

Fed Unfiltered, Transcript

2/8/22 – Mary Daly, Interview: CNN

Erin Burnett:

President Biden bracing for a new report, expected to show another record inflation. The president holding an event today, promoting strong jobs numbers and talking about manufacturing in the US.

President Biden:

My first full year as president, the economy created 6.6 million new jobs. 6.6 million. That's never happened before in American history.

Erin Burnett:

OutFront now, Mary Daly, president and CEO of the San Francisco Federal Reserve. And I appreciate your time. So the White House, Wall Street, Americans are on edge, watching how the Federal Reserve is going to respond to what is expected to be another grim inflation number, prices rising way too quickly. Do you expect the inflation problem will continue to get worse before it gets better?

Mary Daly:

We could have it be worse before it gets better, but it is definitely going to get better. So the main message is the Federal Reserve, we are focused on this. You've heard so many of us say that without any big surprises in the data, negative surprises, we would be looking to raise interest rates as early as March. That's certainly my view. And that is going to start the process of helping get inflation in control. But another big factor that will help ease inflation pressures is getting COVID behind us, not only nationally, but globally, and allowing supply chains to recover in the way that's going to be necessary for us to move forward and get supply and demand back in balance. But we don't need the headline data to tell us. I think every American consumer out there feels it each day. Inflation is too high and has been too high for too long.

Erin Burnett:

And it comes as there's always fears about wage increases are good. But when they feed into an inflation, wage up, inflation up, wait, that's what's not good. And obviously, the US economy did add 467,000 new jobs in January, double than anybody had expected, the highest estimate in fact. Wages were up nearly 6%. But how does this factor into what you're saying? You're talking about raising interest rates as early as March, but how aggressive do you think the Fed should be in raising rates?

Mary Daly:

Well, that's a terrific question. And really, we have to be appropriate. We can't be overly aggressive and we can't be too slow. We have to be just right. And just right is hard, and it means you have to be data dependent. So you take the first rate increase in March. We're going to have to watch, what is happening as fiscal rolls off? Does that impinge spending? What happens as supply chains recover? Does that ease inflation? What happens when we raise interest rates the first time? How does the economy respond? All those things will matter for what we do next. And that's the important thing. We need to be data dependent and focused. I will say that ultimately, it's jobs and prices that matter for Americans. And that's true, we need price stability. Absolutely. But we also need good job growth. And we have to have policies that support both.

Erin Burnett:

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And obviously, sometimes those two can come into conflict. Right now though, you do have very strong job growth. And you have recently said, I saw, that the Fed will unlikely be able to push inflation back down to 2% by the end of the year. 2% obviously has always been the general target considered as price stability. Now, that's very concerning. Because when you said that, I read, "Wow. That means that even with plenty of Fed interest rate increases, which are expected, that inflation still won't be defeated 11 months from now." How long do you think it could take for the United States to get back down to 2% inflation?

Mary Daly:

Well, getting down to 2% and getting some relief for American consumers are different things. So I don't expect that we'll get to 2% fully by the end of the year because we have so many supply chain bottlenecks that still have to work themselves out. And COVID's not left the global economy. We haven't moved from pandemic to endemic, especially in many countries other than the United States. Those things are going to impinge supply chains, which impinges our ability to get inflation fully back to 2%. But we will see progress. Relief is going to appear as supply chains get some relief, but also as the Fed moves policy to get supply and demand back into balance. So I'm both optimistic that we can get inflation down to much more comfortable levels, and I'm also aware that we don't have all the tools. Because ultimately, supply chains are really about getting COVID under control, not just Fed policy.

Erin Burnett:

All right. President Daly, I appreciate your time. Thank you very much.

Mary Daly:

Thank you.

Erin Burnett:

And next, an Olympic gold-