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Transcript: San Francisco Fed President Mary Daly at WSJ Live Q&A Event

San Francisco Fed President Mary Daly joined Nick Timiraos, The Wall Street Journal's chief economics correspondent, to discuss her outlook for the economy, inflation and interest rates in 2023.

Photo: WSJ

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Federal Reserve Bank of San Francisco President Mary Daly discussed her outlook for the economy, inflation, wages and interest rates in an interview at a live Wall Street Journal event Monday. Here is a transcript lightly edited for clarity.

NICK TIMIRAOS: Hello and welcome back to WSJ Live Q&A. I'm Nick Timiraos, reporter for The Wall Street Journal. I'm very happy to be joined today by Mary Daly, president of the Federal Reserve Bank of San Francisco. Mary, thank you so much for joining us.

MARY C. DALY: Oh, it's my complete pleasure. Happy New Year, and I look forward to our conversation.

MR. TIMIRAOS: Me too. If you're a part of our audience viewing on wsj.com, please send us your questions in the chat. I'll be reviewing those in just a minute. And we'll answer as many of them as we can. And we'll get started now with one of them.

Khaled asks, Mary: How do you anticipate the first quarter of the year turning out for the U.S. economy? Do you see a recession on the horizon with the Fed hiking into what looks like a slowing economy?

MS. DALY: So thanks for the question. So I absolutely expect the economy to continue slowing. That is what we've been trying to fashion, really. We knew that as we raised interest rates, that would bridle demand, helping bring demand and supply back in balance, and bringing inflation down. And we're seeing that slowing continue. We have been tightening, as you know, into a slowing economy, because that's what's necessary to fully bring inflation back down to 2%. So in terms of the first quarter, my modal outlook is really that growth will continue to slow, the labor market will continue to slow, and that inflation will continue to come down. If that should transpire, then raising interest rates through those things and getting up to a level that we would stop and hold for some period of time, to my mind, would be appropriate policy.

But I will say, right at the top of our time together, that the Fed is very data dependent. We're completely data dependent. So while that's my modal outlook, and very consistent with the Summary of Economic Projections that we released in December, our views, or my views, could change as the economy does different things, evolves differently than we expect. So I'll be looking at all the risks to that evolution, as well as continuing on the path of fully restoring price stability.

MR. TIMIRAOS: So on that point, Mary—and for people who don't follow every twist and turn of the Fed—four times a year you and your colleagues put out projections, called the Summary of Economic Projections, or the SEP, that looks at where policy would go under a modal or most likely economic outlook. And in the last set of projections in December, the inflation forecasts for almost everybody, it looks like, went up a little bit. And so I wonder, a number of people have asked me, why did that inflation projection rise in the last set of forecasts? What is it that you're seeing? Because the consumer-price index in October and November was quite better behaved than it had been. So what influenced that decision to raise the inflation projection in December?

MS. DALY: Well, that's a terrific question. And I will speak for myself, because I was one of those who raised my inflation forecast, and very consistent with how you saw the median of the SEP evolve. So, why? Well, when you decompose the inflation data, you know, it's very encouraging that overall CPI [consumer-price index] is coming down, overall PCE [personal-consumption expenditures] is coming down. Those are very good pieces of information. But we saw most of that action in energy costs and in goods prices, which we were expecting to come down because they would come down as supply chains improved and bottlenecks, you know, were released. So those were pieces of good news that we absolutely need. About half of the excess inflation we observe in our country is related to supply disruptions. And so those supply disruptions improving is causing inflation to come down.

What we haven't seen yet is core services come down in the way that we would like it to. And importantly, and really importantly, is that if you do core services, excluding housing—because we have a pretty good handle on how shelter costs behave; we know that home prices come down first. That eventually trickles into rental prices, which eventually brings shelter price inflation down. And that takes 16 to 18 months, 12 to 18, really, depending on whose estimate you're using. But it takes a while. But pretty much we can forecast how that will evolve.

It is the core services inflation, excluding housing services, shelter services, that just has shown no sense that it's coming down. And that is particularly, historically, been persistent and very highly related to the progression of the labor market and wage growth. So that's why my own forecast for inflation rose in the December SEP; it's because we see more persistence in some of the aspects of inflation that are just harder to bring down quickly. And I think what you're seeing is an agreement across FOMC [Federal Open Market Committee] participants that the inflation data have just come in more persistent than we had expected, and we have to build that in.

