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- **April 4, 2018.** Presentation. "[The U.S. Economy Three Months into 2018.](#)" Arkansas Bankers Association and Arkansas State Bank Department's Day with the Commissioner, Little Rock, Ark. [Presentation \(pdf\)](#) ([bullard_ark_day_with_bank_commissioner_4_april_2018pdf](#)) | [Press Release](#) | [Photos of Visit to Little Rock.](#)

The U.S. Economy Three Months into 2018

April 4-5, 2018

[Presentation (pdf)](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2018/bullard_ark_day_with_bank_commissioner_4_april_2018.pdf) | [Press Release](<https://www.stlouisfed.org/news-releases/2018/04/04/bullard-economy-three-months-into-2018>) | [Photos](<https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2018/us-economy-three-months-into-2018#photos>)

On a two-day tour of Little Rock, Ark., where the St. Louis Fed has a Branch, President James Bullard met with bankers, spoke at a breakfast presentation during the Arkansas Bankers Association and Arkansas State Bank Department's Day with the Commissioner, visited Kimberly-Clark's plant in Maumelle, Ark., and met with the Little Rock Branch's board of directors.

At the breakfast [presentation](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2018/bullard_ark_day_with_bank_commissioner_4_april_2018.pdf), Bullard discussed real GDP growth, inflation and the yield curve, as well as the current stance of monetary policy. Bullard noted that global real GDP growth surprised to the upside during 2017, driving global financial market developments last year. However, he noted the effects of this growth surprise have stalled so far in 2018 in the face of uncertain first-quarter U.S. real GDP growth along with

other factors. On inflation, he commented that while it remains low, it is expected to move somewhat higher during 2018. Regarding other macroeconomic developments, he noted that yield curve inversion remains a possibility later this year, and that monetary policy is close to neutral today. "Current monetary policy settings are close to neutral, which is appropriate for the current macroeconomic situation," he said.

Bullard spoke Wednesday morning at the Arkansas Bankers Association and Arkansas State Bank Department's Day with the Commissioner. About 250 people attended his breakfast presentation. [Download High Resolution Photo](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/images/bullard/photos/2018-little-rock-tour/bullard_presentation_arkbankcomm_04apr18.jpg)

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Bullard (center) and Robert Hopkins (right), senior vice president and regional executive of the St. Louis Fed's Little Rock Branch, chatted with Ava Roberts (left), director of government relations at the Arkansas Bankers Association. They spoke Wednesday during the Arkansas Bankers Association and Arkansas State Bank Department's Day with the Commissioner. [Download High Resolution Photo](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/images/bullard/photos/2018-little-rock-tour/bullard_hopkins_arkbankcomm_04apr18.jpg)

On Wednesday, Bullard visited Kimberly-Clark's plant in Maumelle, Ark. Shown above, from left to right, are Susan Wilson, process and commercialization manager at Kimberly-Clark; Judy Keller, director of community and economic development for the city of Maumelle; Karen Branding, senior vice president of Public Affairs at the St. Louis Fed; Andy

Chier, operations manager at Kimberly-Clark; Bullard; Owen Gill, finance logistics manager at Kimberly-Clark; Robert Hopkins, senior vice president and regional executive of the St. Louis Fed's Little Rock Branch; and Mike Watson, mayor of Maumelle. [Download High Resolution Photo](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/images/bullard/photos/2018-little-rock-tour/bullard_groupphoto_kimberlyclark_04apr18.jpg)

St. Louis Fed's Bullard Discusses the U.S. Economy Three Months into 2018

LITTLE ROCK, Ark. — Federal Reserve Bank of St. Louis President James Bullard discussed [“The U.S. Economy Three Months into 2018”](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2018/bullard_ark_day_with_bank_commissioner_4_april_2018.pdf) Wednesday at the Arkansas Bankers Association and Arkansas State Bank Department's Day with the Commissioner.

Reflecting on U.S. macroeconomic developments so far this year, Bullard discussed real GDP growth, inflation and the yield curve, as well as the current stance of monetary policy.

On growth, Bullard noted that global real GDP growth surprised to the upside during 2017, driving global financial market developments last year. “The effects of the surprise seem to have abated during the first months of 2018 in the face of uncertain first-quarter U.S. real GDP growth along with other factors,” he said.

On inflation, Bullard noted that while it remains low, it is expected to move somewhat higher during 2018. Regarding other macroeconomic developments, he noted that yield curve inversion remains a possibility later this year, and that monetary policy is close to neutral today.

“Current monetary policy settings are close to neutral, which is appropriate for the current macroeconomic situation,” he said.

Growth

Bullard noted that the U.S. and other large economies had better-than-expected growth in 2017, which fed into the profits of U.S. multinationals and helped U.S. equity prices rally last year. For instance, U.S. real GDP growth in 2017 was 0.4 percentage points higher than what the International Monetary Fund projected in October 2016.

However, he explained, the effects from the surprise in growth have stalled this year. He cited the following: The growth rate of U.S. real GDP looks uncertain in the first quarter, possibly due to residual seasonal effects; markets are trying to discern the direction of U.S. trade policy; U.S. interest rates are higher; and markets are contemplating possible tech sector regulation.

Inflation

Turning to the low inflation readings in 2017, Bullard explained why they were so surprising. He noted that they occurred against a backdrop of relatively good labor market performance and a still historically low policy rate (i.e., the federal funds rate target). However, he said, “Special factors are expected to drop out of the year-over-year comparisons soon, likely suggesting that inflation is somewhat closer to target.”

He also discussed inflation expectations, which may give a signal of future inflation. He noted that market-based measures of inflation compensation have increased recently. “The measures today are closer to being in line with the FOMC’s 2 percent inflation target, but remain a bit low,” he said.

Yield curve

Bullard then discussed the flattening of the U.S. nominal yield curve since 2014, which is the result of short-term rates rising while long-term rates have remained relatively stable. To quantify the flattening, he noted that the spread between the 10-year and one-year Treasury yields declined from about 300 basis points at the beginning of 2014 to 70 basis points during the week of March 28.

“It is possible that the nominal yield curve will invert sometime in the next

year, but recently the 10-year yield has increased enough to keep pace with the FOMC's rate increases," he said.

Monetary policy

Turning to the stance of U.S. monetary policy, Bullard noted that the FOMC has begun to gradually reduce the size of the Fed's balance sheet. In addition, the range for the policy rate has been increased gradually and is currently 1.50 to 1.75 percent.

He also noted that current estimates of the neutral real rate (or r^*) are near zero, and that core PCE inflation (measured as the year-over-year percentage change in the core personal consumption expenditures price index) is 1.6 percent. Therefore, the current policy rate setting minus core PCE inflation is near r^* , which suggests that "the current policy setting is closer to neutral than in previous years," Bullard said.

He explained that the neutral setting for the policy rate puts neither upward nor downward pressure on inflation, given everything else that is occurring in the economy. "This is appropriate for the current situation, in which inflation is not far below target and is expected to rise," he said, adding that "it is not necessary in this circumstance to raise the policy rate further in order to put downward pressure on inflation, since inflation is already below target."

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- **March 1, 2018.** Article. "[Comparing Living Standards across U.S. Metro Areas: Which Ones Fared Well?](#)" Federal Reserve Bank of St. Louis *Regional Economist*, First Quarter 2018. For an expanded version with figures and a table, see [St. Louis Fed On the Economy blog](#).

Comparing Living Standards across U.S. Metro Areas: Which Ones Fared Well?

For an expanded version with figures and a table, see the [On the Economy](#)