

Charts for Chicago Fed AAC

May 31, 2024

Jan Hatzius

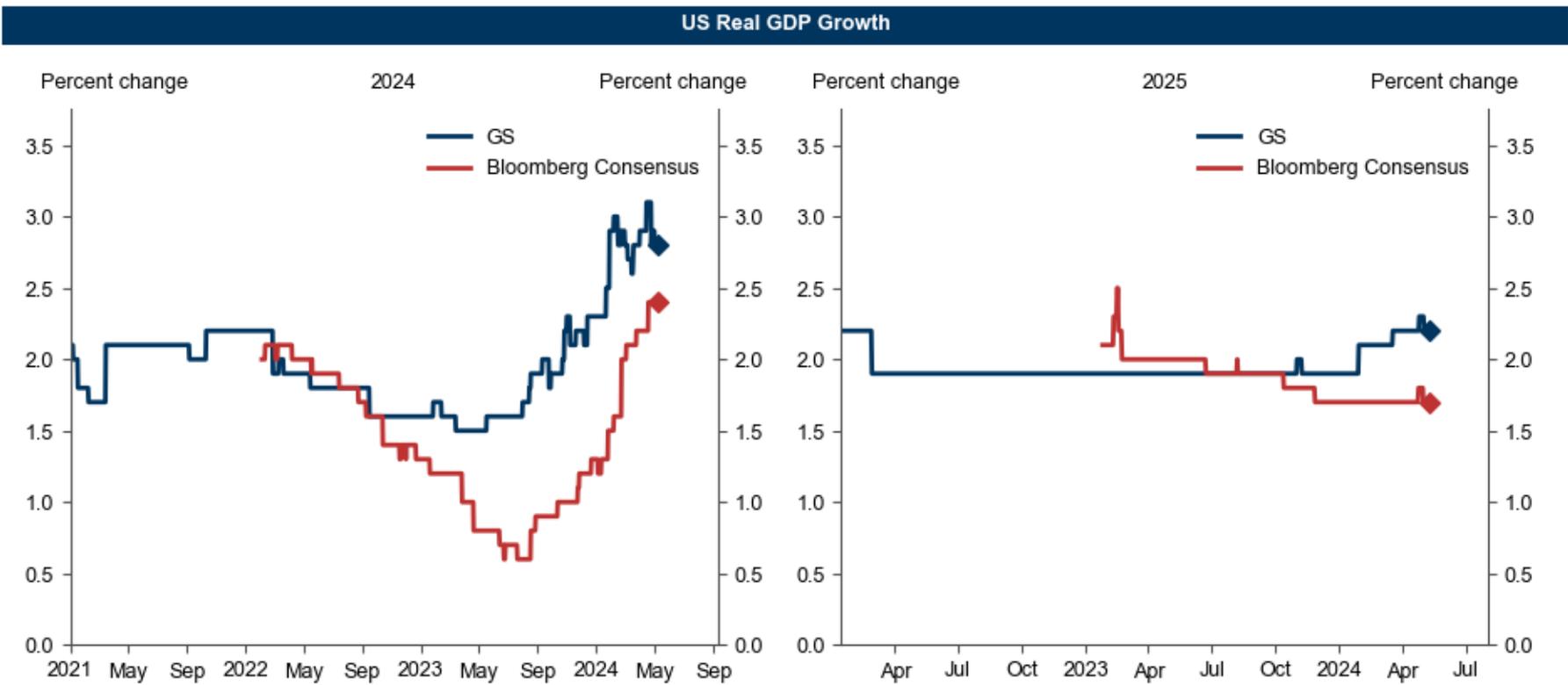
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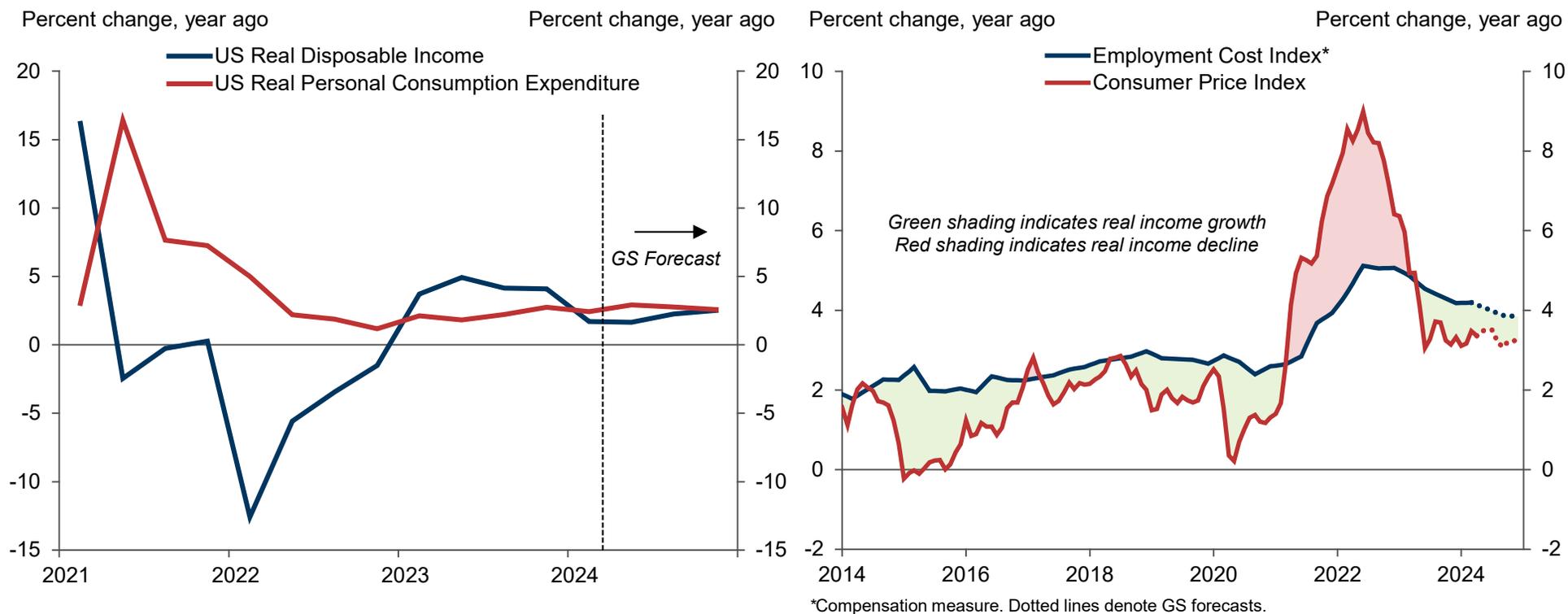
US GDP Continues to Grow Strongly



