Fed Unfiltered, Transcript
4/21/22 – Jerome Powell, Interview: CNBC

Speaker 1:

... a bright spot in the global economy, but now policies are changing as you know, to address inflation. There are concerns globally about the tightening of monetary policy. What's the US outlook and how are you feeling right now about your claim that we're not heading toward recession?

Jerome Powell:

I guess I'd start by saying that we are unified with our allies around the world in opposition to the invasion of Ukraine for no reason and the human suffering that's going on there. While these economic matters are important, there are very fundamental things at stake there that we want to keep in mind.

Jerome Powell:

So in terms of the US economy, we are a bit more remote from the immediate effects of the war compared to Europe, for example, but we will be feeling them over time and they will come in the form of upward pressure on inflation, further upward pressure and a bit of downward pressure on output.

Jerome Powell:

But the US economy is very strong. Performing very well. By most forecasts we'll have another strong growth year this year. The labor market is extraordinarily tight, extremely tight. Historically so and to the point where really there's an imbalance between supply and demand for workers. Of course the big issue that we're very focused on is inflation and getting inflation back down to our 2% goal.

Speaker 1:

But if we start to slow materially in our economy, will you stop tightening even if inflation is still above your target?

Jerome Powell:

Well, so first of all, you asked about a soft landing. Basically that's our goal. Our goal is to use our tools to get demand and supplied back in sync, so that inflation moves down and do so without a slowdown that amounts to a recession. That's our goal and I don't think you'll hear anyone at the Fed say that's going to be straightforward or easy. It's going to be very challenging. We're going to do our very best to accomplish that.

Jerome Powell:

It's absolutely essential to restore price stability. Without price stability really the economies don't work without price stability. We need that to have a strong labor market for an extended period of time. We need it for financial stability. So we must do that.

Speaker 1:

The market has three 50 basis point hikes coming at the next three meetings as of this morning. Is that reasonable?

Jerome Powell:

So I try not to comment on specific market pricing for things, but I will just say this. At our last meeting, and this was in the minutes from the meeting, many on the committee thought it would be appropriate for there to be one or more 50 basis point hikes.

Speaker 1:

Are you one of those people?

Jerome Powell:

I don't disclose my own path. I try to lead the committee. So I think markets are processing what we're saying. They're reacting appropriately generally, but I wouldn't want to bless any particular market pricing.

Jerome Powell:

The thing I want to say though, is we really are committed to using our tools to get 2% inflation back. I think, for example, if you look at the last tightening cycle, which was a two year string of 25 basis point hikes from 2004 to 2006, inflation was a little over 3%. So inflation's much higher now and our policy rate is still more accommodating than it was then. So it is appropriate in my view to be moving a little more quickly.

Jerome Powell:

I also think there's something in the idea of front end loading whatever accommodation one thinks is appropriate. So that does-

Speaker 1:

That's close to a guess.

Jerome Powell:

That points in the direction of 50 basis points being on the table. Certainly we make these decisions at the meeting and we'll make them meeting by meeting, but I would say that 50 basis points will be on the table for the May meeting.