

Macro at a Glance: Latest views and forecasts

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Changes to flag this week:

- [Raised](#) our 2024 US GDP growth forecast to 2.4% (Q4/Q4) to reflect recent strong growth momentum and easier financial conditions.

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Watching

- **Globally**, we expect real GDP growth of 2.8% yoy in 2024, reflecting tailwinds from strong real household income growth, a gradual recovery in manufacturing activity, and a start to rate cuts as inflation cools. We expect global core inflation to fall back to 2.25% by the end of 2024 as core goods inflation continues to decline, shelter inflation falls further, and both service inflation and wage growth continue to slow in response to the improved supply-demand balance across the global economy.
- **In the US**, we expect well above-consensus real GDP growth of 2.4% in 2024 on a Q4/Q4 basis, reflecting easing financial conditions amid a start to Fed rate cuts and strong real disposable income growth. We continue to see a below-consensus 15% probability of entering a recession over the next 12 months. We expect core PCE inflation to decline to 2.2% by December 2024, reflecting further rebalancing in the auto, housing rental, and labor markets, and see a reasonable chance that it could even fall below 2% this year. We expect the unemployment rate to decline to 3.6% in 2024 and remain there through 2025.
- **We believe the Fed's** hiking cycle is complete and that the Fed will remain on hold at the current Fed funds rate range of 5.25-5.5% until the first 25bp cut in March, after which we expect 25bp cuts in May and June followed by quarterly cuts until the terminal rate range reaches 3.25-3.5% in 3Q25, although we see the risks as tilted toward a slightly later start or a slightly slower pace. On balance sheet policy, we expect the Fed to begin tapering the pace of balance sheet runoff in May and to end runoff in 1Q25.
- **In the Euro area**, we expect real GDP growth to increase to 0.7% yoy in 2024, reflecting a pickup in real disposable income and a fading credit drag as the ECB turns toward rate cuts, which should more than offset the building headwind from fiscal policy. We expect core inflation to slow further to 2.1% yoy by

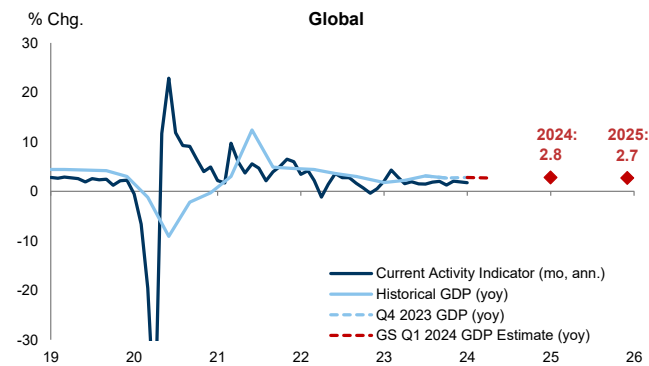
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December 2024, reflecting indirect pass-through from lower energy prices, continued declines in services inflation, and normalizing wage growth.

- **We believe the ECB’s** hiking cycle is complete and that the ECB will remain on hold at 4.00% until the first rate cut in April, after which we expect rate cuts to proceed at a 25bp/meeting pace until the policy rate reaches 2.25% in early 2025, although we see some risk that the ECB waits until June to begin rate cuts.
- **In China,** we expect real GDP growth to slow to 4.8% yoy in 2024 as China continues to face several growth headwinds, including a prolonged property downturn, although we expect a material offset from a step up in policy easing measures and pick up in investment growth. We expect inflation to remain low in 2024, with continued PPI deflation and moderate CPI reflation, amid the ongoing food price deflation, property downturn, and manufacturing overcapacity. Over the longer term, we maintain our cautious view on China’s growth outlook given deteriorating demographics, property and local government deleveraging, and global supply chain de-risking.
- **WATCH WAR IN THE MIDDLE EAST AND US ELECTION.** While energy prices have risen modestly in response to the ongoing Red Sea shipping disruptions amid the escalating war in the Middle East, a potential closure of the Strait of Hormuz would have much more significant energy price effects that would likely lower global growth. The US election in November could have important policy and market implications, especially if it brings the possibility of fresh unfunded fiscal expansion.

