Freight transportation arrangement .....	1.3	.3	.9	0	.7	-.1	.3	Architectural services .....	1.4	.8	.2	-.5	.1	.6	.1
Refrigerated warehousing and storage .....	-5	.3	.7	.1	-.1	1.0	-.3	Engineering services .....	2.6	3.0	2.3	1.3	.2	.5	.4
Farm product warehousing and storage .....	.4	.3	.3	.1	-.1	.2	.2	Advertising agencies .....	3.6	.9	.6	-.2	.1	.5	.2
Software publishers .....	1.7	-5.5	-.7	.4	-.2	-1.6	.6	Travel agencies .....	-1.3	-.6	-3.9	-1.3	-1.3	-3.1	1.8
Radio stations .....	2.3	5.7	4.1	-1.6	6.7	-.5	-.3	Janitorial services .....	.3	.3	1.4	.4	.5	0	.5
Television broadcasting .....	3.5	1.7	-.8	-1.4	4.0	-2.1	-1.2	Offices of physicians (excluding mental health) .....	-.2	2.2	1.5	1.4	-.1	.1	.1
Wired telecommunications carriers .....	-3.6	-2.2	-1.3	0	-.4	-.4	-.6	Home health care services .....	.3	2.5	1.2	.5	.1	.1	.5
								General medical and surgical hospitals .....	5.3	4.9	4.6	2.0	.4	.5	1.5
								Psychiatric and substance abuse hospitals .....	3.1	2.5	3.3	.3	.7	.4	1.8
								Nursing care facilities .....	2.7	4.3	3.9	1.6	.3	1.2	.6

NOTE: Dash indicates data are not available.