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From the President

Bullard Discusses Recent Policy Rate Increase, Outlook for U.S. Economy in Fireside Chat

May 5, 2023

Watch the discussion.

St. Louis Fed President Jim Bullard shared his thoughts on the Federal Open Market Committee's latest policy rate increase and the possibility of a soft landing for the U.S. economy. He spoke during a fireside chat with Minneapolis Fed President Neel Kashkari at an event hosted by the Economic Club of Minnesota.

On May 3, the FOMC raised the target range for the federal funds rate by 25 basis points, to 5%-5.25%. Bullard said he thought the move "was a good next step for the committee." He noted that the FOMC has done a lot in the past year or so. "But we have a lot of inflation in the U.S. economy, more than we've had since the early 1980s," he said. "And so I think it's appropriate to put the policy rate at a higher level so we can try to get the inflation problem behind us sooner and get back to the 2% inflation environment that we enjoyed earlier."

While the U.S. economy always faces risks, Bullard said that a recession is not his base case. "I think the base case is slow growth, probably a somewhat softer labor market and declining inflation," he said. He also noted that the May 5 jobs report was stronger than expected again and that the U.S. has a very tight labor market, which will take a while to cool off.

He also discussed the recent stresses in the banking sector, the role of Federal Reserve banks in supervising banks compared with the role of the Board of Governors, the composition of Reserve bank boards of directors, and his view on central bank digital currencies.

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