

# Inflation rose more quickly than expected in December

2026-2-21

ECO

The Denver Gazette · 21 Feb 2026 · C4 · The Associated Press

WASHINGTON · A key inflation gauge accelerated in December to the fastest pace in nearly a year, showing how prices are still rising more quickly than most Americans would prefer — and faster than the Federal Reserve's target of 2% a year.

Prices rose 0.4% in December from the previous month, up from 0.2% in November, the Commerce Department said Friday in a report that was delayed by the six-week government shutdown last fall. The monthly increase was the highest since last February. Compared with a year ago, inflation rose 2.9% in December, up from 2.8% in November. That is the largest yearly increase since March 2024. Core prices — which exclude the volatile food and energy categories — also rose 0.4% in December from the previous month, up from 0.2% in November. That is also the highest since last February. Core prices jumped 3% in December from a year ago, faster than November's 2.8% increase.

The figures show that inflation remains elevated, though it's down from a peak of near 7% in 2022. With many prices still rising more quickly than they did before the pandemic, the report points to a key reason that many Americans remain unhappy with the economy, even as unemployment remains low and growth is solid.

The report covers what is known as the personal consumption expenditures (PCE) price index, which the Federal Reserve prefers over the better-known consumer price index. The CPI cooled noticeably in January, the government said last week.

But the reason the PCE index is running higher than the consumer price index is because it puts much less weight on some areas where price growth has sharply cooled, such as apartment rents and car prices.

Friday's report also showed that consumers kept spending at a solid clip in December, when spending rose 0.4% from the previous month, the same as in November.

In December, prices climbed for furniture, clothing, and groceries. Gas prices fell, but the cost of electricity rose and natural gas costs soared 3.7% just in December from the previous month.

The Fed's interest-rate setting committee met in late January and agreed to keep its short-term rate unchanged at about 3.6% despite repeated demands from President Donald Trump to reduce it. According to minutes from the meeting released Wednesday, most officials want to see inflation fall closer to the Fed's target before supporting further rate cuts.