Source: Bloomberg, Goldman Sachs Global Investment Research.



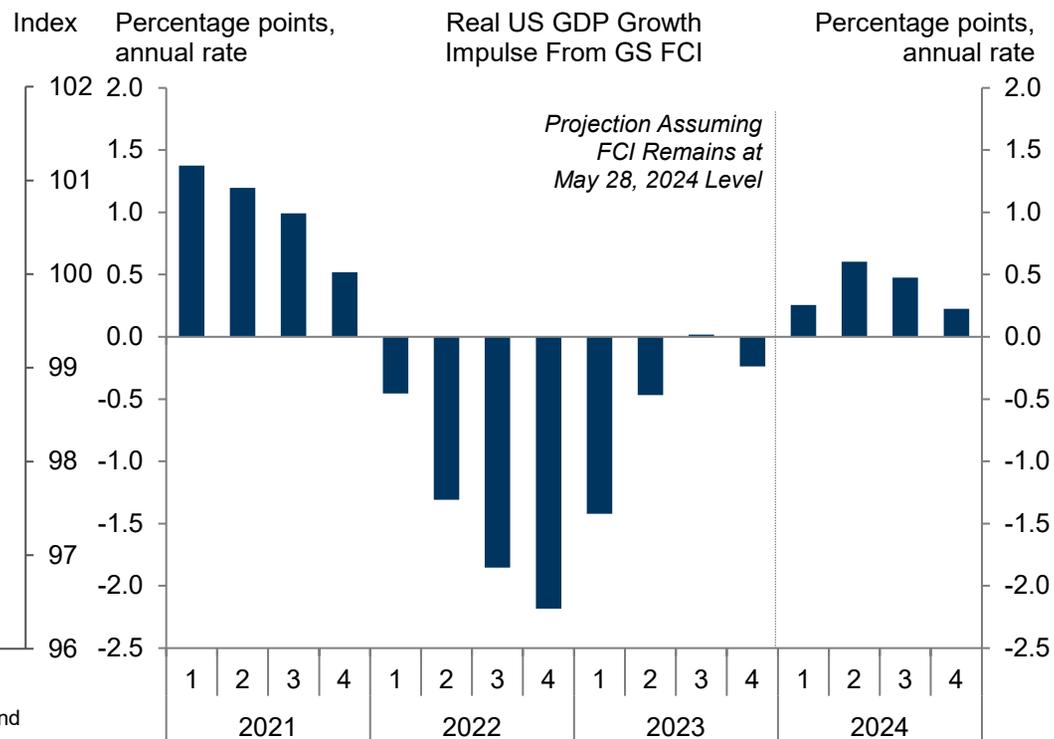
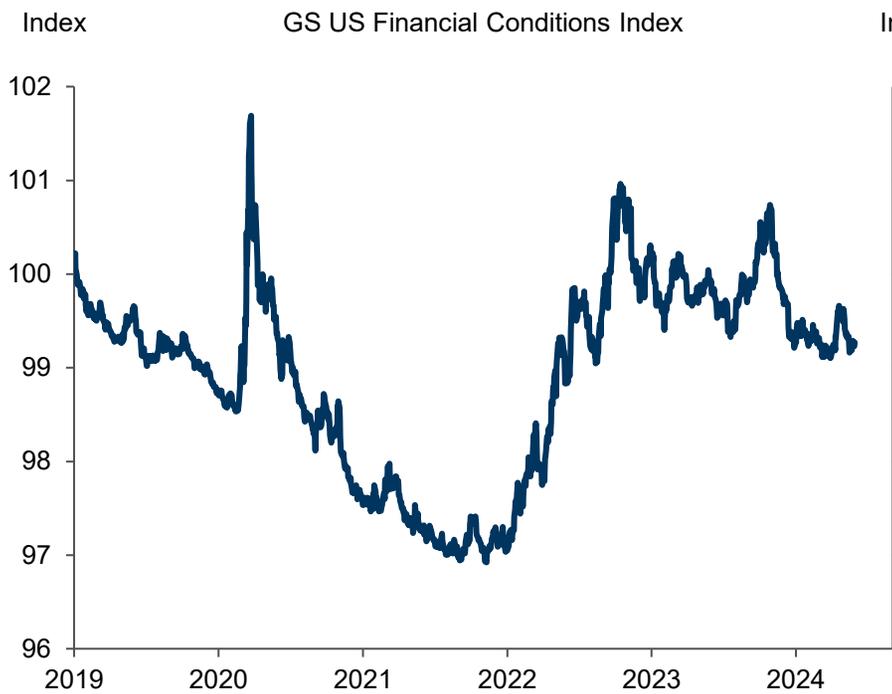
Demand Boost #1: Rising Real Income



Source: Haver Analytics, Goldman Sachs Global Investment Research.