Ultimately, policy makers are risk managers. We have to have a modal outlook, the most expected outlook, but then we also have to manage the risks, and right now the biggest risk out there that would be very hard to entangle is that inflation expectations, which have held steady—so far—would start to drift in response to more persistent inflation. And so we're determined, dedicated, united, resolute—you can use any of the words you've probably heard one of us say—to just remind people that we are committed to bringing inflation down to our price stability target of 2%. But it isn't going to happen quickly and it won't be complete, in all likelihood, in the coming year.

MR. TIMIRAOS: So if I could stick with that, so it sounds like if you have an inflation dashboard—I don't want to oversimplify your remarks, but just to make sure I understand—if you have three buckets that you're looking at: goods and energy, which went up a lot, coming down now; that's sort of helping you out; housing, which hasn't turned around yet, but because of what you discussed on rents, you think it could help you out down the road. And so is it fair to say you're really focused on that third bucket, which is core services, excluding housing, i.e., the labor market?

MS. DALY: Yes. I think that's a good—you know, people put them into different numbers of buckets, but I think those three buckets are really clear, and they do tell you how I'm looking at the dashboard. And so we want to see continued improvement in all of the buckets, but it's that core services, excluding housing, that, so far, hasn't brought a lot of relief, and that is very important to overall inflation coming down to 2% over time.

MR. TIMIRAOS: So, Mary, we saw a pretty substantial revision to wage growth in the hourly earnings data that the Labor Department reported on Friday. The last month or two had been revised higher in November, and then in December the numbers all came in lower. Now, I realize you don't want to overreact to just one month of data, but if this more benign trajectory of wage growth is sustained, what implications would that have for your outlook on wage and inflation pressures and for interest rates?

MS. DALY: So, if I may, I would like to take this moment to just talk about how I think of it from first principles, because there's a piece of the economy that we study way before we ever think of wage growth. You know, wages are just another form of prices. They tell you about the price of labor and they tell you what the outcome of demand and supply imbalances looks like. And so right now we have more demand for labor than we have supply of labor, supply of workers interested in doing jobs. That's going to push wage growth up and push it away from what the steady state or the sustainable level of wage growth is, which is 2% inflation plus medium- to longer-run productivity growth. So when I saw the wage growth data coming down, that seems completely consistent with the fact that the labor market is slowing.

You know, we had the—we still have numbers that are above, well above, what it takes to just hold the economy steady. We're making more jobs than we have new entrants or re-entrants coming in willing to

take them. So we're still out of balance, but it is slowing. We are bringing demand and supply into a great balance, and I would expect to see that in wage growth. So, so far, the economy is operating much like I would expect, given the interest rate increases we've taken. So now the job is about thinking about working on that until the job is well and truly done, until the labor market is in sufficient balance, that wage growth realigns itself with 2% inflation and productivity growth, and then we see that pushing through to price inflation, and all of that brings us back down to that 2% target on price inflation that we've talked about. So that's how I see the economy working and it's why we pay attention to wage growth, but I pay attention to the inputs to wage growth, which are labor demand, labor supply.

MR. TIMIRAOS: Now, money markets have reacted strongly to these revisions to average hourly earnings, and also on Friday there was a sizable drop in a widely watched survey of business purchasing managers for the service sector, especially in the leading new orders component. The market has an assessment right now that you've basically done your job and that you don't need to tighten as much as you projected just a few weeks ago. Now, when you and I did this conversation a year ago, you told me that those interest rate projections, the dots, are only good on the day that they're submitted. So why shouldn't the wage data and some of these other reports we've seen lead now to a downward revision in your rate forecast, closer to where the market is?

MS. DALY: Well, there's really two, maybe three reasons. Let me start with one and see how many numbers I get to.

So the first one—and you're absolutely right; the dots are only as good as the day that we print them. So the question is, to what extent do the—do my dots, as we call them, do my projections change as the incoming information came in? And so for me what I see is it's one month of data. You said that right out of the gate. It's one month of data. I don't want us—I don't think we should declare victory on inflation, on the labor market, on any of the things that we're seeing based on one month of data.

Second is if I asked us all to do this thought experiment, so I'm going to ask us all to do it. Imagine you don't know anything about where we've come from. You just know—you look at the data we have today and you see unemployment's historically low, jobs are being created a—we're adding about a hundred thousand more jobs per month than we actually can sustain with new entrants and re-entrants to the labor force, and we have inflation at high rates and, you know, painfully injuring millions of Americans—low, moderate, middle-class Americans—who really are strapped to find ways to substitute across to continue to live their lives and, you know, increase their well-being, you would—most people—would say: Wow, the Fed's really got to do something. The economy's out of balance and we need to fix that.

