

Macro at a Glance: Latest views and forecasts

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Changes to flag this week:

- **Raised** our end-2024/2025 10-year US Treasury yield forecasts to 4.25%/4.1% (from 4%/4%) to reflect a slower Fed easing path.
- **Raised** our end-2024 10-year German Bund yield forecast to 2.25% (from 2%) to reflect recent inflation surprises in the Euro area and our UST yield revisions.
- **Raised** our 3/6/12m USD/JPY forecasts to 155/150/145 (from 145/142/140) to reflect a slower Fed easing path and relatively careful BoJ policy communication.

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Watching

- **Globally**, we expect real GDP growth of 2.7% 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 around 2.25% by the end of 2024 as core goods inflation continues to decline, shelter inflation falls further, and both services 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 2.4% by December 2024, reflecting further rebalancing in the auto, housing rental, and labor markets. We expect the unemployment rate to decline to 3.8% in 2024 and fall further to 3.6% by 2026.
- **We believe the Fed** will remain on hold at the current fed funds rate range of 5.25-5.5% until the first 25bp cut in June, after which we expect 25bp cuts in September and December, followed by four more cuts in 2025 and one final cut in 2026 to a terminal rate range of 3.25-3.5%. On balance sheet policy, we expect the Fed to reduce the cap on Treasury runoff from \$60bn to \$30bn per month following the May FOMC meeting.
- **In the Euro area**, we expect real GDP growth to increase to 0.7% yoy in 2024,

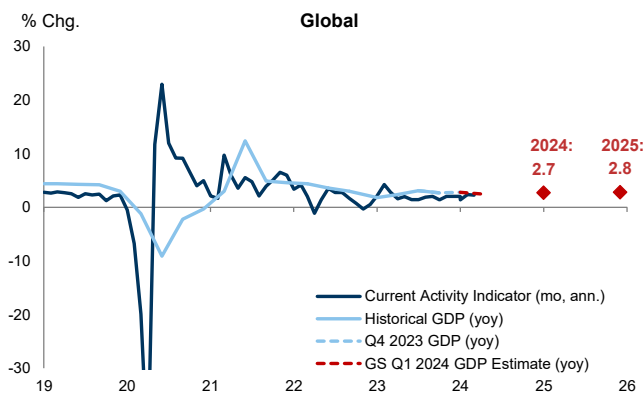
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reflecting a pickup in real disposable income and a fading credit drag as the ECB turns toward rate cuts, which should more than offset the building headwind from fiscal policy. We expect core inflation to slow further to 2.4% yoy by December 2024, reflecting indirect pass-through from lower energy prices, continued declines in services inflation, and normalizing wage growth.

- **We believe the ECB** will remain on hold at 4.00% until the first rate cut in June, after which we expect rate cuts to proceed at a 25bp/meeting pace until the policy rate reaches 2.25%, for a total of five cuts in 2024 and two cuts in 2025, although the pace of cuts remains uncertain.
- **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 ongoing policy easing 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 US POLITICS AND GEOPOLITICS.** The upcoming US general election in November—which looks likely to be a Trump-Biden rematch—could have important policy and market implications, especially if it brings the possibility of fresh unfunded fiscal expansion. On top of that, elevated geopolitical tensions amid the ongoing conflict in the Middle East, the Russia-Ukraine war, and more fraught US-China relations could also have material market implications.

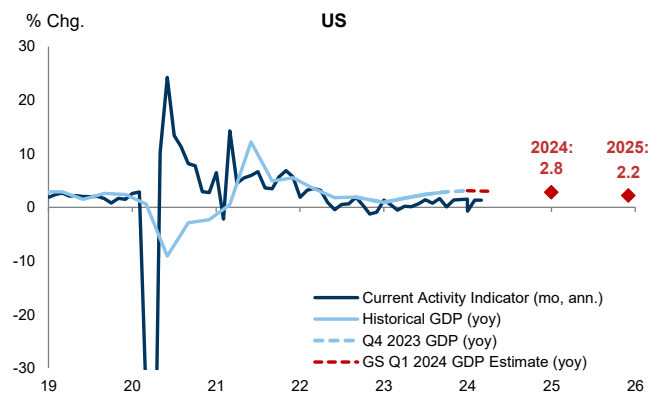
Growth

Global GDP vs. CAI



Source: Haver Analytics, Goldman Sachs Global Investment Research.

US GDP vs. CAI



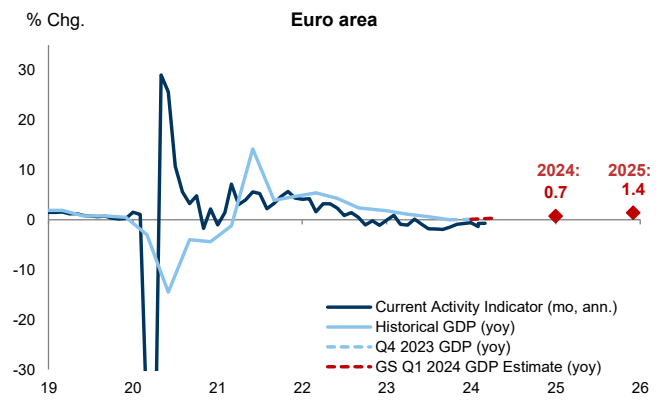
Source: Haver Analytics, Goldman Sachs Global Investment Research.

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	--	2.7	2.4	2.8	2.5	US	4.24	4.25	4.10	EUR/\$	1.08	1.08	1.12	Price	5,200	--	--	--	S&P 500	0	9.1	21.8x		
US	2.4	1.4	2.8	2.2	2.2	1.7	Germany	2.31	2.25	2.00	GBP/\$	1.26	1.30	1.35	EPS	\$241	\$243	\$256	\$276	MXAPJ	8	1.3	13.7x		
China	4.7	4.7	4.8	4.6	4.2	4.3	Japan	0.74	0.90	0.90	\$/JPY	152	155	145	Growth	8%	9%	6%	14%	Topix	4	17.5	16.8x		
Euro area	1.3	1.1	0.7	0.5	1.4	1.3	UK	3.91	3.75	3.75	\$/CNY	7.20	7.15	7.05					STOXX 600	0	6.7	14.1x			
Policy rates (%)	2024				2025		Commodities			Last	3m	12m	Credit (bp)	Last	1H24	2H24	Consumer	2024		2025		Wage Tracker 2024 (%)			
	GS	Mkt.	GS	Mkt.	Crude Oil, Brent (\$/bbl)	86	85	80	CPI (% yoy)									Unemp. Rate	CPI (% yoy)	Unemp. Rate	Q1	Q2	Q3	Q4	
US	4.63	4.55	3.63	3.71	Nat Gas, NYMEX (\$/mmBtu)	1.58	2.00	3.25	USD	IG	91	97	95	US	3.0	3.8	2.5	3.7	4.5	--	--	--	--		
Euro area	2.75	3.08	2.25	2.38	Nat Gas, TTF (EUR/MWh)	27.28	29	31	HY	301	342	325	Euro area	2.5	6.7	2.1	6.7	--	--	--	--	--			
China	1.70	1.32	1.70	--	Copper (\$/mt)	8,748	8,400	10,000	EUR	IG	127	145	135	China	0.4	--	1.5	--	--	--	--	--	--		
Japan	0.13	0.27	0.38	0.47	Gold (\$/troy oz)	2,180	2,175	2,300	HY	347	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 March 26, 2024.

Source: Bloomberg, Goldman Sachs Global Investment Research.

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