Consumer prices rose last month at the slowest 12-month pace since December 2021, closing out a year in which [inflation hit the highest level in four decades](https://www.wsj.com/articles/us-inflation-june-2022-consumer-price-index-11657664129?mod=article_inline)and challenged the Federal Reserve’s ability to keep the U.S. economy on track.

The Labor Department on Tuesday said that its consumer-price index, a measurement of what consumers pay for goods and services, climbed 7.1% in November from a year ago, [down sharply from 7.7% in October](https://www.wsj.com/articles/us-inflation-october-2022-consumer-price-index-11668050497?mod=article_inline). The pace built on [a trend of moderating price increases](https://www.wsj.com/articles/inflations-cold-case-11670949172?mod=article_inline) since June’s 9.1% peak, but it remained well above the 2.1% average rate in the three years before the pandemic.

Core CPI, which excludes volatile energy and food prices, rose 6% in November from a year ago, easing from a 6.3% gain in October. September’s 6.6% increase was the biggest jump since August 1982.

Prices also softened significantly on a month-to-month basis, with [gasoline, utility, medical care services and used-car prices](https://www.wsj.com/articles/prices-for-used-cars-plane-tickets-and-electricity-eased-in-november-11670949912?mod=article_inline) all falling. Price increases moderated for restaurant meals, while prices for new vehicles remained flat.

The CPI increased 0.1% in November from the prior month, compared with 0.4% in October. Core CPI rose 0.2% in November, down from 0.3% in October and 0.6% in August and September.

The figures [leave the Fed on track to lift interest rates](https://www.wsj.com/articles/slowing-inflation-could-intensify-fed-debate-over-when-to-stop-raising-rates-11670947999?mod=article_inline) by 0.5 percentage point on Wednesday, following [larger increases of 0.75 point](https://www.wsj.com/articles/fed-approves-fourth-0-75-point-rate-rise-hints-at-smaller-hikes-11667412242?mod=article_inline) at their past four meetings.

Wednesday’s increase would be the seventh consecutive rate increase this year aimed at combating inflation by slowing the economy. Two straight months of moderating price pressures [could complicate Fed deliberations](https://www.wsj.com/articles/powell-federal-reserve-interest-rates-inflation-11670859520?mod=article_inline) over how high to raise rates early next year.

[U.S. stock indexes climbed](https://www.wsj.com/livecoverage/stock-market-news-today-12-13-2022-cpi-report-december-inflation?mod=article_inline) and bond yields fell after the CPI release. Bond prices and yields move inversely. [The S&P 500](https://www.wsj.com/livecoverage/stock-market-news-today-12-13-2022-cpi-report-december-inflation?mod=article_inline) added 0.7%; the Nasdaq Composite rose 1%; and the Dow Jones Industrial Average added 0.3%.

“This number today is consistent with the Fed’s target and that’s the first time we’ve seen a number that low in nearly two years,” said Paul Ashworth, chief U.S. economist at Capital Economics, noting November’s one-month gain in core CPI translates to 2.4% on an annualized basis. “So, of course, that’s good news.”

Inflation soared in 2021 as the economy recovered from the Covid-19 pandemic. Prices leapt as surging consumer demand—fueled by very low interest rates and government stimulus—collided with [limited supply](https://www.wsj.com/articles/u-s-trade-deficit-narrowed-sharply-in-november-as-global-demand-cooled-11672926977?mod=article_inline) caused by pandemic-related disruptions. Russia’s invasion of Ukraine [further inflamed inflation worldwide](https://www.wsj.com/articles/war-inflation-knock-world-economy-off-balance-11663927566?mod=article_inline), pushing up prices for energy and other commodities. That culminated with the U.S. CPI rising in June by its highest rate since December 1981.

Overall inflation has eased since the summer as [supply bottlenecks have improved](https://www.wsj.com/articles/fading-supply-chain-problems-signal-season-of-plenty-for-holiday-shoppers-11668681001?mod=article_inline). The national average price of regular unleaded gasoline was $3.25 a gallon on Tuesday, down more than 50 cents a gallon from a month earlier, according to OPIS, an energy-data and analytics provider. Prices peaked in mid-June at a record $5.02 a gallon.

Used-car prices—a big driver of inflation last year—fell for the fifth straight month, slipping in November to their lowest level since September 2021. They are still up more than 40% from before the pandemic.