

Bullard Discusses Policy Rate Increases and His Views of U.S. Recession Predictions

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St. Louis Fed President Jim Bullard talked about his preferences for raising the policy rate and his views of recession predictions in remarks during a European Economics and Financial Centre virtual discussion.

Bullard said the U.S. economy continues to do very well and that the country has created about 2.7 million jobs in the first six months of the year, “an outstanding number even for a full year.”

Although financial markets have been predicting a U.S. recession next year, Bullard said he is “a little skeptical that we’ll get to a recession.” The U.S. economy is slowing, but it’s slowing to a trend pace of growth from a very rapid pace in 2021, he said.

The policy-setting Federal Open Market Committee (FOMC) has promised considerably more policy rate increases in the second half of 2022 in addition to the three already made this year, Bullard said. Looking at the “hot” inflation report, he said that his reaction is that instead of trying to achieve a Fed policy rate of 3.5% by the year’s end, which has been his baseline for several months, “I would now say that we may have to try to hit 3.75 to 4% by the end of 2022.”

Inflation is staying “stubbornly high,” Bullard said later.

“But we’ve got the right policy to bring it back to 2% in a relatively short timeframe, and I would say something like 18 months,” he said.