

Speaker 1:

Treasury Secretary Janet Yellen, saying the probability of a US recession is low this year, after the US economy added more than half a million jobs in January, a shocked pretty much everyone, including our next guest. So, does that Blockbuster Jobs Report mean the Fed needs to hike interest rates more? Let's ask someone in charge of that. President of the Minneapolis Federal Reserve, Neel Kashkari, one of the Fed officials who gets to make that call. Good morning.

Neel Kashkari:

Good morning.

Speaker 1:

So, does it mean that? Does it mean you're going to have to hike more aggressively, maybe longer?

Neel Kashkari:

It tells me that we still have more work to do. But we're not seeing much of an impact of the hikes that we've done over the last year yet showing up on the job market. We want Americans to find work. We want their wages to be strong, but right now the labor market, the job market is actually too hot. That's going to make it harder to bring inflation back down.

Speaker 1:

More work to do. Translate that to Main Street means more rate hikes than you thought.

Neel Kashkari:

More rate hikes, or at least holding them at a higher level for longer.

Speaker 1:

How high?

Neel Kashkari:

Well, I've penciled in going as high as 5.4%. I'm a little bit on the higher end than some of my colleagues. Ultimately, the committee will deliberate look at the data and make the call. But somewhere above 5%.

Speaker 1:

5.4%.

Neel Kashkari:

That's where I-

Speaker 1:

That's where you're at. Okay. Let's talk about inflation. With this, we brought props. Thanks to our team who went to Whole Foods. This is how you think about inflation. This is lasagna. It's not the Stouffers that you have this is like a fancy. Well, its lasagna. But talk to me about shopping for lasagna and what it tells you about inflation.

Neel Kashkari:

Well, I do the shopping. When the pandemic hit, I started doing all the shopping for my family to keep my family safe. I would mask up and go out and I've continued doing the shopping. So, I pay attention to grocery prices. And so, there's this large trail lasagna that I used to buy that used to cost \$16. Now it's around \$21. That's my own little measuring stick of how inflation is going. I'd love to see the prices of the food that we buy every day come back down.

Speaker 1:

And eggs and orange juice. And we're not peaked yet.

Neel Kashkari:

Well, it depends. Some of the prices have come down. Eggs has some unique things going on in the egg market, but the prices are still very high. The prices of fruit, the prices of vegetables, the prices of meats, they're not as high as they were.

Speaker 1:

Recession. Not only did Janet Yellen, the Treasury Secretary, sound very optimistic. The head of the IMF told 60 Minutes on Sunday night, Kristalina Georgieva. The IMF now doesn't think the U.S. is going to fall into recession. Do you think the U.S. is going to fall under recession?

Neel Kashkari:

I'm not forecasting recession. And here's the thing, the job market is stronger than I expected, which means it's less likely we're going to be in recession. But it also means it's less likely that inflation is simply going to fall back down to 2% the way we need it to. And so, it's a little bit of a mixed signal.

Speaker 1:

What kind of a weird way to live, isn't it? I mean, we haven't had something like that before. Is it possible that we could get inflation down without a significantly cooling labor market? Or is that impossible?

Neel Kashkari:

I wouldn't say it's impossible. I think we want to achieve what we call a soft landing, which is a gradual return to 2% inflation, where the labor market cools a little bit, but we avoid a recession. But to be honest with you, there's not a great track record of pulling that off, and that's what we're nervous about.