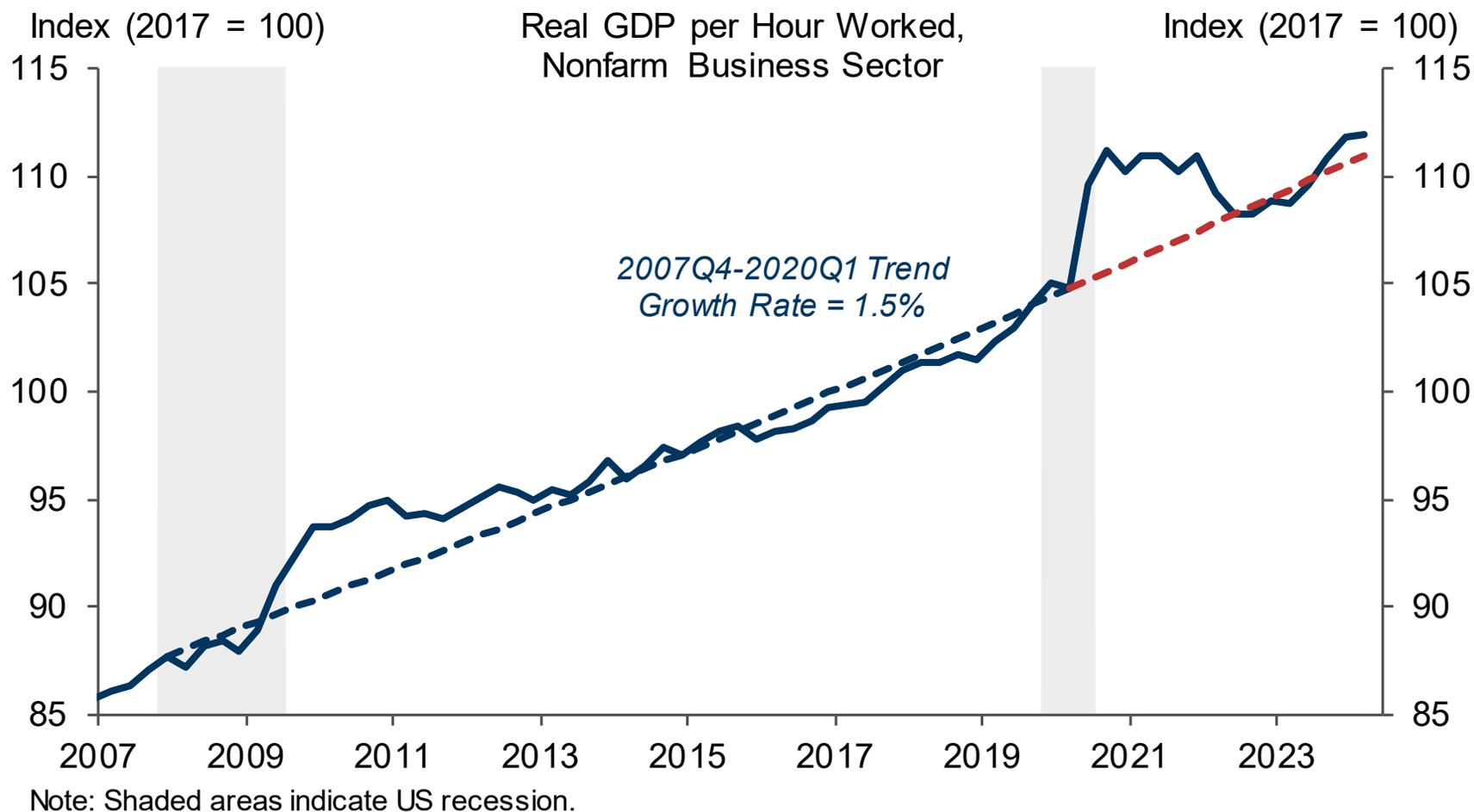


Demand Boost #2: Easier Financial Conditions



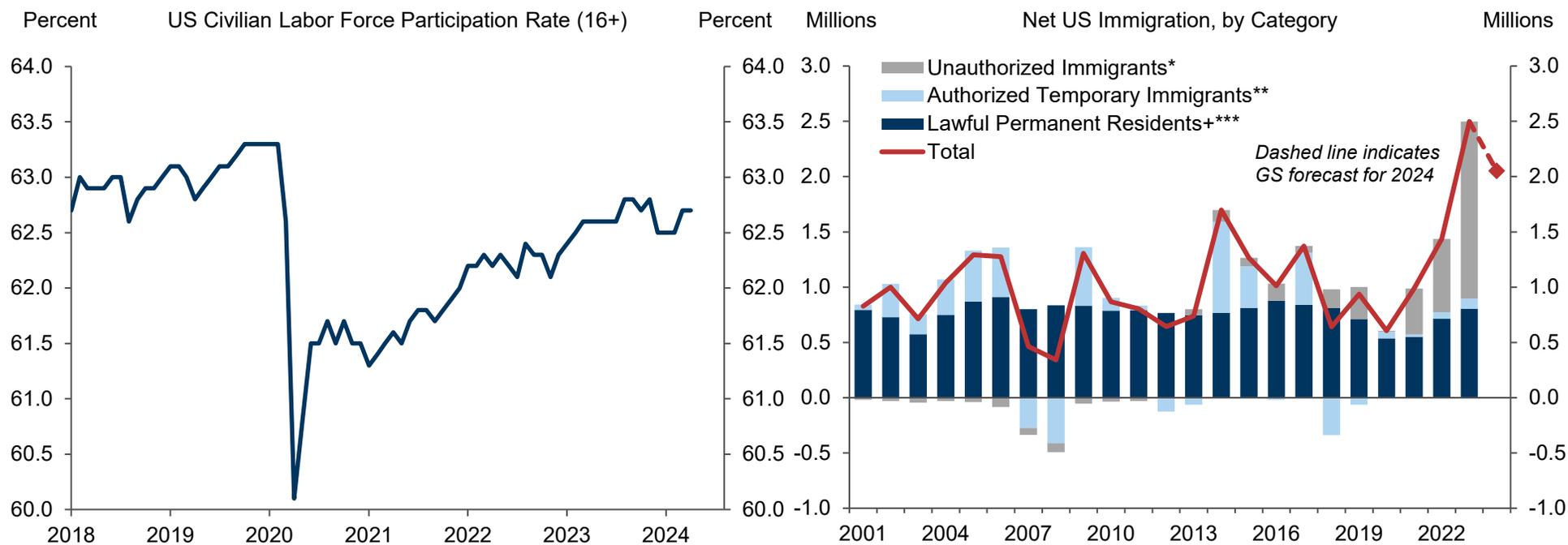
Note: Weighted average of funds rate, 10-year UST yield, Baa credit spreads, S&P 500, and trade-weighted dollar, with weights