And so I think that, importantly, we need to separate the fact that, yes, we do have good news coming in. Yes, we are seeing monetary policy transmission working. But it's really too soon to declare victory on this. And if you declare victory early and stop, you can find yourself with a much worse situation down the road. And that's what happened in the 1970s and we found ourselves with the need to do the [Paul] Volcker disinflation, which was necessary, of course, but painful. And I don't want to put the economy in that situation again.

And I would return us all to the level of the economy is still out of balance. Demand for labor still outstrips supply by quite a lot. Demand for goods and services is still outstripping supply. So we still need to bring those two things back in balance so that we can have 2% inflation. And ultimately—this is really how I think about it—we want to return the economy to a place where Americans—businesses, consumers, you know, communities—they don't have to think about inflation every day. When I'm out

there in the community, that's the No. 1 topic on people's mind: inflation. It beats out recession by quite a lot.

MR. TIMIRAOS: Everyone in your position says that they're mindful of the lags of monetary policy.

MS. DALY: Sure.

MR. TIMIRAOS: What does being mindful of the lags mean for you in concrete terms? Does it mean, for example, that the Fed can slow down or stop raising interest rates absent clear signs of economic weakness in the data? I mean, people ask me all the time: If you wait to see signs that the economy is rolling over, doesn't that mean you'll have gone too far, that you'll have overshot?

MS. DALY: So that's a terrific question. So I look at this many, many ways, try to get empirical information about lags but also just you have to use the data that are incoming.

So let's start with there are lags in monetary policy. We don't actually know how long they are. What we do know is that the speed of transmission from when we talk about our policy to where markets price in the policy rates has sped up tremendously. It's almost immediate. We say something, markets put it in. You know, you saw that in early '21. Before we ever raised the interest rate at all, we had mortgage rates starting to climb just on the idea that we were going to raise the interest rate. So that piece of the transmission mechanism is very fast.

But there's still this piece between when rates go up and when it starts to impact the real economy, and we've seen it evolve but it comes with lag. So we raised the interest rate starting March of '21 and we saw the housing sector respond almost immediately. It's interest-sensitive. Other interest-sensitive sectors respond. But only now are we seeing that trickle through to a slower growth in the economy that would mean slower employment growth and slower wage growth and, you know, slower demand growth more generally. So that's what the lags are. You could hear just by my description of them we don't know a precise number of quarters, so it requires intense study on a regular basis. I would say that's basically the definition of data dependence.

But the other thing that I use—and I found this very helpful—is San Francisco Fed researcher Andrew Foerster, along with some other colleagues of his, have done something they call the proxy funds rate. And it just recognizes that not only is our funds rate that adjusts that's important for policy, it's also our forward guidance and our balance-sheet policy. And his own estimates would put the proxy rate well above the funds rate we have in place right now. And so I'm mindful that right now the funds rate is actually higher, and it's why we're seeing the economy slow, in my judgment.

So what I'm looking at is we don't need to see inflation get to 2%. We don't need to see inflation even get necessarily down to something within a stone's throw of 2% before we would stop raising and simply hold.

But this piece right here, this phase two of tightening, is extremely challenging, right? Phase one is raise the interest rate until you get it into somewhat restrictive territory. That part is complete. Now we have to raise the interest rate just enough to be able to sit with that and keep the economy bridled sufficiently to bring inflation down. That is going to be challenging to find that rate, and so that's why I said at the top of the hour that starting point is the SEP, putting it between 5.25 and 5.5, if memory

serves. That's a reasonable place to start, but we're going to need to go in and imagine, as the data roll in: Do we need to go higher, or can we stop a little earlier?

I think something above 5 is absolutely, in my judgment, going to be likely. But when I say absolutely going to be likely, I still have uncertainty bands around that. But that's where I'm putting it right now. My own projection is we'll need to go above 5. How far above 5 we need to go, not completely clear. But importantly, we have a lot of data coming in and we have meetings in which we can debate this.

