

Fed's Waller see's no need to rush into interest rate cuts amid rising productivity



Recent data has shown that the U.S. Federal Reserve could hold off on cutting short-term interest rates in the face of rising productivity results, according to Chris Waller, a leading figure and Fed Reserve governor.

Waller would speak about the state of play of the U.S. financial market at the Economic Club of New York, titled "There's still no rush."

"There is no rush to cut the policy rate. Indeed, it tells me that it is prudent to hold this rate at its current restrictive stance perhaps for longer than previously thought to help keep inflation on a sustainable trajectory toward 2 percent," Waller would say.

Waller is confident no cuts are the best policy

Waller has served the Federal Reserve since being installed in 2020 and is a significant policy decision-maker in the Federal Open Market Committee.

Waller has not ruled out cuts later in 2024, but for the

moment, he states, "I continue to believe that further progress will make it appropriate for the FOMC to begin reducing the target range for the federal funds rate this year. But until that progress materializes, I am not ready to take that step. Fortunately, the strength of the U.S. economy and resilience of the labor market means the risk of waiting a little longer to ease policy is small and significantly lower than acting too soon and possibly squandering our progress on inflation."

Inflation results for this year have been unexpected, with the Federal Reserve maintaining a stoic grip on the controls regarding rate cuts. The governmental entity isn't keen to have a knee-jerk reaction to the current financial climate.

Waller would also highlight the findings of the previous financial year and address the productivity growth recorded in 2023 and early 2024.

"Perhaps, they say, we are at the start of another era of fast and sustained productivity growth, such as the United States experienced from 1998 through 2004," he would say. "Believe me, I hope this is true because it would be the basis for broadly shared prosperity that raises living standards, but I am skeptical that it will last. The first thing to note is that productivity growth is notoriously volatile."

It remains to be seen when or if the Federal Reserve will make any rate cuts, but it will be in light of a patch of sustained productivity growth that the United States hopes will last as long as possible.

Waller served as a professor and the Gilbert F. Schaefer Chair of Economics at the University of Notre Dame and would go on to become the Executive Vice President and Director of Research at the Federal Reserve Bank of St. Louis before taking up post with the Federal Reserve as a Board Member in 2020.

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