that mirror impact on GDP growth over next year.

Supply Boost #1: Decent Productivity Growth





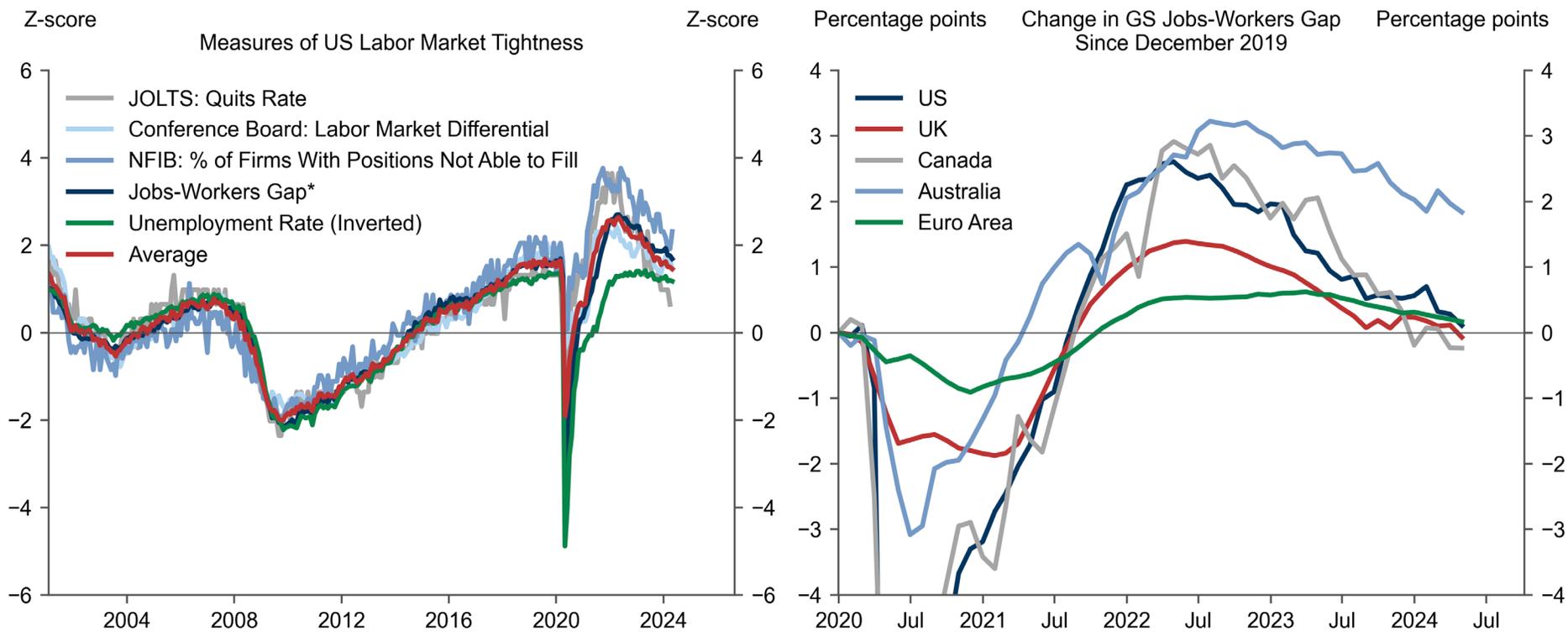
Supply Boost #2: Very Strong Labor Supply Growth



*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.



