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The Recent Reduction in Global Macroeconomic Uncertainty

February 13, 2013

St. Louis Fed President James Bullard discussed the reduction in global macroeconomic uncertainty from Europe, emerging market economies and the U.S. in recent months, as part of the Arkansas State University Agribusiness Conference in Jonesboro, Arkansas.

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Related News Articles:

- [Bullard Says Economic Growth Will Probably Accelerate](<http://www.bloomberg.com/news/2013-02-13/bullard-says-economic-growth-will-probably-accelerate.html>), by Steve Matthews, Bloomberg.
- [Fed's Bullard: As Econ Improves Shld Have Small Changes in QE](<https://mninews.marketnews.com/index.php/feds-bullard-econ-improves-shld-have-small-changes-qe?q=content/feds-bullard-econ-improves-shld-have-small-changes-qe>), by Heather Scott, Market News International.
- [St Louis Fed's Bullard: Global Macroecon Uncertainty Declining](<https://mninews.marketnews.com/content/st-louis-feds-bullard-global-macroecon-uncertainty-declining>), by Heather Scott, Market News International.
- [Fed's Bullard: Reduced Uncertainty Should Boost Economy](<http://blogs.wsj.com/economics/2013/02/13/feds-bullard-reduced-uncertainty-should-boost-economy/>), by Michael S. Derby, Dow

Jones.

- [Fed's Bullard: Low Inflation Allows Monetary Policy Action](<http://news.morningstar.com/all/dow-jones/us-markets/201302131234/000609/update-feds-bullard-low-inflation-allows-monetary-policy-action.aspx>), by Michael S. Derby, Dow Jones.
- [Fed's Bullard: Global uncertainty has diminished](http://www.marketwatch.com/story/feds-bullard-global-uncertainty-has-diminished-2013-02-13?link=MW_latest_news), by Greg Robb, MarketWatch.
- [Fed unlikely to agree thresholds for bond buys: Bullard](<http://www.reuters.com/article/2013/02/13/us-usa-fed-bullard-bonds-idUSBRE91C1G320130213>), by Alister Bull, Reuters.
- [Bullard: concerned U.S. farmland may suffer a bubble in price](<http://www.reuters.com/article/2013/02/13/usa-fed-bullard-prices-idUSW1E8M800Q20130213>), Reuters.
- [Receding uncertainty bullish for U.S. growth: Fed's Bullard](<http://www.reuters.com/article/2013/02/13/us-usa-fed-bullard-idUSBRE91C13A20130213>), by Alister Bull, Reuters.

St. Louis Fed's Bullard Discusses Recent Reduction in Global Macroeconomic Uncertainty

JONESBORO, Ark. – Federal Reserve Bank of St. Louis President James Bullard gave remarks Wednesday on [“The Recent Reduction in Global Macroeconomic Uncertainty,”](<https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/bullardarkansasstateagribusinessconference13feb2013final.pdf>) at the Arkansas State University Agribusiness Conference.

During his presentation, Bullard noted that business leaders often say they cannot go ahead with large commitments without more confidence in the future macroeconomic landscape. “A more uncertain macroeconomic environment makes it more difficult to make business investment decisions,” he explained. In recent months, Bullard said, there has been a welcome reduction in global macroeconomic uncertainty.

“Global macroeconomic uncertainty has been relatively high in the past three years. By contrast, 2013 has dawned with a reduction in global macroeconomic uncertainty that may persist for some time,” he said. “A less uncertain macroeconomic environment, should it continue, is a bullish factor for 2013 U.S. economic growth.”

Bullard discussed reduced uncertainty from three main sources: Europe (both the European sovereign-debt crisis and the European recession), emerging market economies and the U.S.

European Sovereign-Debt Crisis

The European sovereign-debt crisis began in earnest during the April-May period of 2010, intensified significantly in August 2011 and continued into 2012. “The Euro-area crisis has been a driver of financial stress in the U.S.,” Bullard said. However, he noted that the crisis has calmed down in recent months.

A European Central Bank (ECB) program offered a respite from the crisis in late 2011, and the ECB moved toward an “Outright Monetary Transactions” (OMT) program in July 2012, Bullard said. “The announcement of the ECB’s OMT program has so far been more successful than might have been anticipated,” he said, citing a decline in the spreads on Euro-area 10-year government bonds and on 5-year sovereign credit default swaps since the announcement on July 26, 2012. Bullard noted that the ECB so far has not been required to purchase national sovereign debt under the program. “How the program will proceed during 2013 is difficult to predict,” he stated.

European Recession

“The European sovereign-debt crisis can be viewed as an aftershock from the global financial crisis of 2008-2009,” Bullard said. “Its repercussions were severe enough to drive the Euro-area into recession during 2012.”

However, expectations are for Europe to improve in 2013, Bullard noted. “While 2012 was marked by a clear downshift in Euro-area economic growth, 2013 will likely see either a stabilization or some recovery in Euro-

area growth,” he said. “In this sense the uncertainty concerning the European outlook has been reduced.”

Emerging Markets

Turning to emerging markets, Bullard said, “Emerging market economies slowed during 2012, in part due to the European recession, but these economies are now expected to fare better in 2013.” He also noted that China’s leadership transition is now complete and that China’s real GDP growth has recently been stronger.

The U.S.

Bullard discussed some key macroeconomic uncertainties in the U.S. over the past year, some of which have been reduced. For instance, he pointed out that while the U.S. election outcomes were an important source of uncertainty a year ago, the election cycle is now over. In addition, he noted that fiscal cliff concerns have been partially resolved. However, Bullard said that other uncertainties concerning the implementation of new health care laws and the longer-term fiscal outlook remain.

He also noted that fear of a continued decline in home prices was a source of uncertainty a year ago. Now, “housing markets appear to be more robust,” Bullard said. Finally, he stated that temporary effects stemming from the drought last summer and from Superstorm Sandy are dissipating.

Overall, “This year seems to be characterized by less macroeconomic uncertainty compared to previous years,” he said. “This bodes well for U.S. macroeconomic prospects in 2013,” Bullard concluded.

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