



Global Investment Research

The Goldman Sachs Group, Inc.

Economic Outlook

Bottoming

April 5, 2019

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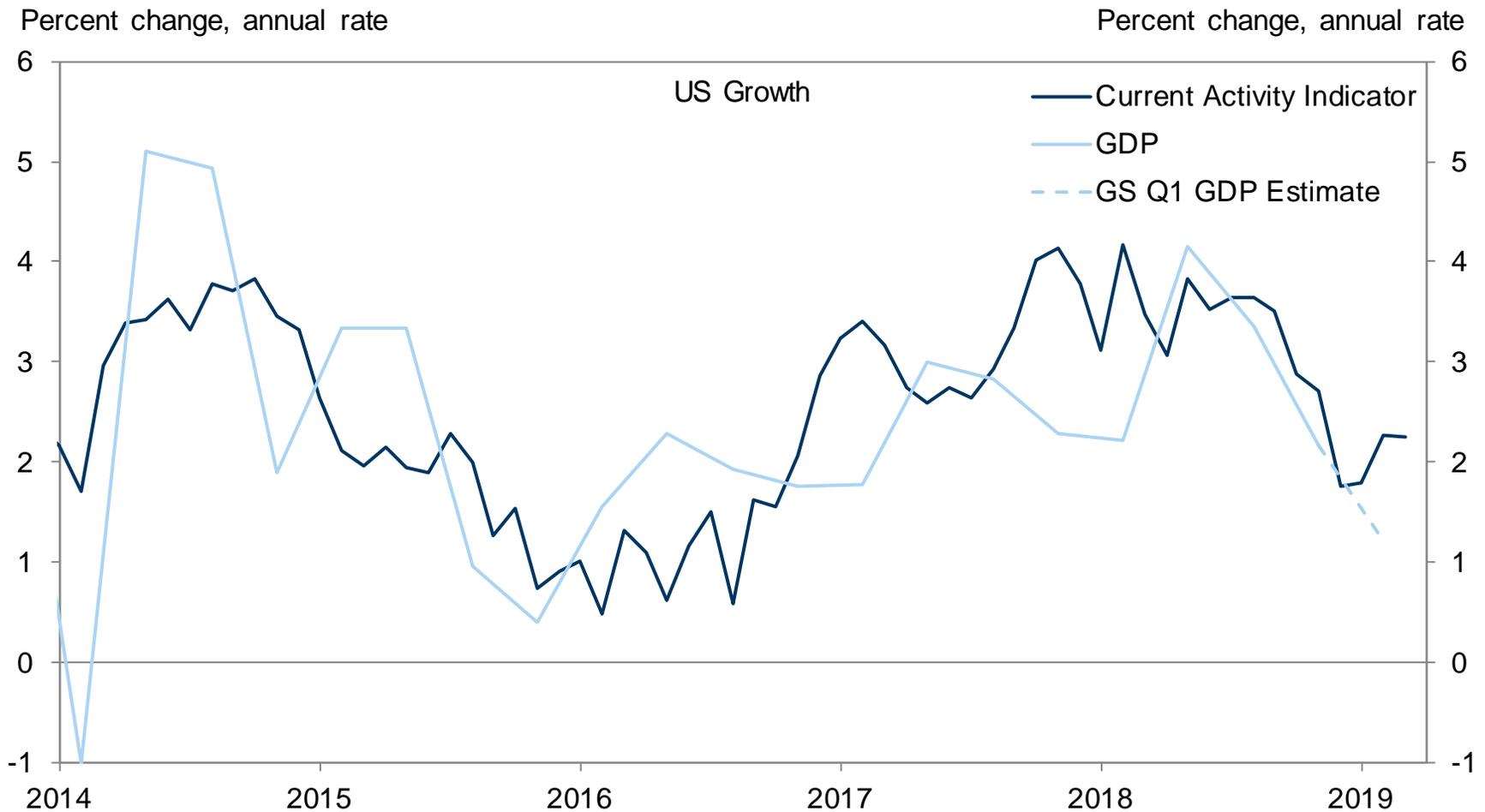