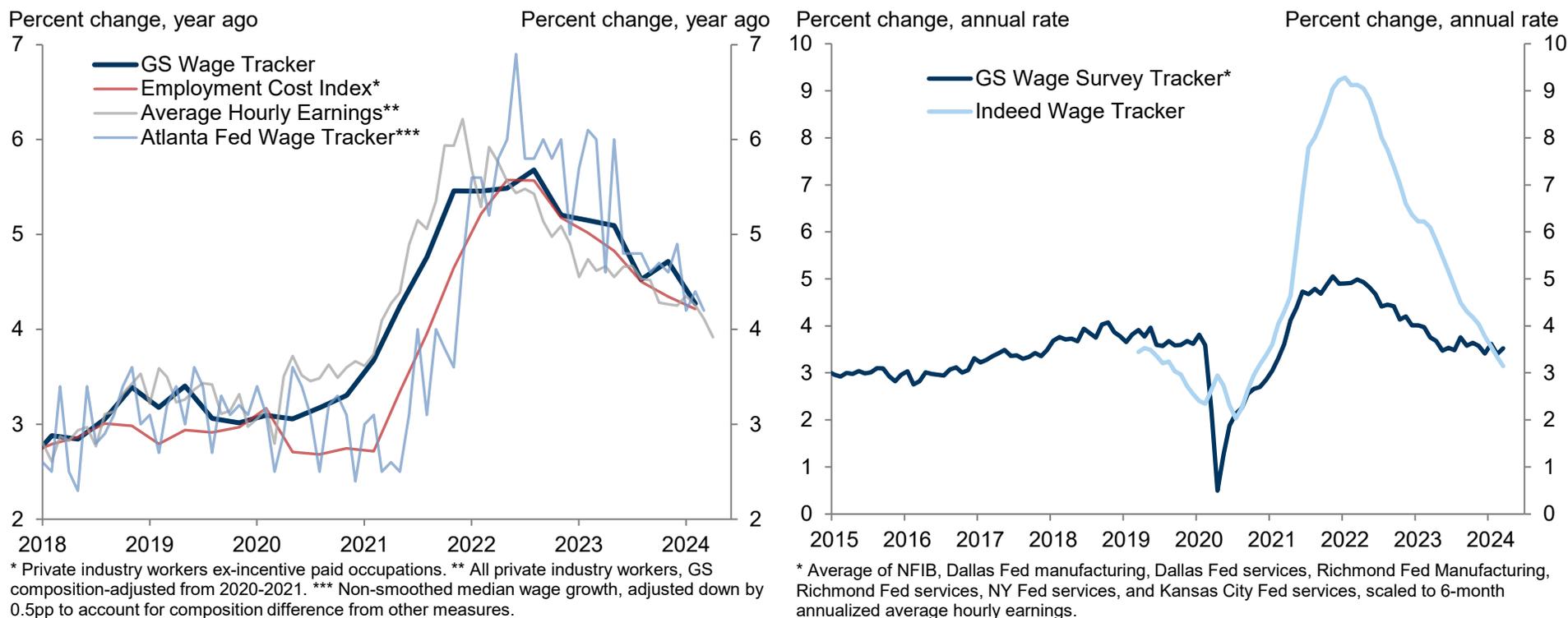
Labor Market Tightness Has Fallen to 2019 Levels



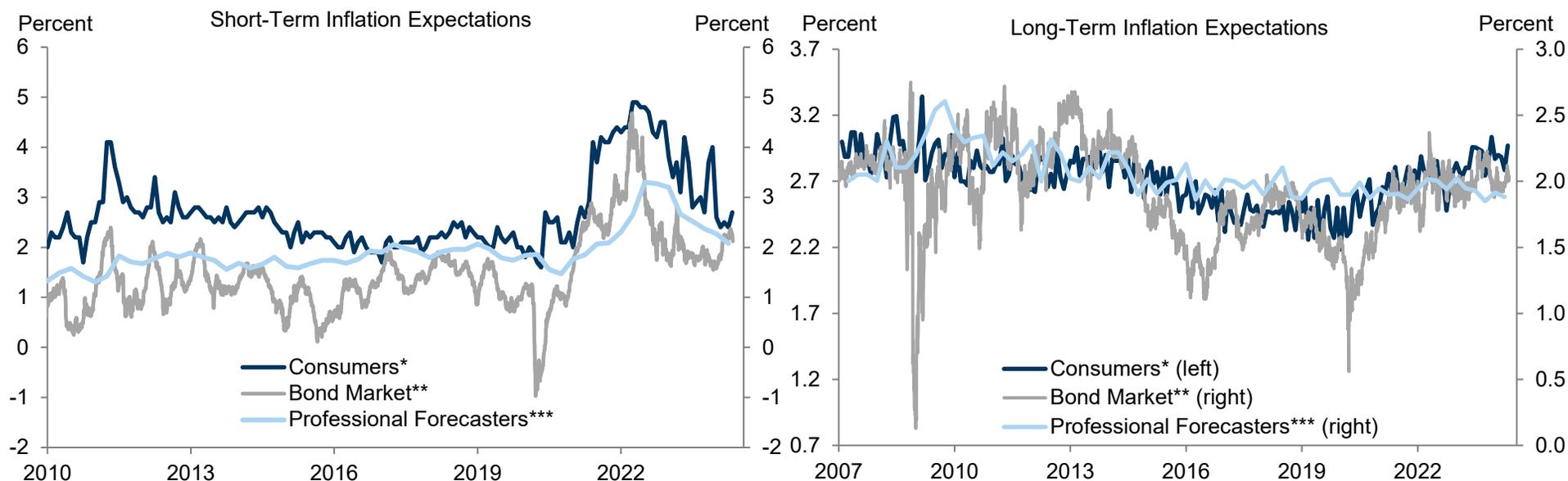
*Based on average of JOLTS, Linkup, and Indeed job openings measures.