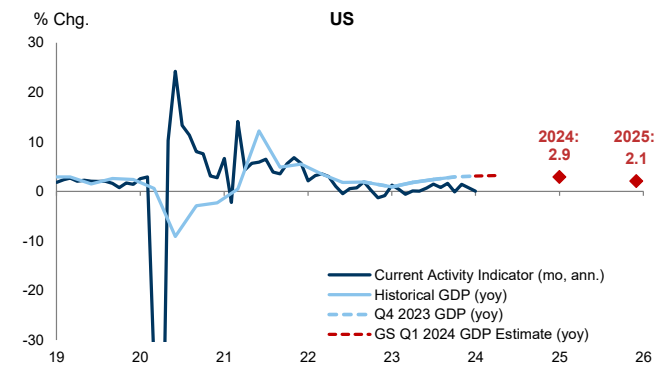
Growth

Global GDP vs. CAI



Source: Haver Analytics, Goldman Sachs Global Investment Research.

US GDP vs. CAI



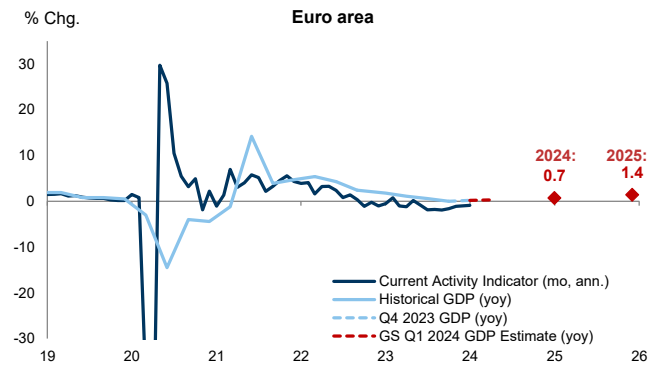
Source: Haver Analytics, Goldman Sachs Global Investment Research.

China GDP vs. CAI



Source: Haver Analytics, Goldman Sachs Global Investment Research.

Euro area GDP vs. CAI



Source: Haver Analytics, Goldman Sachs Global Investment Research.

Forecasts

Key GS economic and market forecasts

Economics							Markets										Equities							
GDP growth (%)	2024				2025		Interest rates 10Yr (%)	Last	E2024	E2025	FX	Last	3m	12m	S&P 500	E2024		E2025		Returns (%)	12m	YTD	E2024 P/E	
	GS (Q4/Q4)	Cons. (Q4/Q4)	GS (CY)	Cons. (CY)	GS (CY)	Cons. (CY)										GS	Cons.	GS	Cons.					
Global	2.8	--	2.8	2.2	2.7	2.6	US	4.08	4.00	4.00	EUR/\$	1.08	1.08	1.12	Price	5,100	--	--	--	S&P500	3	3.3	20.7x	
US	2.4	1.0	2.9	1.5	2.1	1.7	Germany	2.21	2.00	2.00	GBP/\$	1.27	1.28	1.35	EPS	\$237	\$242	\$250	\$274	MXAPJ	12	-3.7	12.7x	
China	4.7	4.7	4.8	4.6	4.2	4.4	Japan	0.72	0.90	0.90	\$/JPY	148	145	140	Growth	5%	10%	5%	13%	Topix	5	6.9	15.4x	
Euro area	1.3	1.0	0.7	0.5	1.4	1.4	UK	3.90	3.75	3.75	\$/CNY	7.16	7.15	7.05						STOXX 600	3	1.5	13x	
Policy rates (%)	2024				2025		Commodities	Last	3m	12m	Credit (bp)	Last	2Q24	4Q24	Consumer	2024		2025		Wage Tracker 2023 (%)				
	GS	Mkt.	GS	Mkt.	GS	Unemp. Rate										CPI (% yoy)	Unemp. Rate	Q1	Q2	Q3	Q4			
US	4.13	3.94			3.38	3.23	Crude Oil, Brent (\$/bbl)	82	80	80	USD	IG	94	97	95	US	2.7	3.6	2.4	3.6	5.1	5.0	4.4	4.7
Euro area	2.50	2.52			2.25	2.01	Nat Gas (\$/mmBtu)	2.49	2.40	3.25		HY	327	342	325	Euro area	2.1	6.7	2.0	6.7	--	--	--	--
China	1.60	1.41			1.60	--	Copper (\$/mt)	8,455	8,400	10,000	EUR	IG	140	145	135	China	0.4	--	1.5	--	--	--	--	--
Japan	0.00	0.22			0.25	0.44	Gold (\$/troy oz)	2,023	2,065	2,175		HY	374	400	390									

GS CAI is a measure of current growth. For more information on the methodology of the CAI please see "Lessons Learned: Re-engineering Our CAIs in Light of the Pandemic Recession," Global Economics Analyst, Sep. 29, 2020. Market pricing as of January 29, 2024.

Source: Bloomberg, Goldman Sachs Global Investment Research.

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