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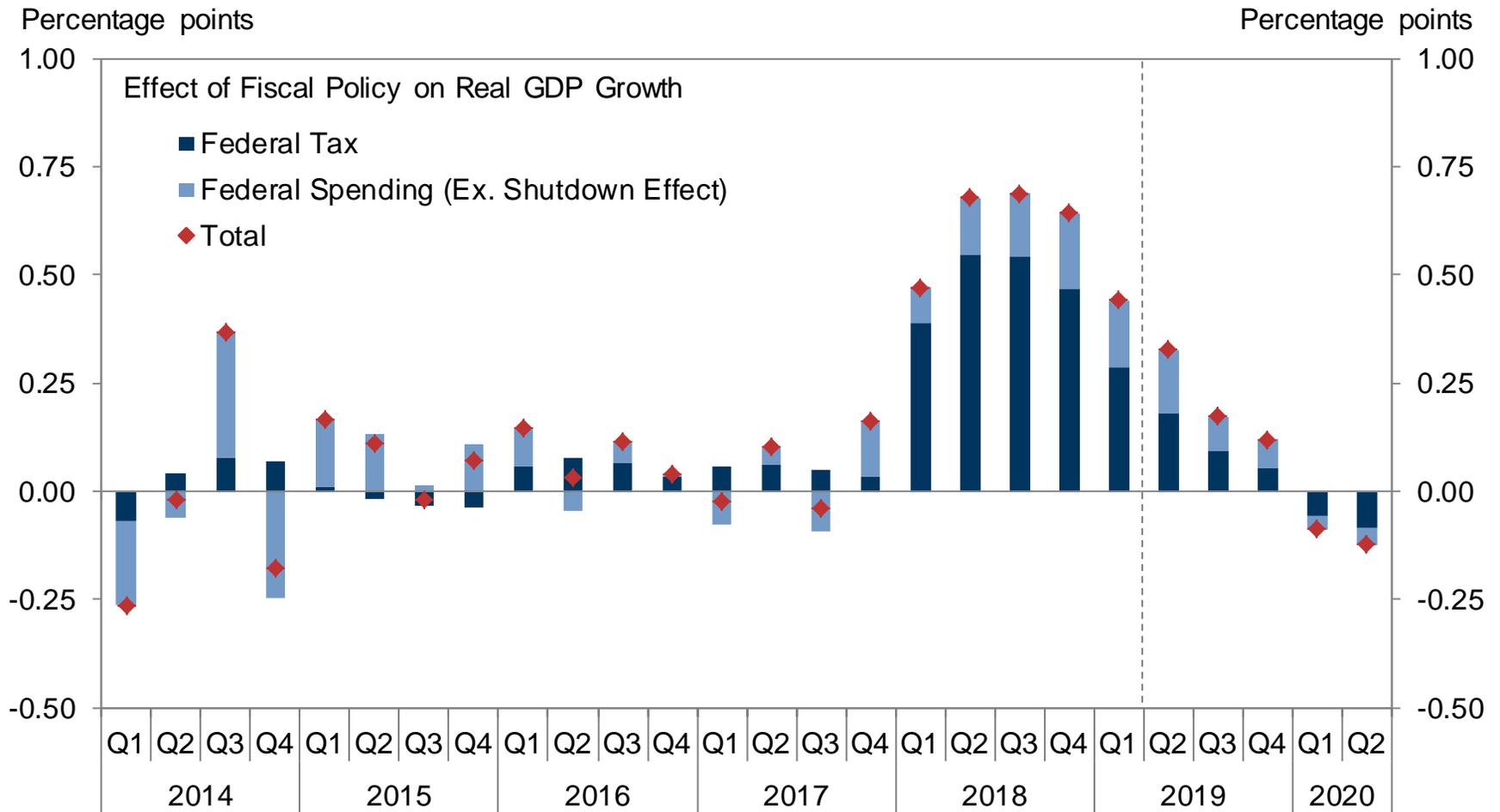
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US Growth Has Slowed