Wage Growth Continues to Trend Down



Goldman Sachs 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.

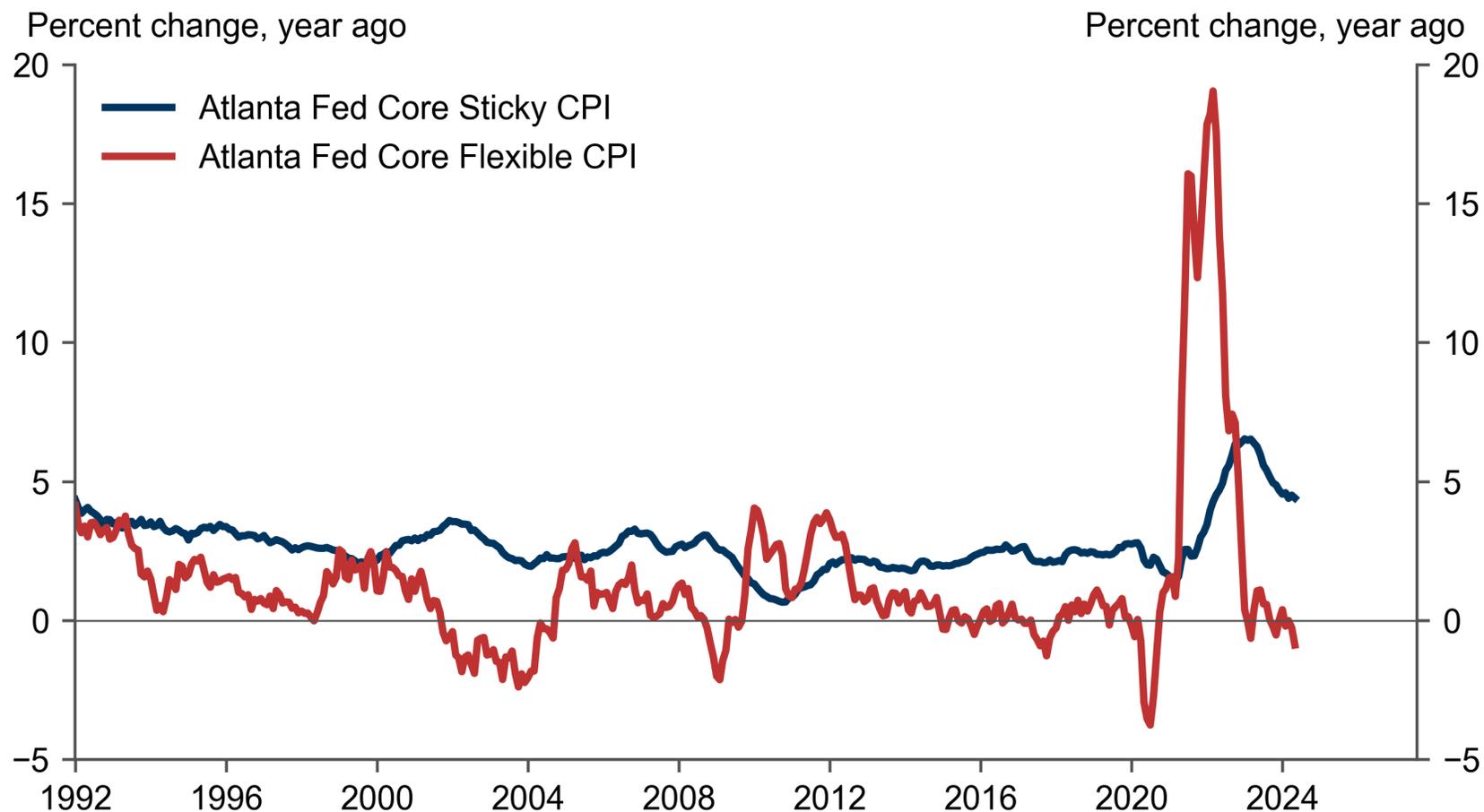
***SPF 1y inflation expectations. Subtracts 0.3pp (historical average CPI-PCE gap) for comparability with PCE inflation.

*UMich 6.5y1y inflation expectations. Computed from the UMich 1-year and 5-10-year inflation expectations measures