I think this is why you'll hear a lot of us saying meeting by meeting. It doesn't mean we wait to decide until the meeting's upon us; it means that we don't want to forecast a set of decisions that have so much uncertainty attached to them. That would, in fact, be imprudent. So what we're really trying to communicate is our reaction function and how we will respond. And there, I think, it's really about looking at all the data and seeing when do we have some confidence that inflation is on the path down.

MR. TIMIRAOS: So you and your colleagues will have another meeting in about three weeks and I want to ask about that meeting. Do you see the need for another 50-basis-point rate increase, which is what you all did in December? Or do you think that the data now, and being mindful of what you've done, could allow you to support shifting to a 25-basis-point increase instead of 50 at the next meeting?

MS. DALY: So heading into the next meeting I see those as both on the table, 25 or 50. And it really is about incoming information. And we have another CPI report coming out next week. I'll have many—I get out to the district after the new year, and I'll be talking to, you know, my boards, and my councils, and my contacts, having roundtables, really gathering up the information, not just about the backward-looking data we've been observing but also the forward-looking views that they have about how the economy's shaping up, and how they're going to put money to that by investing in their firms or cutting back. And I need to know all of those things before I can really decide between 25 or 50. Because ultimately those are just the tactical ways we're going to get to the place we need to be.

I think this is why I have been a proponent of let's shift the conversation from pace to level. Where are we going to land? And when I think about where we're going to land, then it's somewhere above five. But when you're being seriously data dependent, doing it in more gradual steps does give you the ability to respond to incoming information and account for those lags. So that's how I'm thinking about it but, again, I want to be data dependent, not wall off a 50 basis-point increase as not likely, because we just don't have—we haven't even seen the CPI.

MR. TIMIRAOS: So we get the CPI on Thursday. And a lot of the people who put, you know, point forecasts forward are projecting that the headline figure could actually decline, which would bring the year-over-year number down somewhere to the low 6%. Of course, it had been up as high as 9% back in June. If we were to see a pretty soft CPI Thursday, similar to what we saw in the last two monthly prints, I mean, would that be enough for you to say, OK, maybe we can slow to the more measured quarter-point rate increment that was more traditional for the Fed, before last year?

MS. DALY: Well, I'd like to look at—take a little more nuanced look at the CPI that's coming in. And I'll tell you exactly what I'll be looking for. So, of course, I'd like to see the overall come down. I mean, that's just direct relief to Americans who have been struggling, painfully for many, through high inflation. So there's nothing but positive information there. But when I'm thinking about policymaking,

I'm thinking of what is the underlying inflation, and not just how do I get it from, you know, 9 to 6, but how do I get it to 2?

So I'm going to be paying a lot of attention to core services, ex-housing, because I'd like to see some improvement there or at least no acceleration. I'd like to see some sense that we've got some momentum on that front as well. And the wage growth numbers coming in give me some hope that we will start to see that behave better, behave more consistent with its historical trend and help us gain confidence that we're going to be able to get back down to 2%. So, yes, it would be so welcomed if we continued to get the headline to come down. That is absolutely the case. And it won't be the only thing I'm looking at as I decide about what optimal policy is going forward.

And I think it's also important at this juncture to say that the meetings are really live meetings. They're important times for us to go and debate and deliberate with each other so that we can come up with the best policy that serves all Americans. I mean, all of us on—who are participants, and we have a full committee, have different walks of life we've come from, different trainings we've come from, we have different people we speak to on a regular basis. We're all trying to assemble the information.

And so prejudging what we'll vote for or be supportive of before we get there and have discussed it with our colleagues, is really not, to me, best policy practice. So that's why I—I'm not trying to hedge here, as much as I'm trying to say this: a critical part of our deliberations comes at the meeting. So we're going to wait for the data, and then go to the meeting, and think hard about is 50, 25—you know, those are the range of what I think is the most likely—which one of those would we choose?

But we're all committed to the same thing, being resolute to bring inflation back down to 2% and, importantly, do it as gently as we can so that we cause as few Americans additional pain. I mean, so many Americans are already in pain from the high inflation, but when you lose your job as the economy slows that's also painful. We have to balance those things as we go forward to ensure that we're doing it as gently as we possibly can.

MR. TIMIRAOS: So then, what is the argument? Is there a strong argument for doing 50 at this next meeting? It sounds like everything you just said could be an argument for doing 25.

