

The Factory Whisper

Predicting Consumer Inflation Three Months Ahead — From the Factory Gate to the Shelf

Greg Mattison · The Precious Legacy™ · October 8, 2026

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Executive Summary

The SilverScoreboard's Predictive Consumer Inflation Number Estimate — "the Factory Whisper" — does something most people assume only the Federal Reserve's own staff can do: it predicts the consumer inflation number before the government prints it, and it does so using the government's own data, in the open, with its report card published every single month.

Using Producer Price Index (PPI) final-demand data — the prices factories receive — the model forecasts the three-month-annualized pace of Consumer Price Index (CPI) inflation up to three months ahead. Tested against every month from 2014 through 2026, with the model rebuilt fresh at each month using only information available at that time, the results are:

- **One month ahead:** direction called correctly 64% of the time; landing within a quarter-point (± 0.25 percentage points) of the actual number 64% of the time; average miss of just 0.22 points.
- **Two months ahead:** direction 61%; within a quarter-point 36%; average miss 0.41 points.
- **Three months ahead:** direction 53%; average miss 0.53 points — about as far out as the signal usefully carries.
- **Beyond six months:** the model offers no measurable edge over a coin flip, and we say so plainly.

The current live calls (made October 7, 2026, using data through August 2026): September 2.3%, October 2.7%, November 2.8% annualized. CPI sits sticky at 3.4% year-over-year while the factory gate is quiet at a 1.4% pace — the shelf is still echoing an earlier factory boom, and that echo is fading.

1. The Idea: Two Trucks, One Road

CPI is the price you pay at the shelf. PPI is the price the factory gets at the gate. Nothing reaches a store shelf without first passing a loading dock — which means the factory gate often sees price changes before the shelf does.

We call PPI **the factory whisper** and CPI **the shelf echo**. The whisper comes first; the echo follows. The question this white paper answers is: how much warning does the whisper actually give, and can a disciplined model turn that warning into a number?

2. The Data: The Fed's Own Books

Everything in this study comes from the Federal Reserve Economic Data service (FRED), maintained by the Federal Reserve Bank of St. Louis:

- **CPIAUCSL** — Consumer Price Index for All Urban Consumers, the headline shelf number
- **PPIFIS** — Producer Price Index, Final Demand, the headline factory number
- Supporting series: PPI All Commodities (PPIACO), processed-foods PPI (WPSID62), CPI food-at-home (CUSR0000SAF11, CPIFABSL)

Two disciplines made the study honest:

- **Calendar correctness.** October 2025 CPI was never published (a casualty of the government shutdown). The model leaves that month missing rather than inventing it; where a bridge was needed for display, the value is marked as an estimate and never graded as an actual.
- **No time travel.** Every forecast in the backtest was made using only data that existed on the day of the call — then graded against the real print when it arrived, months later. 444 such graded calls, on record, no deletions.

3. The Model: Regression Over Decades

The engine is deliberately simple — ordinary least-squares regression of the CPI three-month annualized pace on the PPI final-demand pace and its lags. Simplicity is the point: a model you can explain is a model you can trust and a model you can audit.

The rolling 10-year pass-through analysis (120-month windows, 2007–2026) finds:

- Factory-to-shelf **pass-through of roughly 15–30 cents on the dollar**, stable across two decades of windows
- The relationship is overwhelmingly statistically significant (F-statistic p-values smaller than 0.000000001 in every window)
- R^2 between 0.61 and 0.80 — the factory gate explains most of the shelf's motion

The lead structure: at short lags the factory strongly leads the shelf (lag-0 beta 0.63, lag-1 beta 0.57); by lag-3 the signal has faded to 0.35. That decay is the model's natural horizon — hence a three-month forecast window.

4. The Results: Graded in Public

Predictive Consumer Inflation Number Estimate

Where the shelf price is heading: 3-month pace (annualized) vs the factory whisper, plus the model's next three monthly calls

NEXT MONTH EST.