**5y5y breakeven inflation. Subtracts 0.3pp (historical average CPI-PCE gap) for comparability with PCE inflation

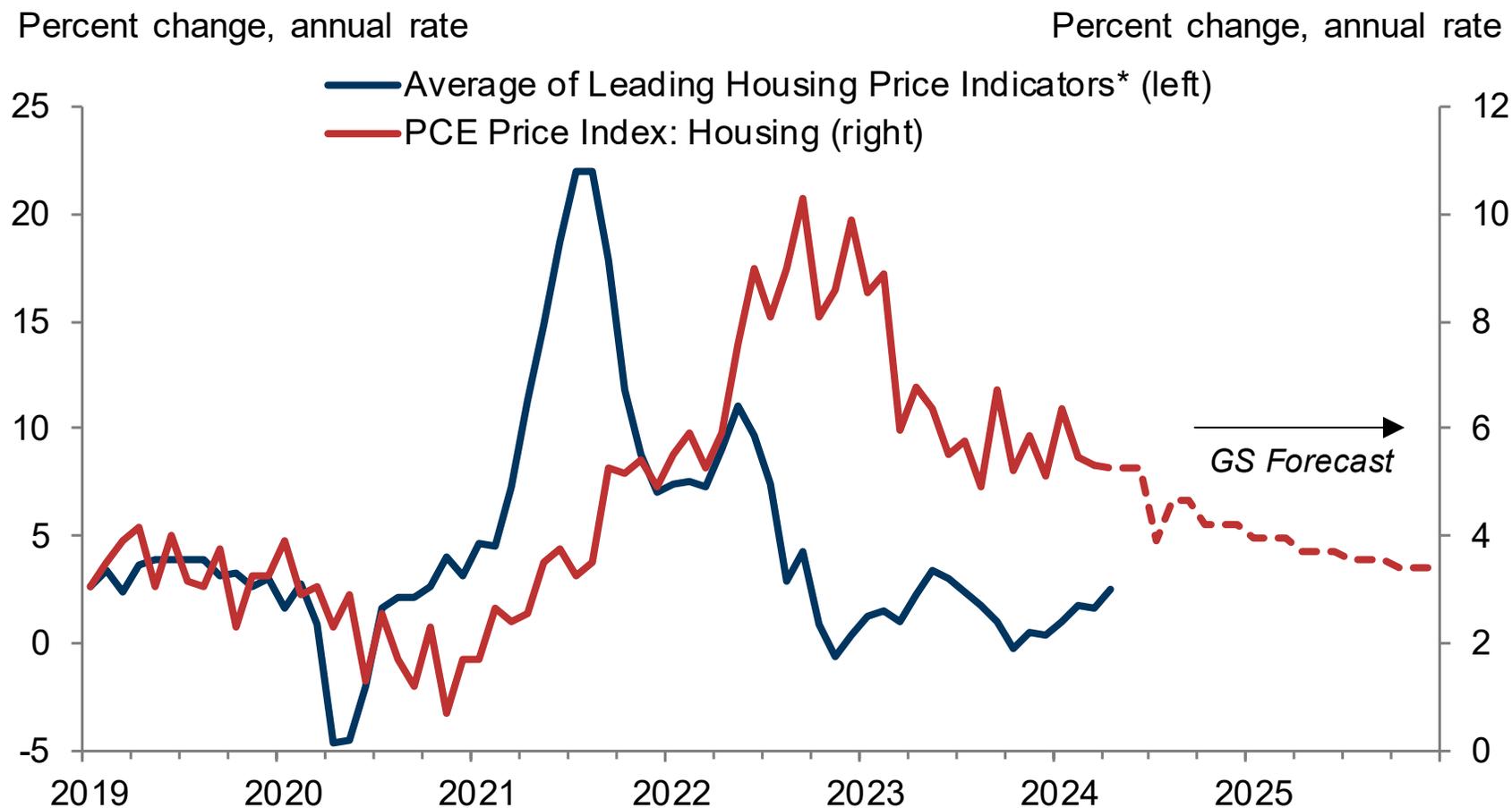
***SPF 5y5y inflation expectations.