Source: Department of Commerce, Goldman Sachs Global Investment Research.

Fiscal Boost Continues to Diminish



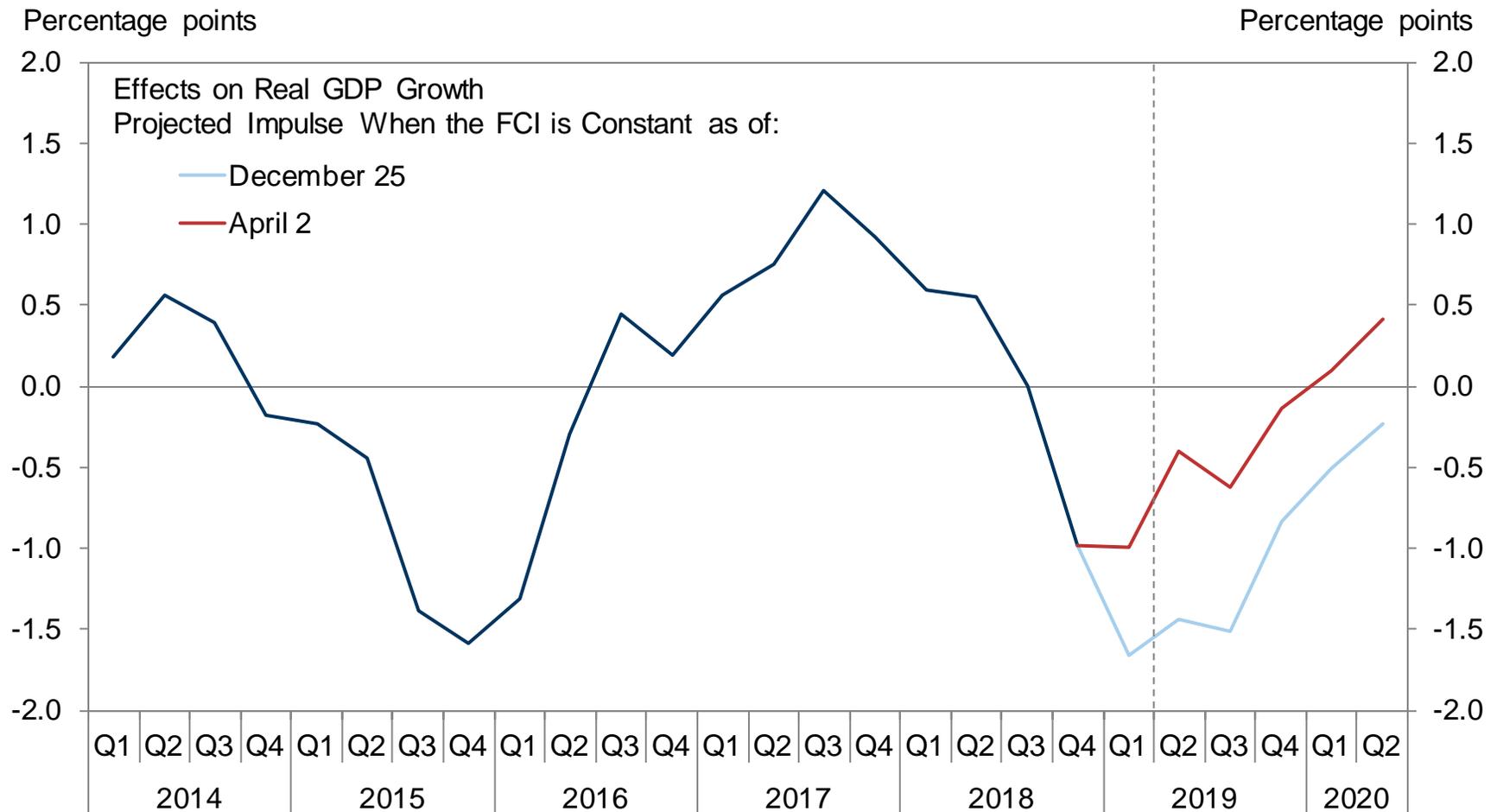
The Drag from Financial Conditions...



