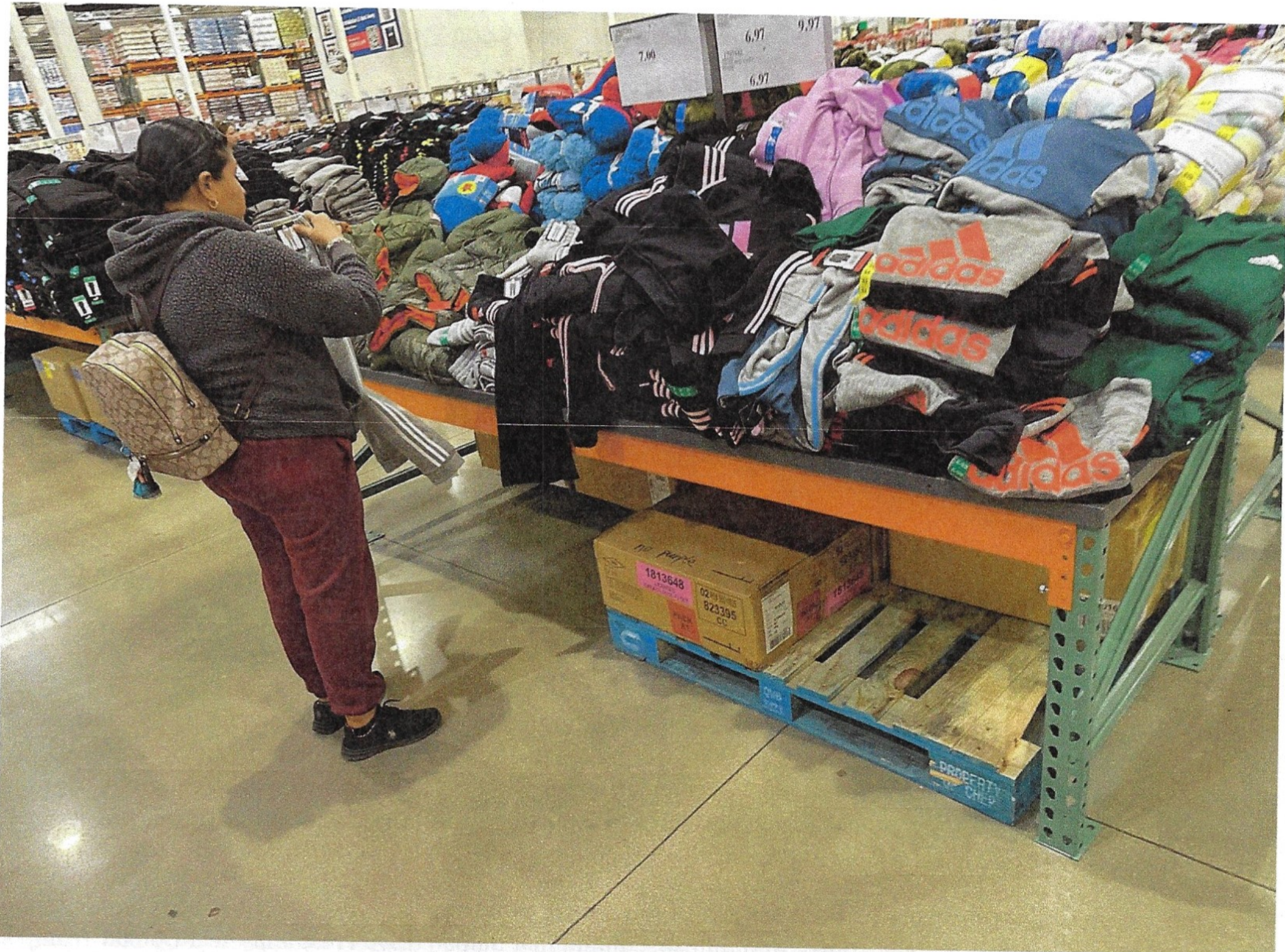


Inflation ticked up last month as some price pressures remain persistent



A shopper looks over clothing on display in a Costco warehouse Dec. 4 in Sheridan. DAVID ZALUBOWSKI — THE ASSOCIATED PRESS

BY CHRISTOPHER RUGABER

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WASHINGTON>> Fueled by pricier used cars, hotel rooms and groceries, inflation in the United States moved slightly higher last month in the latest sign that some price pressures remain elevated.

Consumer prices rose 2.7% in November from a year earlier, up from a yearly figure of 2.6% in October. Excluding volatile food and energy costs, so-called core prices increased 3.3%, the same as in the previous

month. Measured month to month, prices climbed 0.3% from October to November, the biggest such increase since April. Core prices also rose 0.3% for a fourth straight month.

