

# US Fed's single-minded focus on inflation: S&P Global Market Intelligence

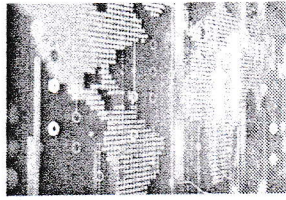
## AGENCIES

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The US Federal Reserve will be single-mindedly focused on inflation until it is lowered closer to the 2 per cent target on a sustained basis, said global business intelligence solution firm S&P Global Market Intelligence.

A two-day monetary policy meeting of the US central bank is scheduled to commence Tuesday. "It sees slaying inflation as the defining challenge of this episode. It will tolerate, even expect, a period of economic softness and higher unemployment as the price to pay to bring inflation down," said Ken Matheny, Executive Director, US Economics at S&P Global Market Intelligence.

Consumer inflation in the US though declined margin-



ally in August to 8.3 per cent from 8.5 per cent in July but is way above the 2 per cent goal and several senior top bankers recently said that another interest rate hike is imminent. Raising interest rates is a monetary policy instrument that typically helps suppress demand in the economy, thereby enabling the inflation rate to decline.

It is expected that it will raise the rates by another 75 basis points to a range of 3 per cent to 3.25 per cent -- which would be the third consecutive increase of that magnitude.

"Indeed, there is some

speculation that policymakers will hike interest rates by an unprecedented 100 basis points this month in an attempt to signal in the most forceful manner its determination to see inflation brought down quickly. We would not rule out such a move, but with no signalling from policymakers that it might be considered, we see an increase of 75 basis points as more likely this week," it said in a note.

However, it anticipates that several factors will give rise to a sustained and substantial decline in inflation over the next few years, which underpins the expectation that the US Fed will continue hiking interest rates through the end of this year -- then pause for about one year before beginning to reverse course and lower interest rates, S&P Global Market Intelligence note said.