2.3%

MODEL DIRECTION GRADE

64%

[Methodology](#)

[Expand](#)

— Factory whisper (PPI) - - - Bridge months (est.)
— Shelf echo (CPI actual) - - - Forecast (3 mo.) — Fed 2% goal

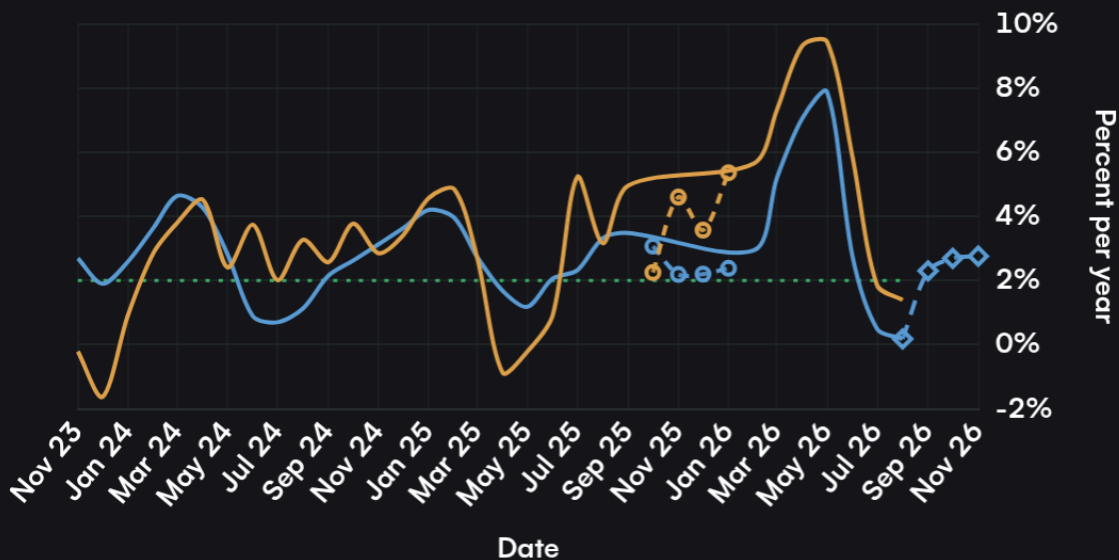


Figure 1 — The model's report card, live on the SilverScoreboard (October 7, 2026): next-month estimate 2.3%, direction grade 64%.