Wednesday's inflation figures from the Labor Department are the final major piece of data that Federal Reserve officials will consider before they meet next week to decide on interest rates. The relatively mild November increase won't likely be enough to discourage the officials from cutting their key rate by a quarter-point. The probability of a rate cut next week, as envisioned by Wall Street traders, rose to 98% after Wednesday's inflation report was released, according to futures pricing tracked by CME FedWatch.

"It's generally in the ballpark of what the Fed would like to see," said Jason Pride, chief investment strategist at Glenmede, a wealth management firm.

Though sharp increases for such items as groceries and hotel rooms increased overall inflation last month, those categories are often volatile. Pride noted that the cost of services — such as rents, car insurance and airline fares — cooled in November.

Last week, Fed Chair Jerome Powell suggested that with the economy generally healthy, the Fed could reduce its key rate slowly.

"We're not quite there on inflation, but we're making progress," Powell said. "We can afford to be a little more cautious."

With the job market cooling, growth in Americans' paychecks has slowed from a nearly 6% annual pace in 2022 to about 4% now, a rate nearly consistent with inflation at the Fed's 2% target. Powell has said he doesn't think the current job market is a driver of higher prices.

Randy Carr, CEO of World Emblem — a maker of patches, labels and badges for companies, universities and law enforcement agencies — said he is providing smaller wage increases, in the 3% to 5% range, than his company did during the height of inflation.

"Things have kind of leveled off," he said.

Carr's customers, which include the company that makes UPS uniforms, generally won't accept price hikes much more than 2% a year. So World Emblem aims to offset the cost of its higher wages through greater efficiencies in manufacturing. In September, the Fed slashed its benchmark rate, which affects many consumer and business loans, by a sizable half-point. It followed that move with a quarter-point rate cut in November. Those cuts lowered the central bank's key rate to 4.6%, down from a four-decade high of 5.3%.

Though inflation is now way below its peak of 9.1% in June 2022, average prices are still about 20% higher than they were three years ago — a major source of public discontent that helped drive President-elect Donald Trump's victory over Vice President Kamala Harris in November.

Grocery prices jumped last month, an uncomfortable reminder for consumers that food prices remain a big drag on households' budgets. Beef prices leapt 3.1% just from October to November and are up 5% from a year earlier.

Egg prices, which have been volatile for more than two years, in part because of outbreaks of bird flu, soared 8.2% just last month. They are nearly 38% higher than a year ago.

Gas prices ticked up 0.6% from October to November, ending a string of declines. Still, gas is down more than 8% from a year earlier. Hotel prices leapt 3.2% from October to November and are 3.7% higher than a year ago.

Used-car prices jumped 2% from October to November; new cars rose 0.6%. Those increases might have been fueled by a surge in demand after Hurricane Helene's destruction of existing cars in places like North Carolina.

But one key category that has been pushing prices up showed welcome signs of cooling in November: Rental prices ticked up just 0.2%, the smallest increase since July 2021. A measure of housing costs also rose by just 0.2%, the mildest rise since April 2021. *

Fed officials have made clear that they expect inflation to fluctuate along a bumpy path even as it gradually cools toward their target level. In speeches last week, several of the central bank's policymakers stressed their belief that with inflation having already fallen so far, it was no longer necessary to keep their benchmark rate quite as high.

Typically, the Fed cuts rates to try to stimulate the economy enough to maximize employment yet not so much as to drive inflation high. But the U.S. economy appears to be in solid shape. It grew at a brisk 2.8% annual pace in the July-September quarter, bolstered by healthy consumer spending. That has led some Wall Street analysts to suggest that the Fed doesn't actually need to cut its key rate further. *

But Powell has said that the central bank is seeking to "recalibrate" its rate to a lower setting, one more in line with tamer inflation.

One possible problem to the Fed's efforts to keep inflation down is Trump's threat to impose widespread tariffs on U.S. imports — a move that economists say would likely send inflation higher. Trump has said he could impose tariffs of 10% on all imports and 60% on goods from China. As a consequence, economists at Goldman Sachs have forecast that core inflation would amount to 2.7% by the end of 2025. Without tariffs, they estimate it would drop to 2.4%.

World Emblem, based in Hollywood, Fla., has plants in Georgia and California but makes about 60% of its products in Mexico. President-elect Donald Trump has threatened to impose steep tariffs on imports from Mexico. Carr, the company's CEO, said he would try to offset the impact of tariffs through a mix of price increases and reductions in research and development.

"I wish we didn't have to deal with it, but if we have to, we're putting plans together," he said.

