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Bullard Discusses U.S. Economy, Inflation and Monetary Policy

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St. Louis Fed President Jim Bullard discussed his outlook for the U.S. economy and the need to bring inflation down to the Fed's 2% target. During an event hosted by the Energy Infrastructure Council in West Palm Beach, Fla., he also shared his views on recent monetary policy and further anticipated moves.

On the real economy, Bullard said that he is expecting above trend growth in the U.S. over the next 18 months, although he acknowledged that there are risks to growth, such as what will happen with the European and Chinese economies. He also noted that U.S. labor markets are strong.

Citing recent remarks by Fed Chair Jerome Powell, Bullard said that inflation is the Federal Open Market Committee's No. 1 concern and that the FOMC is going to bring inflation back down to 2%, which means raising interest rates.

Bullard noted that the FOMC has raised the policy rate twice this year (by 25 basis points in March and by 50 basis points in May) and that further anticipated increases are already priced into financial markets.

"I think we have a good plan for now, and I think the base case is good," he said, adding that Chair Powell has said it looks like the FOMC is on course for 50-basis-point increases at coming meetings.

Bullard also discussed the FOMC's plan for reducing the size of the Fed's balance sheet, saying that, all else equal, it should put upward pressure on the longer end of the yield curve. He said some of that has already occurred, with the 10-year Treasury yield and 30-year mortgage rate up substantially, and he expects to see more upward pressure on longer-term yields going forward.

[Watch the discussion.](#)