

## **Fed Unfiltered, Transcript**

**4/13/22 – Christopher Waller, Interview: CNBC**

Speaker 1:

How are you reading the inflation data that we got this week?

Christopher Waller:

Well, the data was high. We knew it was going to be high, so it wasn't that surprising. Energy and food was going to drive the headline numbers up. We got a little bit of a break on core inflation numbers came in a little lower than we thought, which is good news. Hopefully we can see that continue going forward. But inflation, it's very high. And we know that this is causing a lot of pain for American households and we're just going to continue on with our plans with rate hikes and reducing accommodation to try to get this back under control.

Speaker 1:

You mentioned the core inflation number, the monthly gain was less than it had been, and it sparked this whole debate over whether inflation has peaked. What do you think?

Christopher Waller:

Yeah, I mean, that's kind of what I'm forecasting is that this is pretty much the peak. It's going to start coming down, that was what I had in my SEP coming forward for the second half of the year. Inflation would start to come back down as rate hikes started having a bite on the economy in terms of demand and that was going to put some downward pressure on prices. We're already seeing some oil prices retreating back from where they were from the invasion of Ukraine. So I think we might be at the peak and that we'll start seeing some relief on this in the next coming months. But it doesn't relieve us of our job to remove accommodation and get inflation down.

Speaker 1:

So on that note, you put out there that you were looking at a potential double or 50 basis point hike in May. Are you still there? And do you think that we're going to require more than one 50 basis point hike?

Christopher Waller:

Well, I think the data has come in exactly to support that type of policy action if the committee chooses to do so. It gives us the basis for doing it. I have said before, I prefer a front loading approach. So a 50 basis point hike in May would be consistent with that and possibly more in June and July.

Speaker 1:

How many is it going to take to get inflation down?

Christopher Waller:

Well, I think we want to get to above neutral certainly by the later half of this year and we need to get closer to neutral as soon as possible. Now we have talked up rates, the market rates have gone up quite a bit since December, even though we haven't actually moved the policy rate, that's all because of our forward guidance to drive up rates and it's worked. I mean, look at mortgage rates, they're up almost 200 basis points since December and I think it's starting to show in the housing market. So anyway, the rates are already up, but we probably still need to do some more.

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Speaker 1:

You think housing is slowing? Because I don't know. We keep hearing, first of all, prices are through the roof and there are concerns that they're not going to come down as a result of lower demand because there's just not enough supply. So you're going to get into this sort of stagflationary environment in sectors of the economy like housing.

Christopher Waller:

Well, unless people are buying only in cash at some point those higher mortgage rates are going to have a bite on people's ability to finance a house and how much they can pay. So, I think we'll start seeing that in the next coming months, I think you'll see some downward pressure on housing prices or moderation in housing price increases. The quantities, the houses will still sell, but the prices may not be going up anywhere near what they were the last two years.

Speaker 1:

What about other parts of the economy where we are experiencing severe inflation and price hikes? What can the Fed do about the fact that Ukraine isn't going to plant as much this season and Russia is basically shut out of the global economy on its important grain and fertilizer and oil exports, at least to the US? How do you cope with those pressures?

Christopher Waller:

Yeah. So that's the thing. We can't really fix these supply chain problems that are out there. All we can do is kind of try to push down demand for these products and take some pressure off the prices that people have to pay for these products. But we can't produce more wheat. We can't produce more semiconductors, but we can't affect the demand for those products in a way that puts downward pressure and takes some pressure off of inflation.