



Retirement News Highlights

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Fed greenlights 50-basis-point rate hike as inflation cools

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The Federal Reserve on Wednesday raised interest rates for the seventh time in as many meetings, but it reduced the size of the rate hike to 50 basis points as inflation shows signs of cooling.

The Federal Open Market Committee raised the federal funds rate to a range of 4.25% to 4.5% following its two-day meeting that concluded Wednesday. The 50-basis-point hike marks a slowdown for the committee; it had approved 75-basis-point increases in each of its previous four meetings.

The announcement comes one day after data from the Bureau of Labor Statistics showed positive signs on inflation. The consumer price index rose 7.1% in November from a year earlier, the smallest 12-month increase since December 2021 and below economists' expectations of a 7.3% increase. The annualized CPI figure has dropped steadily since June, when it was at 9.1%, a 40-year high.

Fed Chairman Jerome H. Powell signaled during a Nov. 30 speech at the Brookings Institution that the central bank would slow the pace of its rate hikes. "Monetary policy affects the economy and inflation with uncertain lags, and the full effects of our rapid tightening so far are yet to be felt," Mr. Powell said. "Thus, it makes sense to moderate the pace of our rate increases as we approach the level of restraint that will be sufficient to bring inflation down."

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