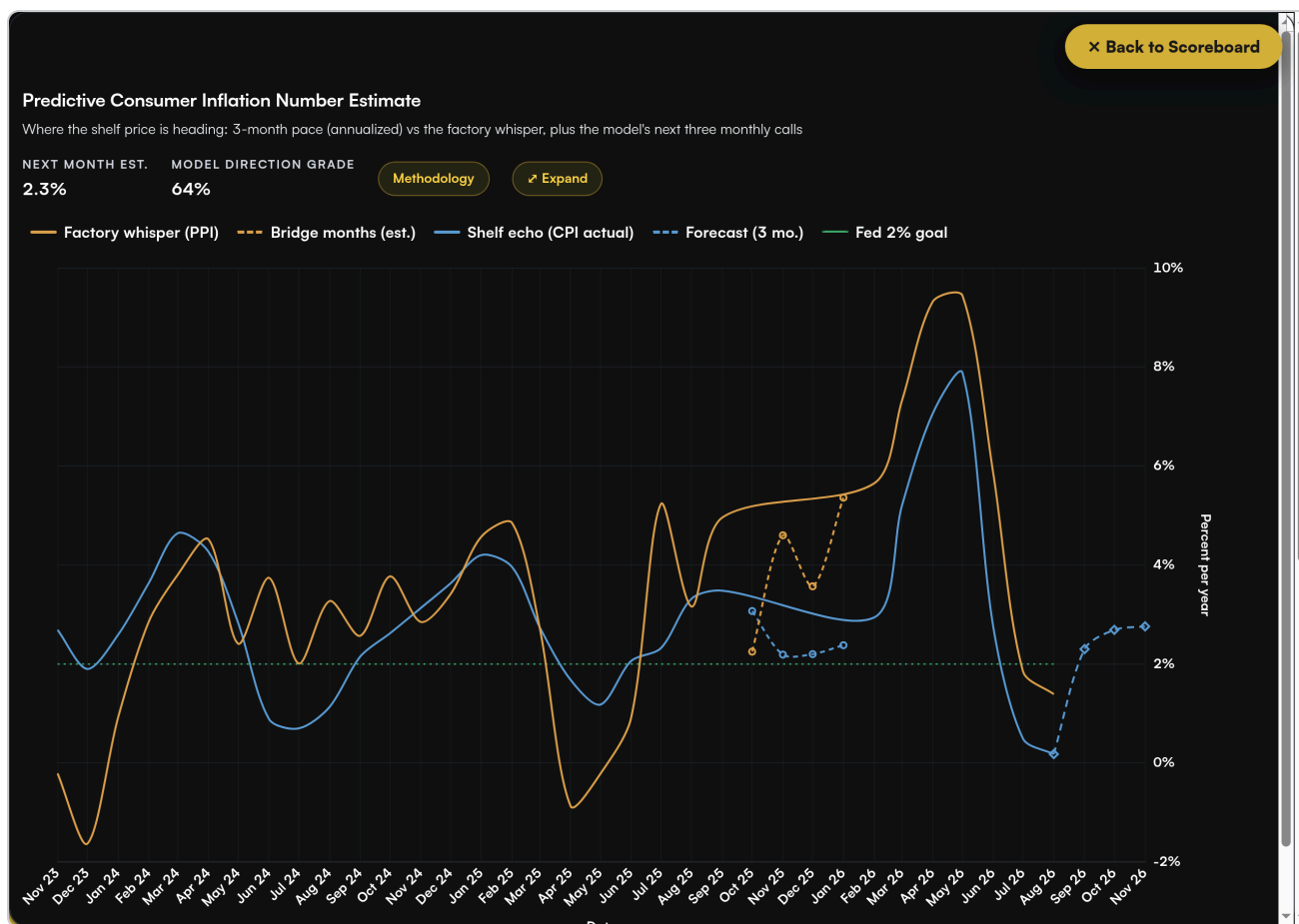


Figure 2 — The full model view, expanded: factory whisper (orange), shelf echo (blue), bridge months (dashed), Fed 2% goal (green).

The headline table, from the rolling 36-call window (each call graded when the real print arrived):

- One-month horizon: 64% direction, 64% within ± 0.25 points, mean absolute error 0.22, RMSE 0.30
- Two-month horizon: 61% direction, 36% within ± 0.25 , mean absolute error 0.41, RMSE 0.54
- Three-month horizon: 53% direction, 31% within ± 0.25 , mean absolute error 0.53, RMSE 0.69
- Benchmark: the model's RMSE of 0.30 beats the naive "unchanged from last month" guess (0.33) — a real edge, honestly modest

Three honest caveats, stated in the open:

- The truck does not always deliver. Companies absorb cost moves in their margins; a 2026 study covering 1947–2025 found that once you know CPI's own trend, PPI adds little forecast power.
- Traffic runs both ways at short range. In one-to-seven-month windows, CPI sometimes leads PPI — demand pulls retail prices up first, then suppliers reprice.
- The biggest shelf item never rides the truck. Shelter is roughly a third of CPI, and rent does not come from a factory.

5. Where the Edge Ends

A 53% direction call at three months and a 64% call at one month are useful. A coin flip is not. The model's accuracy decays with distance, and somewhere around six months the decay is total — beyond that horizon, nobody calling monthly inflation direction from PPI data is doing better than chance, including us. We publish the decay curve rather than hide it, because a forecast without a horizon is a horoscope.

