

Interview questions have been abbreviated – Mary Day’s answers have been fully transcribed.

Interviewer:

The jobs report was very high, does this solidify in your mind that we’ll need another 25bps hike in March?

Mary Daly:

Well, first thank you for having me and second, the number today on the jobs report was a “wow” number, but the trend was not surprising. We knew that the labor market was strong, has been strong, despite the fact that the economy overall has been slowing. And, so right now I see the December SEP that we had in our last meeting in 2022 as being a good indicator of where policy is at least heading. But I’m prepared to do more than that, if more is needed.

Interviewer:

Are you looking for a pause mid-year?

Mary Daly:

You know it’s really too early to talk about even what we’ll do meeting by meeting. This was one report, but we have many data points coming in before the next time we get together. And, I think that right now the most important thing to convey to listeners is that the direction of policy is for additional tightening and then holding that restrictive stance for some time. But, how we get there, the tactics, the meeting by meeting decisions, really have to be data dependent. That’s what prudent and optimal policy means.

Interviewer

How long do you think that we need to see these elevated rates for you to say we’ve conquered inflation?

Mary Daly

Well really it depends on inflation. And, right now my outlook for inflation is for it to continue to come down, but if you think about getting to two percent that’s likely to take longer than just this next year. And so we really will have to be in a restrictive stance of policy until we truly understand and believe that inflation will come squarely back down to our two percent target. That’s what Americans are depending on and that’s what the Fed is united and resolute in providing.

Interviewer

Do you think both of those (inflation and core inflation) have peaked?

Mary Daly

I think it’s far too early to declare victory and even think about peaking. We’re in the early stages. You see the data in many sectors is volatile. We have China reopening. I think we just have to be thoughtful and look at the data, look at the information and be cautious about declaring a victory or even a peak earlier than we see real evidence that we’re there yet. So, my mind is a hundred percent on bringing

inflation back down to two percent over time and right now I see some positive signs but far from a victory.

Interviewer

Are you concerned that these layoffs are going to become more widespread?

Mary Daly

You have seen high profile announcements of layoffs as firms rebalance to bring their payrolls back in line with their activities. But what I'm seeing is a strong labor market, just a really strong labor market. Not just in the number of jobs being created, but across a wide range of indicators, that dashboard that we all look at and to me that tells me that the economy is absorbing these rebalancing's and continuing to be resilient. The number one surprise coming out of the pandemic, I think to everyone, has been the resiliency of the American economy. People want to be out there. They want to invest in their business. They want to work. And we're seeing that payoff in the kinds of things we saw today.

Interviewer

Powell's speech in Stockholm was referenced. Could the Fed expand their role and have more of an activist role in the future?

Mary Daly

Not at all. I am completely aligned with Chair Powell's remarks. I've given speeches saying similar things. You know, I think that it's easy sometimes to, maybe – this is why our responsibility is to explain. It can be easy to misunderstand when we say we're going to study the distributional impacts of our policy to think that we're in a different space than we should be, but our work always comes back down to the core responsibilities that Congress gave us: stable sound financial system, stable dependable payment system and the dual mandate goals of price stability and full employment. And literally everything we do is aligned on that. And that's been true since 1913 when we were formed, including community perspectives in our Beige Book is really about recognizing that every American should have some voice to officials who are doing things. Our work is for the American people and we want to make sure that we understand how workers are feeling when inflation is high, how people in communities are feeling when inflation is high because that's just as important as how businesses feel. So, I get out regularly to the nine states in my district and I talk to as many people as possible for just that reason. I see that as our job.

Interviewer

Your dual mandate seems to be clashing. Should there just be one mandate? Losing a job hurts too.

Mary Daly

Absolutely. And that's why we've been determined. I work everyday to make this transition to lower inflation as smooth as possible. So that people have two things simultaneously: a dependable price level, low and stable prices and a job. Those are the goals. I don't think of them as in trade off or in conflict. I think of them as supporting what everybody wants, which is stable employment, good earnings and the idea that you can go to the store each month and not afford less than you afforded the month before. I see this as complimentary, not in conflict.