He said he expects to see a very strong U.S. economy and a strong labor market once the pandemic ends, and expects inflation to be 2.5% at the end of this year.

Bullard also highlighted several St. Louis Fed resources during the event, including the new [Institute for Economic Equity](https://www.stlouisfed.org/institute-for-economic-equity), his research on monetary policy and inequality, the [FRED](https://fred.stlouisfed.org/)economic database and the [On the Economy blog](https://www.stlouisfed.org/on-the-economy).

Having trouble with the video? [Watch it here.](https://www.youtube.com/watch?v=zo_xZWdm4jg)

- **April 7, 2021**. President's Message. "Reflections on the Pandemic at the One-Year Mark," Federal Reserve Bank of St. Louis *Annual Report 2020*.

President's Message

Reflections on the Pandemic at the One-Year Mark

James Bullard is the president and CEO of the Federal Reserve Bank of St. Louis.

Over the past year, countries across the world have been navigating the ravages and uncertainties brought on by COVID-19. Ultimately, the pandemic is a global health crisis and human tragedy. But the virus and efforts to contain its spread have also caused an unprecedented shock for many economies.

In the U.S., these effects have been widespread, and although the pandemic began more than a year ago, they continue today—both from a health standpoint and an economic standpoint.

Reduction in Economic Activity

Unlike the 2007-09 financial crisis and many previous economic shocks that were driven by underlying problems in the economy, the current shock to the economy was directly related to the actions needed to contain the virus and invest in public health. Prior to the pandemic, U.S. labor markets were strong—with the unemployment rate at 50-year lows in early 2020—and real gross domestic product (GDP) had increased by 2.2% in 2019.

In early spring of 2020, authorities in many locales issued orders that curtailed certain forms of economic and social activity, particularly nonessential services, sporting events, concerts and other large gatherings. At the same time, many people limited their shopping and travel voluntarily, and many firms limited production or asked their employees to work remotely. These efforts were intended to contain the pandemic and prevent the health care system from being overwhelmed, but they also caused a sharp reduction in economic activity.See my On the Economy blog post " [Expected U.S. Macroeconomic Performance during the Pandemic Adjustment Period](https://www.stlouisfed.org/on-the-economy/2020/march/bullard-expected-us-macroeconomic-performance-pandemic-adjustment-period)," from March 23, 2020.

Responses from Policymakers
The fast-moving nature of the pandemic caused policymakers on both the monetary policy side and the fiscal policy side to act swiftly.For more discussion, see my Regional Economistarticle " [Monetary Policy and Fiscal Policy Responses to the COVID-19 Crisis](https://www.stlouisfed.org/publications/regional-economist/fourth-quarter-2020/monetary-policy-fiscal-policy-responses-covid-crisis)," from Nov. 10, 2020. Indeed, U.S. monetary and fiscal policies during the crisis have been significant and exceptionally effective.

Monetary Policy

One of the Federal Reserve's immediate actions was to lower the target range for the federal funds rate to near zero in mid-March. The Fed subsequently provided liquidity to financial markets through a variety of emergency funding programs supported by the U.S. Treasury.

These programs—authorized under Section 13(3) of the Federal Reserve Act—helped the U.S. avoid an incipient financial crisis during the March-April time frame that could have occurred on top of a health crisis. Financial stress, as measured by the St. Louis Fed Financial Stress Index, rose dramatically in March but declined to pre-pandemic levels over subsequent months.

Fiscal Policy

The health crisis has had uneven effects across the economy, with some businesses—like those in the leisure and hospitality sector—being hit especially hard. Consequently, some workers have been more adversely affected by the crisis than others.

The fiscal policy response aimed at providing pandemic relief to these businesses and workers has been large. While this process has been understandably uneven, the spirit of the intervention has been to keep disrupted firms and households whole and help them to sustain their incomes to pay their bills. This policy has been so successful that personal income did not fall as it usually does during a recession; instead, the fiscal response drove personal income to an all-time high in the second quarter of 2020.

