Economic Outlook
Too Much of a Good Thing

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Key Forecasts
Global Growth

Key Forecasts
Unemployment, Inflation, and Rates

Good Growth
Positive GDP Growth in a Record Share of Countries

Source: IMF, Goldman Sachs Global Investment Research.

Good Growth
Financial Conditions Are Very Accommodative

Source: Goldman Sachs Global Investment Research.
Good Growth
FCI Shocks Are Important Growth Drivers

Source: Goldman Sachs Global Investment Research.
Good Growth
FCI Boost Explains 2016-2017 Growth Pickup, But Is Now Peaking

Real GDP Growth Impulse from GS FCI*, 4-Quarter Moving Average

*Assumes GSFCI remains constant at April 16 close.

Source: Goldman Sachs Global Investment Research.
Good Growth
A Front-Loaded Tax Cut

Source: IMF, Goldman Sachs Global Investment Research.
Good Growth
Tax Cuts and Spending Hikes Are Starting to Boost Growth

Effect of Fiscal Policy on Real GDP Growth, 4-Quarter Moving Average
- Federal Spending
- Federal Tax

Source: Goldman Sachs Global Investment Research.
Good Growth
Impulses Are Positive, But Probably Peaking

*Assumes GS FCI remains constant at April 16 close.

Source: Goldman Sachs Global Investment Research.
Punchbowl Alert
Labor Market Is At (or Beyond) Full Employment


*Z-scores were inverted. Higher values denote more slack.

Punchbowl Alert
Wages Have Been Accelerating Gradually

* The following enter the wage tracker: ECI wages and salaries ex-incentives, average hourly earnings, compensation per hour, median weekly wages, and the Atlanta Fed wage tracker


Source: Goldman Sachs Global Investment Research.
Punchbowl Alert
Inflation Is Likely to Overshoot the Fed’s Target (Modestly)

Core PCE Inflation

Source: Department of Commerce. Goldman Sachs Global Investment Research.
Punchbowl Alert
As Unemployment Falls Below 4%, Inflation *Could* Accelerate More Sharply

![Graph showing the relationship between unemployment rate and average core CPI inflation sorted by unemployment rate buckets, with quarterly observations for 1997-2017 for 13 biggest cities.](image-url)
Punchbowl Alert
Bond Market Still Underprices Fed Tightening

US: Federal Funds Rate

- GS Forecast
- FOMC*
- Market Pricing**

* Path implied by median SEP dot
** Derived from Eurodollar futures - Fed Funds basis swaps

Source: Bloomberg, Goldman Sachs Global Investment Research.
Risks
Tariffs Are Still Small from a Macro Perspective

US Effective Tariff Rate
(Gross Customs Duties, as Share of Total Imports)

Impact of 2018 Enacted and Proposed Tariffs*

*Includes tariffs on solar panels, washing machines, steel and aluminum under Section 232, and targeted tariffs worth approximately $150bn on China under Section 301

Source: USITC. Goldman Sachs Global Investment Research.
Risks
The Private Sector Is Still Running a Financial Surplus

Risks
Deficit Is Unusually Large Relative to State of Economy

Source: Commerce Department, Congressional Budget Office.

[Graph showing Federal Budget Deficit and Unemployment Rate over time, with labels for Korean War and Vietnam War.]
Risks
History Says that Overshooting Full Employment Ends in Recession

*3-month moving average. Vertical lines denote months in which jobless rate rose more than 0.35 percentage points above the preceding low. Shaded areas denote recessions.

Source: Department of Labor. NBER.
Disclosure Appendix

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