Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html.
US GDP Continues to Grow Strongly

Source: Bloomberg, Goldman Sachs Global Investment Research.
Demand Boost #1: Rising Real Income

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Demand Boost #2: Easier Financial Conditions

Index

GS US Financial Conditions Index

Note: Weighted average of funds rate, 10-year UST yield, Baa credit spreads, S&P 500, and trade-weighted dollar, with weights that mirror impact on GDP growth over next year.

Source: Bloomberg, Goldman Sachs Global Investment Research.
Supply Boost #1: Decent Productivity Growth

Real GDP per Hour Worked, Nonfarm Business Sector

2007Q4-2020Q1 Trend Growth Rate = 1.5%

Note: Shaded areas indicate US recession.

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Supply Boost #2: Very Strong Labor Supply Growth

**Figure:**

- **Percent US Civilian Labor Force Participation Rate (16+)**
- **Net US Immigration, by Category**
  - Unauthorized Immigrants*
  - Authorized Temporary Immigrants**
  - Lawful Permanent Residents+***

*GS estimate using court case data. **Nonimmigrants under the Immigration and Nationality Act, e.g. students and temporary workers, CBO estimate. ***Lawful permanent residents and those eligible to apply, CBO estimate.

**Source:** Haver Analytics, Goldman Sachs Global Investment Research.
Labor Market Tightness Has Fallen to 2019 Levels

*Based on average of JOLTS, Linkup, and Indeed job openings measures.

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Wage Growth Continues to Trend Down

Percent change, year ago

- GS Wage Tracker
- Employment Cost Index*
- Average Hourly Earnings**
- Atlanta Fed Wage Tracker***

Percent change, year ago

2018 2019 2020 2021 2022 2023 2024

Percent change, annual rate


* Private industry workers ex-incentive paid occupations. ** All private industry workers, GS composition-adjusted from 2020-2021. *** Non-smoothed median wage growth, adjusted down by 0.5pp to account for composition difference from other measures.

Source: Goldman Sachs Global Investment Research.

Expectations Are Consistent with 2% Inflation

*UMich 1y inflation expectations. Subtracts 0.5pp (historical average difference with core PCE) for comparability with PCE inflation.
**2y breakeven inflation. Subtracts 0.3pp (historical average CPI-PCE gap) for comparability with PCE inflation.
***SPF 1y inflation expectations. Subtracts 0.3pp (historical average CPI-PCE gap) for comparability with PCE inflation.

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Flexible Inflation Has Normalized, Sticky Inflation Is Lagging

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Rent and OER Inflation Are Set to Fall Further

*Average of measures from Zillow, Yardi, and CoStar.

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Despite the 2024Q1 Hiccup, We Still Expect PCE Inflation to Return to 2% in 2025

US PCE Inflation
- Headline
- Core

Note: April realized value is GS tracking estimate based on details in April CPI and PPI reports.

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Cuts Are Coming Across Most DMs

Note: Dashed lines indicate GS forecasts.

Source: Haver Analytics, Goldman Sachs Global Investment Research.