Real-Time Data

As policymakers were considering possible responses to the pandemic, large swings in key economic indicators posed a challenge. For example, the unemployment rate increased by more than 10 percentage points in one month—from 4.4% in March to 14.8% in April. Similarly, second-quarter real GDP decreased by 31.4% at an annual rate (a post-World War II record low), while third-quarter real GDP increased by 33.4% at an annual rate (a post-World War II record high).

Timely insights from our various contacts throughout the Eighth Federal Reserve District—including our boards of directors and advisory council members—have been especially helpful in taking the pulse of the economy in real time.

Cutting-Edge Research
Analyses from St. Louis Fed economists have also helped identify real-time economic trends during this pandemic period. Our Research Division ramped up its research and data analysis on the pandemic's economic impact and the policy responses. These efforts were under the leadership of then-Research Director Chris Waller, who became a member of the Fed's Board of Governors in December.

Our long-standing commitment to rigorous economic research and data dissemination was tested and proven during this crisis. As expected of a highly ranked research institution, our economists proved even more prolific, authoring new working papers and articles to help keep the general public, analysts and policymakers alike informed.

Our economists are a well-trained, diverse group who work at the frontiers of economic research and are equipped to study the types of issues that have emerged during the pandemic. Their research has been invaluable in informing my monetary policy views and also in providing expert analyses to anyone who wants to understand the pandemic's economic impact. This annual report describes some of these insights.

Managing the COVID-19 Risk
Throughout 2020, many businesses and households adapted to the new mortality risk posed by COVID-19. At the St. Louis Fed, our leaders have worked to keep employees safe while also meeting business goals. We adapted by having mostly remote work, while maintaining support for and the safety of essential on-site employees who process currency for redistribution into communities and who guard our vaults 24/7. Our organization has demonstrated resilience, agility and innovation in getting our work done and continuing to serve the public's interest.

At the time of this writing, the pandemic is ongoing, but the arrival of vaccines suggests the health crisis will wane. Of course, no one knows how the pandemic will end, and a great deal of uncertainty remains regarding the health crisis and the economy.

In looking ahead, the St. Louis Fed—through its Research Division, now led by Carlos Garriga—will continue producing high-quality academic research and policy analysis to help solve the economic challenges presented by the pandemic and beyond.

James BullardPresident and CEO Federal Reserve Bank of St. Louis

Endnotes
1. See my On the Economyblog post, “ [Expected U.S. Macroeconomic Performance during the Pandemic Adjustment Period](https://www.stlouisfed.org/on-the-economy/2020/march/bullard-expected-us-macroeconomic-performance-pandemic-adjustment-period),” from March 23, 2020.
2. For more discussion, see my Regional Economist article, “ [Monetary Policy and Fiscal Policy Responses to the COVID-19 Crisis](https://www.stlouisfed.org/publications/regional-economist/fourth-quarter-2020/monetary-policy-fiscal-policy-responses-covid-crisis),” from Nov. 10, 2020.

- **March 31, 2021**. Article. "Is Inflation on the Horizon for the U.S. Economy?" Federal Reserve Bank of St. Louis *Regional Economist*, First Quarter 2021.

Is Inflation on the Horizon for the U.S. Economy?

In recent months, people have been talking more about the potential for inflation to pick up, which would be a different situation from what the U.S. has seen for many years. Since the Federal Open Market Committee (FOMC) adopted an inflation target of 2% in January 2012, inflation (as measured by the year-over-year percentage change in the personal consumption expenditures price index) has averaged 1.4%.This is the average from January 2012 through February 2021. The economic shock from the COVID-19 pandemic sent inflation to a low level last spring, and while it has increased over the past year, it remains below 2%.

However, inflation does look like it could move somewhat higher over the next year or so. In this article, I discuss ideas about why inflation might be