Flexible Inflation Has Normalized, Sticky Inflation Is Lagging



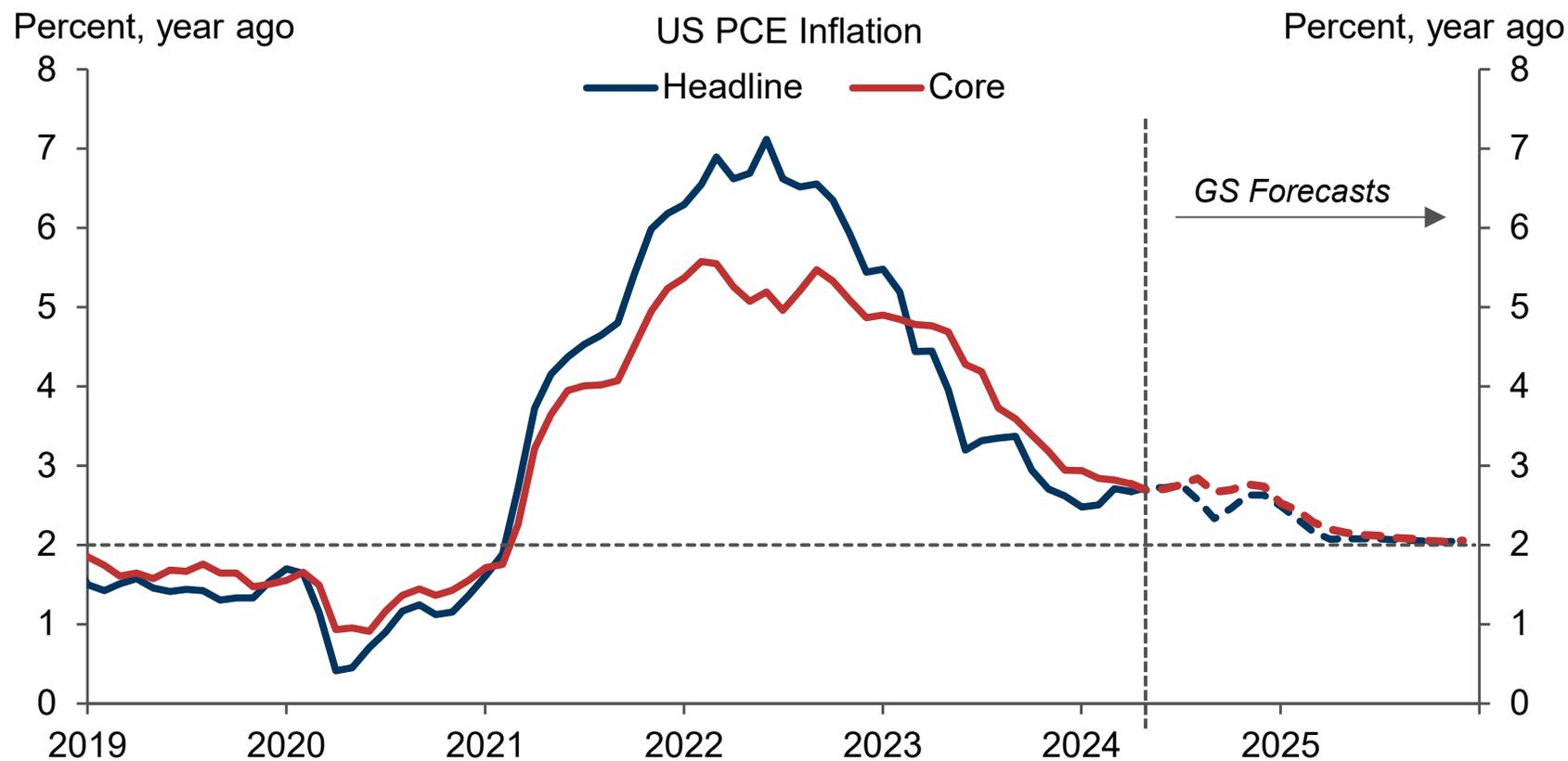


Rent and OER Inflation Are Set to Fall Further



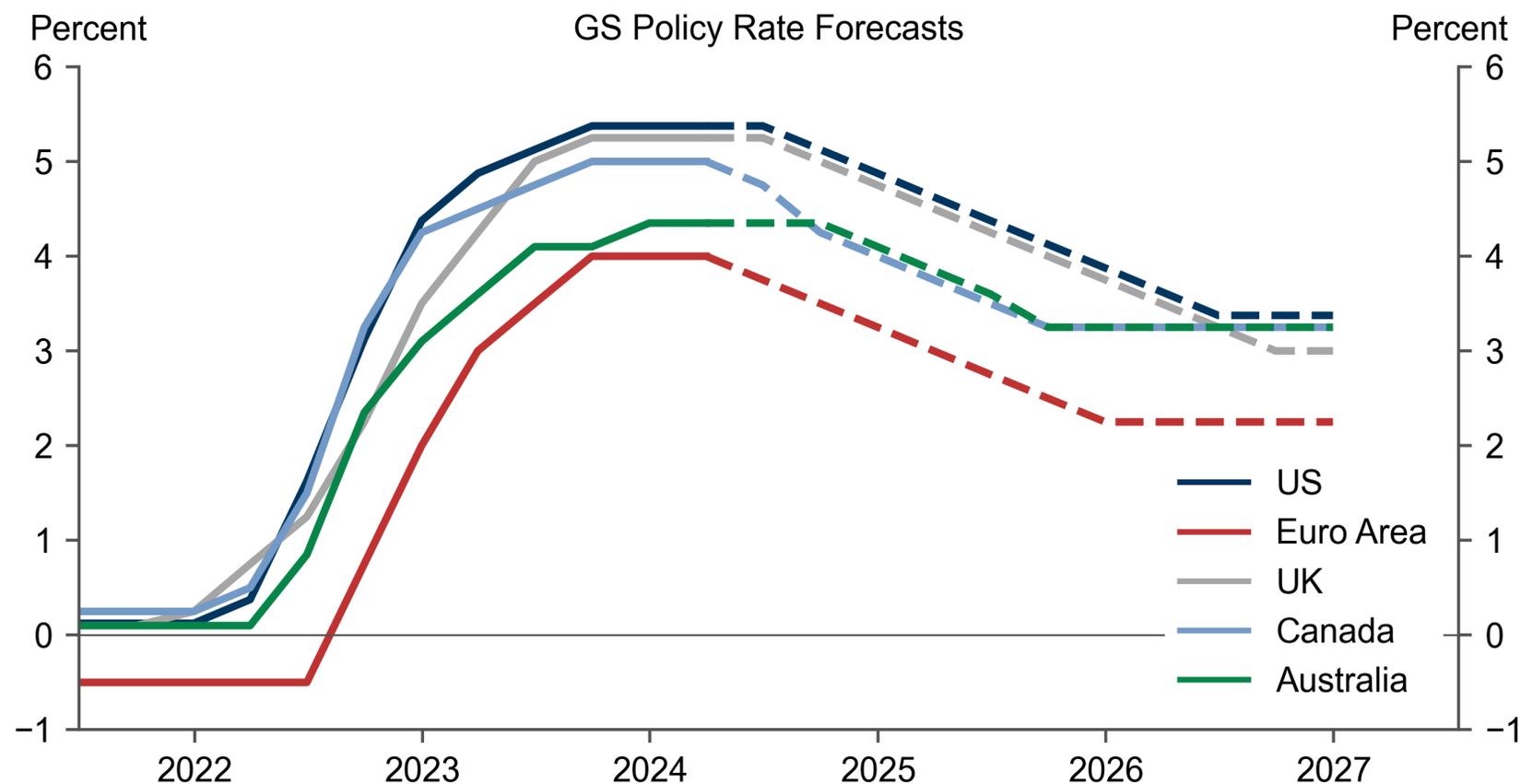
*Average of measures from Zillow, Yardi, and CoStar.

Despite the 2024Q1 Hiccup, We Still Expect PCE Inflation to Return to 2% in 2025



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

Cuts Are Coming Across Most DMs



Note: Dashed lines indicate GS forecasts.