- **June 24, 2021**. Presentation. "U.S. Monetary Policy: A New Risk," The Power Hour Virtual Speaker Series, Clayton Chamber of Commerce. Presentation (pdf) (bullard_clayton_chamber_24_june_2021pdf) | Press Release.

U.S. Monetary Policy: A New Risk

June 24, 2021

[Presentation (pdf)](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/Files/PDFs/Bullard/remarks/2021/Bullard_Clayton_Chamber_24_June_2021.pdf)| [Press Release](https://www.stlouisfed.org/news-releases/2021/06/24/bullard-us-monetary-policy-a-new-risk)

During a virtual presentation for the Clayton Chamber of Commerce, St. Louis Fed President James Bullard said U.S. real GDP appears to have fully recovered to the pre-pandemic peak. He added that the "keep households whole" fiscal strategy has been successful and has set up households to spend as the pandemic wanes. Regarding U.S. labor markets, Bullard said they are tight according to anecdotal evidence and key labor market metrics.

Bullard also talked about rising inflation. He said that inflation is likely to be meaningfully above 2% over the forecast horizon, so the Federal Open Market Committee can meet a key provision of its new policy framework with an appropriate monetary policy. "A new risk is that inflation may continue to surprise to the upside," he said.

St. Louis Fed's Bullard Discusses "U.S. Monetary Policy: A New Risk"

ST. LOUIS –Federal Reserve Bank of St. Louis President James Bullard presented " [U.S. Monetary Policy: A New Risk](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2021/bullard_clayton_chamber_24_june_2021.pdf)" at a virtual event of the Clayton Chamber of Commerce on Thursday.

Bullard told the chamber that the COVID-19 pandemic's intensity continues to moderate in the U.S. and Europe. He said U.S. real gross domestic product (GDP) appears to have fully recovered to the pre-pandemic peak, adding that the "keep households whole" fiscal strategy has been successful and has set up households to spend as the pandemic wanes.

In discussing employment, he said, "U.S. labor markets are tight according to anecdotal evidence and key labor market metrics."

He also talked about rising inflation and the Federal Open Market Committee's new monetary policy framework. "Inflation is likely to be meaningfully above 2% over the forecast horizon, so the FOMC can meet a key provision of its new policy framework with an appropriate monetary policy," Bullard said. "A new risk is that inflation may continue to surprise to the upside," he added.

Health Crisis Waning in the U.S. and Europe

Bullard noted that daily fatalities per 100,000 population have continued to decline in Europe and the U.S., while East Asia and Pacific countries continue to report daily fatalities per 100,000 population that are lower than those in the U.S. and Europe. He added that some emerging market countries remain vulnerable to the pandemic and will take longer to vaccinate. But overall, he said, regions where much of the global output is produced appear poised to bring the pandemic under control.

He also looked at deaths in excess of what would be expected in a normal year. "For the U.S., excess fatalities are approaching zero, suggesting that the vaccination strategy is bringing the pandemic under control," he said.

U.S. Real GDP Fully Recovered

Bullard then discussed the phases of the business cycle and said that the U.S. is moving into the economic expansion phase during the current quarter. "National income appears to be as high as it was at the previous peak and is poised to grow at an above-trend rate," he said.

U.S. Fiscal Strategy Has Maintained Household Income

Bullard discussed what he calls the "keep households whole" fiscal policy response to the pandemic. The goal of fiscal policy has been to insure disrupted households by borrowing funds on international markets and using the funds to replace disrupted household incomes, he explained. “This policy has been so successful that personal income in 2020 was actually higher than it would have been if the economy had simply remained on the 2019 trend line,” he said.

The fiscal strategy has enabled households to pay ordinary expenses during the pandemic, Bullard said, keeping the economy from suffering additional damage that could have occurred. “Households are now in a strong position to spend, leading many forecasters to predict rapid U.S. real GDP growth in 2021 that will continue into 2022,” he said.

Tight U.S. Labor Markets
Bullard noted that anecdotal reports from businesses strongly suggest that attracting workers to available jobs is difficult in the current environment. He pointed out that alternative measures of labor market performance may give a more accurate reading of the state of the labor market than the number of jobs on payrolls or the number of hours worked.

“One alternative measure is the ratio of officially unemployed persons to job openings,” he said. “This measure is approaching an all-time low, suggesting a very strong labor market.”

Bullard also discussed broader measures of labor market performance, which take multiple aspects into account. He looked at the Kansas City Fed’s level of activity index as an example. “This indicator suggests today’s labor market conditions are markedly better than those following the 2007-09 recession,” he said.

Inflation Rising
The FOMC’s median projection from last December suggested that real GDP growth would be 4.2% and core PCE inflation would be 1.8% in 2021, Bullard pointed out. The median projection from June suggested that real GDP growth would be 7% and core PCE inflation would be 3% in 2021. “This year has brought a substantial upside surprise on both real GDP growth and inflation,” he said.

Bullard noted that a key aspect of the new monetary policy framework is the FOMC's desire to allow inflation to run above the 2% target for some time to make up for past misses of the inflation target to the low side. "It now appears that the FOMC will be able to achieve this result with an appropriate monetary policy over the next several years," he said.

However, he cautioned, "A new risk is that inflation may surprise still further to the upside as the reopening process continues, beyond the level necessary to simply make up for past misses to the low side." He said this risk is tangible in part because many are expecting more good news on the U.S. economy in September-October when schools are back in regular session and work patterns normalize. He also noted that a global reopening process will follow behind the U.S. process, likely providing additional tailwinds for the U.S.

"Policymakers will have to take this new risk into account in the months and quarters ahead," he said.

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- **June 21, 2021**. Panel Discussion. Bullard Discusses Inflation, the Labor Market and Monetary Policy, Official Monetary and Financial Institutions Forum (OMFIF).

Bullard Discusses Inflation, the Labor Market and Monetary Policy during OMFIF Event

June 21, 2021

St. Louis Fed President James Bullard discussed U.S. economic growth, inflation, the labor market and monetary policy during a meeting of the Official Monetary and Financial Institutions Forum (OMFIF). He participated