

should be careful in using an optimistic forecast to justify current policy decisions. A more prudent approach would be to wait to see if better macroeconomic outcomes materialize in the months and quarters ahead.”

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- **June 10, 2013.** Presentation. "[The U.S. Economy and Monetary Policy.](#)" 19th Conference of Montreal—*Entering the Next Economy: New Realities, New Frontiers*, Montreal, Canada.
[Presentation \(pdf\) \(bullardmontreal10june2013finalpdf\)](#) | [Press Release](#) | [Related news articles.](#)

The U.S. Economy and Monetary Policy

June 10, 2013

St. Louis Fed President James Bullard discussed some aspects of the U.S. economy and monetary policy as part of a panel discussion at the 19th Annual Conference of Montreal.

[Presentation (pdf)](<https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/bullardmontreal10june2013final.pdf>) | [Press Release](<https://www.stlouisfed.org/news-releases/2013/06/10/st-louis-feds-bullard-discusses-us-economy-and-monetary-policy>)

Related News Articles:

- [Bullard: Low Inflation, Other Factors Mean Fed Can Keep Buying](http://www.bondbuyer.com/issues/122_111/bullard-low-inflation-other-factors-mean-fed-can-keep-buying-1052498-1.html), by Gary Siegel, The Bond Buyer.
- [Fed's Bullard Says Low Inflation May Warrant Longer QE](<http://www.bloomberg.com/news/2013-06-10/fed-s-bullard-says-low->

inflation-may-warrant-longer-qe.html), by Steve Matthews and Greg Quinn, Bloomberg.

- [Fed's Bullard: Weak Inflation May Argue For More Stimulus](<http://blogs.wsj.com/economics/2013/06/10/feds-bullard-weak-inflation-may-argue-for-more-stimulus/?KEYWORDS=bullard>), by Michael S. Derby, Dow Jones.
- [Fed's Bullard: Room For Aggressive Pol To Cont Given Low Infl](<https://mninews.marketnews.com/index.php/feds-bullard-room-aggressive-pol-cont-given-low-infl?q=content/feds-bullard-room-aggressive-pol-cont-given-low-infl>), by Brai Odion-Esene, Market News International.
- [Fed's Bullard details how QE can be cut](http://www.marketwatch.com/story/feds-bullard-details-how-qe-can-be-cut-2013-06-10?link=MW_latest_news), by Greg Robb, MarketWatch.
- [Fed's Bullard says 'nervous' about persistently low inflation](<http://www.reuters.com/article/2013/06/10/usa-fed-bullard-inflation-idUSO8N09700320130610>), Reuters.
- [Fed's Bullard wants Congress to do more on fiscal path](<http://www.reuters.com/article/2013/06/10/usa-fed-bullard-congress-idUST5NOCR01220130610>), Reuters.
- [Fed's Bullard: Low inflation means Fed can stay aggressive](<http://www.reuters.com/article/2013/06/10/usa-fed-bullard-idUSL2NOEMOPK20130610>), by Louise Egan and Randall Palmer, Reuters.
- [St. Louis Fed's Bullard: Fed's aggressive buying can continue](<http://www.bizjournals.com/stlouis/blog/2013/06/st-louis-feds-bullard-feds.html>), by Greg Edwards, St. Louis Business Journal.

St. Louis Fed's Bullard Discusses U.S. Economy and Monetary Policy

MONTREAL – Federal Reserve Bank of St. Louis President James Bullard gave remarks Monday on [“The U.S. Economy and Monetary Policy,”](<https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/bullardmontreal10june2013final.pdf>) as part of a panel discussion at the 19th Annual Conference of Montreal, which was organized by the International Economic Forum of the Americas.

During his presentation, Bullard discussed some aspects of U.S. economic performance, noting that it can be characterized by slow but steady growth, improving labor markets and limited financial market excess at this point. However, “Inflation in the U.S. has surprised to the downside,” Bullard added. “This configuration of data suggests that the Federal Open Market Committee (FOMC) can continue to pursue its aggressive asset purchase program,” he said.

The U.S. Economy

Bullard noted that labor markets in the U.S. have improved relative to the data that were available when the FOMC decided to initiate its QE3 program in September. For instance, nonfarm payroll employment grew by an average of 190,000 per month from September 2012 to May 2013, up from an average of 141,200 per month from March 2012 to August 2012.

While labor markets have been improving, inflation has been surprisingly low, Bullard said. Commodity prices globally have been soft over the past year, he noted, explaining that this may be due in part to the recession in Europe and slower-than-expected growth in China. However, he added that core inflation (which excludes food and energy prices) has also been low in the U.S. “Low inflation may give the FOMC more leeway to continue its aggressive asset purchase program,” Bullard said.

He noted that the Fed remains vigilant about the potential for financial market excess in the U.S. “An important concern for the FOMC is that low interest rates can be associated with excessive risk-taking in financial markets,” Bullard said. “So far, it appears that this type of activity has been limited since the end of the recession in 2009.” While the Dodd-Frank Act is meant to help contain some dimensions of this activity, “Still, this issue bears careful watching: Both the 1990s and the 2000s were characterized by very large asset bubbles,” he added.

U.S. Monetary Policy

Turning to monetary policy, Bullard noted that the FOMC is currently

authorizing asset purchases of \$85 billion per month through its QE3 program. He added that the flow rate of purchases is now widely regarded as the key aspect of meeting-to-meeting policy choices.

“Labor market conditions have improved since last summer, suggesting the Committee could slow the pace of purchases, but surprisingly low inflation readings may mean the Committee can maintain its aggressive program over a longer time frame,” Bullard concluded.

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- **May 30, 2013.** Article. ["The St. Louis Fed's New Center for Household Financial Stability."](#) Federal Reserve Bank of St. Louis *Annual Report 2012*.

President's Message

The St. Louis Fed's New Center for Household Financial Stability

The financial crisis and Great Recession had profound effects not only on the U.S. economy as a whole, but also on individual households. For instance, the collapse of the housing bubble sharply reduced the wealth of many homeowners and led many into foreclosure. Moreover, the collapse of the bubble left households with much more debt (relative to their incomes) than they had intended. Consequently, household deleveraging, or paying down debt, has played a key role in the recent recession and the slow recovery.

It is important to learn more about the link between households' balance sheets (their savings, assets, debts and net worth, as distinct from wages and income) and the overall performance of the U.S. economy, as well as the link between balance sheets and the stability and upward mobility of families.

For this reason, we are pleased to announce the creation at the St. Louis Fed