MS. DALY: I do—I can argue on—I'm an economist, so I can give you arguments for either side. But so why would you—you know, just to talk about what's the argument for doing 50 versus 25. If you thought your level might be higher down the road, you thought the inflation data just weren't cooperating, you thought that getting there sooner would be better. You know, for me, when I look at that, I say there's—a case could be made for either one right now. And what I want to really do is get with my colleagues and debate, and deliberate, and be mindful. And I have said—I wrote a whole speech about being resolute and mindful. Resolute to get inflation down and mindful about how we do it.

And mindful works both ways. We have to be mindful that there are lags in monetary policy, and that we have to be conscious of those lags so that we don't create an unforced error and overtighten, only to cause people pain that was unnecessary. So absolutely mindful there. And that might call for a more gradual pace. But we also have to be mindful about the fact that if inflation gets embedded into people's expectations, if they start expecting that inflation's going to be high so they're forever asking for wage growth that incorporates higher inflation, well, that's something you absolutely want to avoid.

I have not seen signs of a wage-price spiral. I haven't seen signs of inflation expectations drifting. And I think a lot of that owes to the fact that we've been resolute. We're going to bring inflation down. So I want to be mindful on both sides. That means data dependence. That means talking—you know, looking at the published data, talking to our contacts, and talking with each other—participants of the FOMC—to really try to do our best to create optimal policy that works for the economy overall, and all the members of it.

MR. TIMIRAOS: In the economic projections last month, you and your colleagues put down where you think the unemployment rate would be at the end of this year. And that projection was at around 4.6%. Now, turning to audience questions, Michael asks: Is the Fed predicting what will happen, or is it telling us what it wants to have happen? And I wonder about that in the context of this higher unemployment rate. Is that the Fed saying actually the unemployment rate needs to rise here?

MS. DALY: So what the projections are—and I'll speak about how I write my projections down. When I write my projections down, I go through this exercise. It's a rigorous exercise, looking at models, talking to contacts, talking to my teams, et cetera. And we say the following: In order to get inflation down, what do we think we need to do with the policy rate? And we look at the labor market, of course. And we find, oh, that's very, very strong right now. We have more job openings than we have workers able to fill them. That means that we have to raise the interest rate, like we have been, in order to get that part of the economy back in balance.

I'm reassured by the supply chains improving, so that takes that worry off the plate a little bit, diminishes it, anyway. So then I write down the policy path that I think is the most likely policy path to get the economy back in traction, or back in a sustainable pace. Then we look at what impact is that going to have on the labor market. How likely do I think it is that the unemployment rate will rise? And there, we're really balancing off what you've seen as two ends of a spectrum. And the ends are so extreme you wouldn't think that they would—it's not either/or. But the middle is there, it is. It's, will it all come out of vacancies? Will we have some miraculous tightening of the economy that only decreases the amount of posted vacancies that the economy has and doesn't take a—improve, or increase, rather, the unemployment rate at all?

So I think the vacancies are going to play a large role, but I don't think it's going to be everything. And I also think it's not going to raise the unemployment rate, you know, to some really challenging level that is too much pain to tolerate. So that's why I put in an estimate of around 4.5-4.6. And that's what I expect to happen, given the rate of increases we've taken, the additional ones that I've planned, and then holding them there to bring the economy back into balance. So that's what I think of as balancing our two objectives, getting inflation down to 2%, and doing it as gently as we possibly can.

And remember, an unemployment rate of 4.5%, 4.6%, is not out of historical norms for where the unemployment rate would settle. And it is a temporary phenomenon. It's not one that it goes up there and stays forever. It's just a balancing of the tradeoffs that we face between getting inflation down and doing so by bridling in the economy. I mean, ultimately here's the big problem we have in the labor market. We don't have enough workers. Labor supply is not growing very rapidly and workers who previously were in the labor market have yet to come back, and may not come back.

And so those things mean that we can just—our potential to grow is slower, unless we have increases in productivity that allows us to increase output without adding workers. So we're in that quandary right

now in the U.S. And it's something that the Fed doesn't have the levers to fix it. But the barriers to labor supply, labor force participation, are there. And we're seeing the effects of those things.

MR. TIMIRAOS: To follow on that, how much evidence of sustained disinflation or lower wage growth will the Fed—would you want to see before you decide that maybe such a large increase in the unemployment rate won't be necessary, that appropriate policy won't actually cause that magnitude of increase?

