

Speaker 1:

Joining us now in a CNBC exclusive interview is Richmond Federal Reserve President, Tom Barkin. President Barkin, welcome back. Nice to see you.

Tom Barkin:

Thanks. Greetings from Roanoke. We're doing our annual rural conference here and hearing about the challenges and issues faced by our small towns.

Speaker 1:

Oh, well, love to get into that in a bit, President Barkin. But first just your reaction to the inflation data today. How did you read it?

Tom Barkin:

It was pretty much as expected. I put particular focus on the core, which is still running a little over 5% year over year. And we had some good news on energy, but there's still more to do, I think, to getting core inflation back down to where we'd like it to be.

Speaker 1:

So in other words, more to do, you're talking about a May rate hike, you're in favor of it?

Tom Barkin:

Well, inflation's going to come down in part because demand is cooling and I definitely see demand cooling. And then you've got credit conditions, I'm watching that carefully. And of course, the lagged impact of rate height. So those are the things I'm watching as we get into the May meeting and beyond.

Speaker 1:

But in other words, inflation's not down enough for you to feel confident that it's heading back to target?

Tom Barkin:

A good thing to look at is the median, and we've had good months and bad months on the headline, but the median's been over target literally every month since it got started. So I am trying to find some comfort that we can get inflation that is being felt by people in the economy, on average, in the median, down to where we'd like it to be.

Speaker 1:

But isn't it trending in that direction, that there is significant progress even on shelter, which is a big culprit of this higher services inflation, which I know you're watching and the core inflation levels, pretty much everything is moving in the right direction at this point, isn't it?

Tom Barkin:

Well, I certainly think we're past peak on inflation, but we still have a ways to go. And shelter, you mentioned, it came in at 0.6, which if you multiply by 12 is over 7% year after year. Core services came

in at 0.4, which if you multiply that by 12 is about five. So if you want to get down to 2%, I think we're still a ways from there.

Speaker 1:

So are you thinking about more than one rate hike, because the market is pretty much thinking May and done, but is it your view that you're going to have to do even more than that?

Tom Barkin:

I mean, my point of view is that you react to inflation as it comes in. I don't have a view that you find some particular number that's the perfect number and you hold there or you work from there. I think if inflation comes in hot, you've got to do something about it. I think if demand starts to cool, you can take that on board as well. And so I'm looking very hard at what's happening in demand, I'm looking very hard at what's happening in the labor market and of course, looking very hard at what's happening with inflation.

Speaker 1:

Well, let's take up the demand question because demand is starting to cool and we've had a pile of evidence just in the last few weeks of that fact, haven't we?

Tom Barkin:

Yeah, and I mean, you saw consumer spending in February, we'll get another read before the meeting. But I also watch just the day-to-day credit card spending, and I will say January, quite an elevated month, February, it started to cool a lot, and what I've seen in March is actually flat to even, slightly down on the credit card spend year over year. And so that gives me some comfort that we are seeing demand starting to cool, not fall off the table, I wouldn't call it cold, I just call it cooling.

Speaker 1:

Do you think we can still pull off us off a soft landing, you can pull off us off landing?

Tom Barkin:

Well, I'm focused on getting inflation under control, and I think we can get inflation under control, and that's really the metric I want to use here. You obviously want to do that with as little damage as possible. We'll see what happens on the demand side, we'll see what happens on the price side.