

Inflation slowed to a 3.1% annual rate in November

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BY JEFF COX

KEY POINTS

- The consumer price index, a closely watched inflation gauge, increased 0.1% in November, and was up 3.1% from a year ago.
- Excluding volatile food and energy prices, the core CPI increased 0.3% on the month and 4% from a year ago.
- A 2.3% decrease in energy prices helped keep inflation in check, as gasoline fell 6% and fuel oil was off 2.7%. Food prices increased 0.2%.

Prices across a broad range of goods and services edged higher in November but were mostly in line with expectations, further easing pressure on the Federal Reserve.

The consumer price index, a closely watched inflation gauge, increased 0.1% in November, and was up 3.1% from a year ago, the Labor Department reported Tuesday. Economists surveyed by Dow Jones had been looking for no gain and a yearly rate of 3.1%.

While the monthly rate indicated a pickup from the flat CPI reading in October, the annual rate showed another decline after hitting 3.2% a month earlier.

Excluding volatile food and energy prices, the core CPI increased 0.3% on the month and 4% from a year ago. Both numbers were in line with estimates and little changed from October.

The November numbers are still well above the Fed's 2% target, though showing continuing progress. Policymakers focus more on core inflation as a signal for longer-term trends.

The report was "somewhat in line, although, I suppose not as good as what some might have hoped that we would start to see more deceleration on a month over month basis," said Liz Ann Sonders, chief investment strategist at Charles Schwab. The Fed "will probably talk about continued disinflation being good news."

Wall Street opened little changed following the news, with major indexes slightly negative in early trading. Treasury yields edged higher.

A 2.3% decrease in energy prices helped keep inflation in check, as gasoline fell 6% and fuel oil was off 2.7%. Food prices increased 0.2%, boosted by a 0.4% jump in food away from home. On an annual basis, food rose 2.9% while energy was down 5.4%.

Shelter prices, which make up about one-third of the CPI weighting, increased 0.4% on the month and were up 6.5% on a 12-month basis. However, the annual rate has showed a steady decline since peaking in early 2023. Lodging away from home fell 0.9%.

"Falling inflation does not mean that prices are falling. In fact, prices for just about everything are still higher than they were before the pandemic," said Lisa Sturtevant, chief economist at Bright MLS. "Housing costs, in particular, are weighing on many individuals and families."

After declining for five straight months, used vehicle prices rose 1.6% in November, and vehicle insurance increased 1% and was up 19.2% year over year. Medical care costs rose 0.6% while apparel fell 1.3%.

Worker paychecks increased on an inflation-adjusted basis, with real average hourly earnings rising 0.2% on the month and 0.8% from a year ago, the Labor Department said in a separate release.

The release comes as the Fed begins its two-day policy meeting, during which it is expected to hold interest rates steady for the third consecutive time.

However, markets are looking more closely at what the Fed signals for the future.

After hiking rates 11 times since March 2022, policymakers are expected to signal that the policy tightening is over, with the next step likely to be cuts

at a still-to-be-determined pace. Following the release, futures pricing continued to indicate virtually no chance of any further rate increases, with the first cut likely to happen in May.

In fact, futures markets indicate the Fed will ease aggressively in 2024, cutting rates up to 1.25 percentage points by the end of the year. Respondents to the CNBC Fed Survey, though, think the central bank will move at a more measured pace, cutting about three times, assuming quarter percentage point increments.