MS. DALY: So one of the things that I really need to see is the labor market to come back in balance. So we would be narrowing it to say, well, the labor market can come back into balance by just firms not looking for as many workers. And I think that's going to be a big part of the conversations, big part of the outcome, right? It's why the unemployment rate isn't forecast to rise very rapidly like it has historically. It's because a lot of this is just going to come—firms are going to say: Look, we just are going to slow our pace of hiring. So that is less painful than when firms actually lay workers off, and that's how I think this will work.

If the unemployment rate comes up less, then that would be terrific. I mean, obviously, if I'm thinking about doing this in an ideal world—which we do not face, by the way—you would want to bring down inflation and you'd have no challenges in doing that. But we don't face that world. We have demand and supply out of balance, which is why inflation is high. So we have to bring demand in balance with supply, existing supply, being mindful that supply's also recovering. But that's in the goods markets, not in the labor market. We don't really see a lot of labor supply growth here. And that means that we're going to have to bring labor demand back in balance, which is going to, in my estimate, produce some increase in the unemployment rate.

MR. TIMIRAOS: So, Mary, we're almost out of time. I want to try to get in one or two more questions here. These are related.

Lee asks, I think the question on everyone's mind is: When will inflation decline to 2 to 3%? So my question I would put to you is: How long do you think—under your modal outlook, how long does it take to get inflation back to 2% using the Fed's, you know, preferred inflation gauge, which is the PCE index?

MS. DALY: My own projection is that my modal outlook—the thing that I think is most likely—is that we'll get into the low 3s by the end of this year, which would be welcome relief for Americans facing high inflation that's not been anywhere close to the low 3s. And then get closer to 2% by the end of '24, and then get into 2% in early '25. So that's the future I see.

I mean, the main messages there is we could find ourselves, you know, working to bring—it might end up that there's more persistence than I've factored in, and that would require more policy actions on our part. But the idea that we get inflation down to something close to the low 3s by the end of this year and something close to the low 2s by the end of next year, to me those seem like our commitment to restore price stability. That's the promise we've more or less made to Americans, that we're going to do our very best to, within a reasonable amount of time, restore price stability, get inflation down, and get the economy back on a sustainable path. So relief is coming, but it will be gradual. And to be faster than that would require enormous pain on the labor market that I'm just unwilling to put forth, given that we already see some relief going through in supply chains and we also have lags in monetary policy. So

that's why I think settling for the low 3s next year—or this year, rather—and the low 2s in '24 is a reasonable path to balance our two objectives.

MR. TIMIRAOS: And then the last question comes from Takuma, and that's about the 2% inflation target. And I hear this all the time. The question here is: The 2% inflation goal was calibrated in the era of globalization. Do you think that the 2% goal needs to be recalibrated as we enter an era of de-globalization? And I'll just add my own end of the question here: Should the 2% target be changed if it turns out we're in an environment where we're going to see higher inflationary pressures?

MS. DALY: I don't see that as being on the table at all right now. It's not on the table for me.

First let me say we don't know what the deglobalization factors are. We're right—still in the process of sorting all of that out. So the thing that I've learned in policymaking and as a researcher, as an economist, is it's—every single time we have a cyclical change, it is—people, or everyone, we're all very quick to say: Well, this is probably going to change the world. It's always going to be like this going forward. And caution is our best approach right now. So I see no evidence, right, today that we should be changing the inflation target, apart from it's always a very bad idea for credibility to change numbers—to change your goalposts when you're in the middle of trying to achieve it. We are in playoff season for football or any sport, really, you can think of. You don't—you don't change the goalposts in the middle of the campaign to get inflation back down.

But on a more serious note about should we change it overall, you know, it's been a very good benchmark through a lot of pressures—through a low-inflation environment, through a high-inflation environment—so I would see little impetus for that discussion. So for me, it's not even on the table right now. But we will be, of course, doing another framework review, I know, as the chair said, about every five years. So as we do that, we would investigate things like that. But for today and for the foreseeable future, getting inflation down to our stated goal of 2% is the job at hand.

MR. TIMIRAOS: Well, Mary, it looks like that's all the time we have for this afternoon, for this morning. So thank you very much for joining us.

MS. DALY: Thank you. It's my pleasure. Great way for me to kick off the new year. Appreciate it, Nick.

MR. TIMIRAOS: Same for us.

And to our audience, if you missed part of this event, the full program will be available to re-watch on our Live Q&A page. And with that, I want to thank all of you in the audience for joining us today. We will be back next week with St. Louis Fed President James Bullard on January 18, and you can check back on this page for updates. And we'll see you next time.