

"The story about jobs being way down from the pre-pandemic level, I think, is mixing up a little bit about what we think is going to happen with labor force participation," he said.

During the virtual discussion, he also talked about monetary policy, market-based inflation expectations, supply chain issues, and the U.S. dollar as the global reserve currency.

Having trouble with the video? [Watch it here.](<https://www.youtube.com/watch?v=aj0CaOx7wR8>)

- **May 13, 2021.** Presentation. "[U.S. Economy Booming](#)," Chairman's Circle, Greater Memphis Chamber. [Presentation \(pdf\) \(bullard\\_memphis\\_chamber\\_13\\_may\\_2021pdf\)](#) | [Press Release](#).

## **U.S. Economy Booming**

May 13, 2021

[Presentation (pdf)]([https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2021/bullard\\_memphis\\_chamber\\_13\\_may\\_2021.pdf](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2021/bullard_memphis_chamber_13_may_2021.pdf)) | [Press Release](<https://www.stlouisfed.org/news-releases/2021/05/13/bullard-discusses-a-booming-us-economy>)

During a virtual presentation for the Greater Memphis Chamber's Chairman's Circle, St. Louis Fed President James Bullard said that the U.S. economy is poised this quarter to surpass the previous peak in real GDP. He added that the "keep households whole" fiscal strategy has been successful well beyond initial hopes.

He also said that the number of unemployed workers per job opening is approaching an all-time low, suggesting an exceptionally strong job market. Regarding inflation, he said that it is likely to be meaningfully above 2% over the forecast horizon.

He noted that downside risk remains but is becoming less pronounced.

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### **St. Louis Fed's Bullard Discusses a Booming U.S. Economy**

ST. LOUIS –Federal Reserve Bank of St. Louis President James Bullard presented “ [U.S. Economy Booming]([https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2021/bullard\\_memo\\_chamber\\_13\\_may\\_2021.pdf](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2021/bullard_memo_chamber_13_may_2021.pdf))” at a virtual event of the Greater Memphis Chamber’s Chairman’s Circle on Thursday.

During his presentation, Bullard said the COVID-19 pandemic’s intensity continues to moderate in the U.S. and Europe, which suggests that the health crisis will continue to wane in the months ahead.

He noted that the U.S. economy is poised this quarter to surpass the previous peak in real gross domestic product (GDP). “The ‘keep households whole’ fiscal strategy has been successful well beyond initial hopes,” Bullard said.

In addition, he said that “the number of unemployed workers per job opening is approaching an all-time low, suggesting an exceptionally strong labor market.” Regarding inflation, he said that it “is likely to be meaningfully above 2% over the forecast horizon.”

Bullard noted that downside risk remains, but it is becoming less pronounced.

#### *Health Crisis Waning in the U.S. and Europe*

Bullard noted that daily fatalities per 100,000 population have continued to decline in Europe and the U.S. and that East Asia and Pacific countries continue to report daily fatalities per 100,000 population that are an order of magnitude lower than those in the U.S. and Europe. He added that some

emerging market countries remain vulnerable to the pandemic and will take longer to vaccinate. But overall, he said, regions where much of the global output is produced appear poised to bring the pandemic under control.

He also looked at deaths in excess of what would be expected in a normal year. “For the U.S., excess fatalities are approaching zero, suggesting that the vaccination strategy is bringing the pandemic under control,” he said.

#### *U.S. Moving to Expansion Phase of the Business Cycle*

Bullard then discussed the phases of the business cycle and said that the U.S. is moving into the economic expansion phase during the current quarter. “National income is as high as it ever was and is poised to grow at an above-trend rate, due in part to the ‘keep households whole’ fiscal strategy,” he said.

Bullard noted that the nature of the response to the pandemic involved asking some workers in “high physical contact” jobs to stay home to invest in national health. Therefore, the goal of fiscal policy has been to insure these disrupted households by borrowing funds on international markets and using the funds to replace disrupted household incomes, he explained.

“This policy has been so successful that personal income in 2020 was actually higher than it would have been if the economy had simply remained on the 2019 trend line,” he said.

Bullard pointed out that the households receiving federal transfers often saved much of it. “This was a rational and prudent response, as households were naturally unsure how long the health crisis would last and whether Congress would appropriate more funds,” he said.

The arrival of vaccines has meant that the probability of the health crisis ending in coming months is rising dramatically, he added. “This suggests households will be less inclined to save going forward and more inclined instead to spend any federal transfers, leading many forecasters to predict very rapid U.S. real GDP growth in 2021,” he said.

#### *U.S. Labor Market*

Bullard said that while real GDP is poised to return to and surpass the previous peak level, the labor input remains below the previous peak by many measures. The total hours worked index, for instance, remains at about 96% of the pre-pandemic level, he pointed out.

“How can output be recovered with the labor input still down 4%?” he asked. “The likely answer is composition effects: The most disrupted workers have been in ‘high physical contact’ jobs, which also tend to be lower wage jobs,” he said, adding that the “keep households whole” policy insures many of these workers.

Bullard noted that anecdotal reports from businesses strongly suggest that attracting workers to available jobs is difficult in the current environment. “Alternative measures of labor market performance may give a more accurate reading of the state of the labor market than the number of jobs on payrolls or the number of hours worked,” he said. One such measure is the ratio of officially unemployed workers to job openings, which is approaching an all-time low, suggesting a very strong labor market, he said.

Bullard also discussed broader measures of labor market performance, which take multiple aspects into account. He looked at the Kansas City Fed’s level of activity index as an example. “This indicator suggests today’s labor market conditions are markedly better than those following the 2007-09 recession,” he said.

### *Inflation Expectations Rising*

Bullard noted that market-based inflation expectations have recovered from lows reached in March 2020. He said TIPS-based breakeven inflation could move higher and still be consistent with an inflation outcome (based on the personal consumption expenditures price index) modestly above the 2% inflation target set by the Federal Open Market Committee (FOMC).

“This would be a welcome development for the FOMC, as inflation has generally been below target for many years,” Bullard said.

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- **April 8, 2021.** Remarks. [Bullard Discusses the Pandemic, Monetary Policy, U.S. Economy during Virtual Event](#), The Paul Simon Public Policy Institute at Southern Illinois University.

## **Bullard Discusses the Pandemic, Monetary Policy, U.S. Economy during Virtual Event**

April 8, 2021

St. Louis Fed President James Bullard addressed questions about the Federal Reserve, policy responses to the COVID-19 crisis and his outlook for the U.S. economy. The Paul Simon Public Policy Institute at Southern Illinois University hosted the virtual conversation.

Bullard discussed the history behind the Fed's regional structure as well as some of the different responsibilities of Federal Reserve banks and the Board of Governors. He also talked about ways the St. Louis Fed keeps in touch with businesses and communities throughout the Eighth Federal Reserve District.

In discussing the Fed's actions during the pandemic, he said that the "13(3)" backstop lending programs eliminated the incipient financial crisis that could have occurred on top of the pandemic. Section 13(3) of the Federal Reserve Act allows for such emergency lending by the Fed with the consent of the U.S. Treasury Secretary. Bullard also said that the fiscal policy response has been exceptionally effective for this shock.

Regarding current monetary policy, Bullard said the Federal Open Market Committee has a great policy in place for right now. He said he anticipates the pandemic will come to a close through the vaccine strategy, but it hasn't happened yet. "And so, I think keep the policies in place until you get farther along here, and then as the dust settles, we can open up a conversation about what to do next," he said.