6. The SilverScoreboard Difference

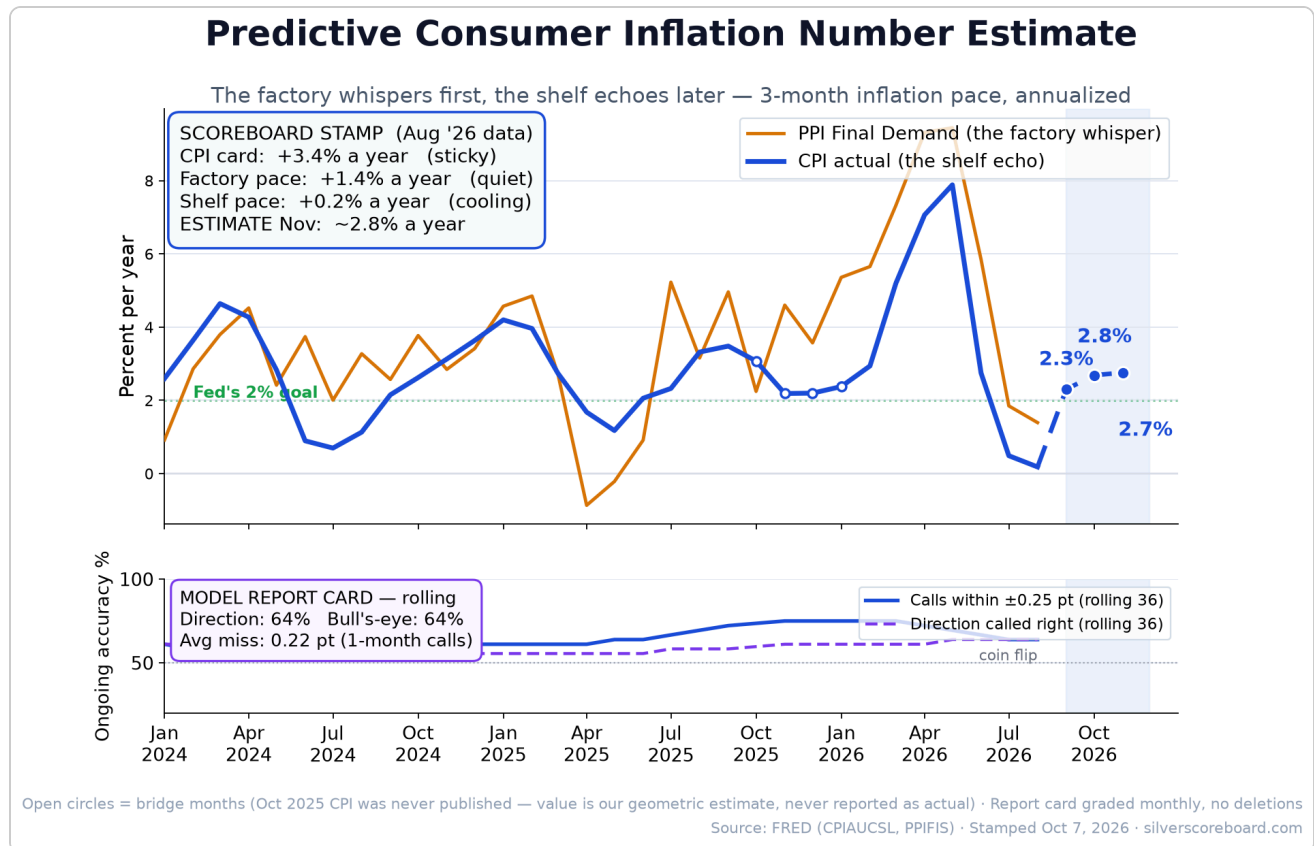


Figure 3 — The Predictive Consumer Inflation Number Estimate chart, as broadcast to members.

The SilverScoreboard was built to make exactly this kind of analysis possible: live FRED feeds, calendar-correct data handling, a modeling pipeline that retrains on every new print, and a public report card graded monthly with no deletions. The Predictive Consumer Inflation Number Estimate panel updates itself within hours of each CPI release (the 13th) and each PPI release (the 14th), re-grades every prior call, and republishes — automatically, in the open.

Members do not have to take the model's word for anything. The methodology sits behind a Methodology button on the panel itself, every historical call is on record, and the rolling grade updates whether the news is good or bad. That transparency is the product.

7. Conclusions

- The factory gate does whisper before the shelf echoes: PPI final demand carries real, measurable information about CPI one to three months ahead.
- The edge is genuine but modest: within a quarter-point of the actual number on roughly two of three one-month calls, decaying to a coin flip by six months.
- The SilverScoreboard's contribution is not a crystal ball — it is a disciplined, transparent, self-grading forecast the public can audit, built on the Fed's own data, updated monthly, wrong in the open as often as right.

The whisper is real. The echo follows. And now there is a scoreboard that keeps score.

About this paper. This is a research report on a statistical model built entirely from public Federal Reserve Economic Data (FRED). It is provided for education and transparency. It is not investment advice, not a trading signal, and not a promise of future performance. Every forecast the model has ever issued is graded in public, the month the real number arrives — no exceptions, no deletions. Past accuracy does not guarantee future results.