Note: Weights of FCI components are as follows: Fed eral Funds Rate: 4.4%, 10-Year Treasury Rate: 45.1%, BBB Credit Spread: 39.6%, Equity Prices: 4.9%, Trade-Weighted Dollar: 6.0%

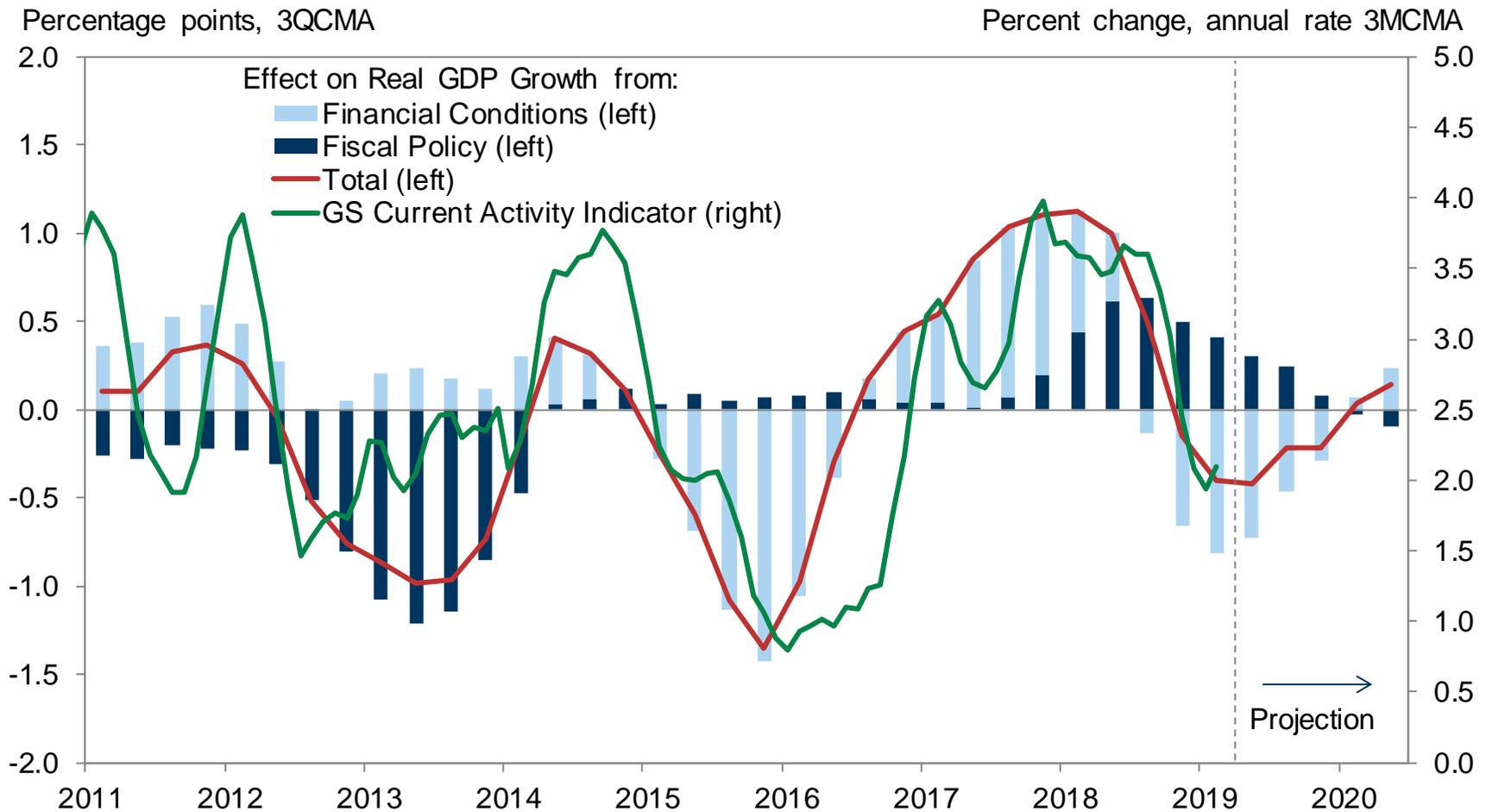
Source: Goldman Sachs Global Investment Research.

...Looks Set to Diminish

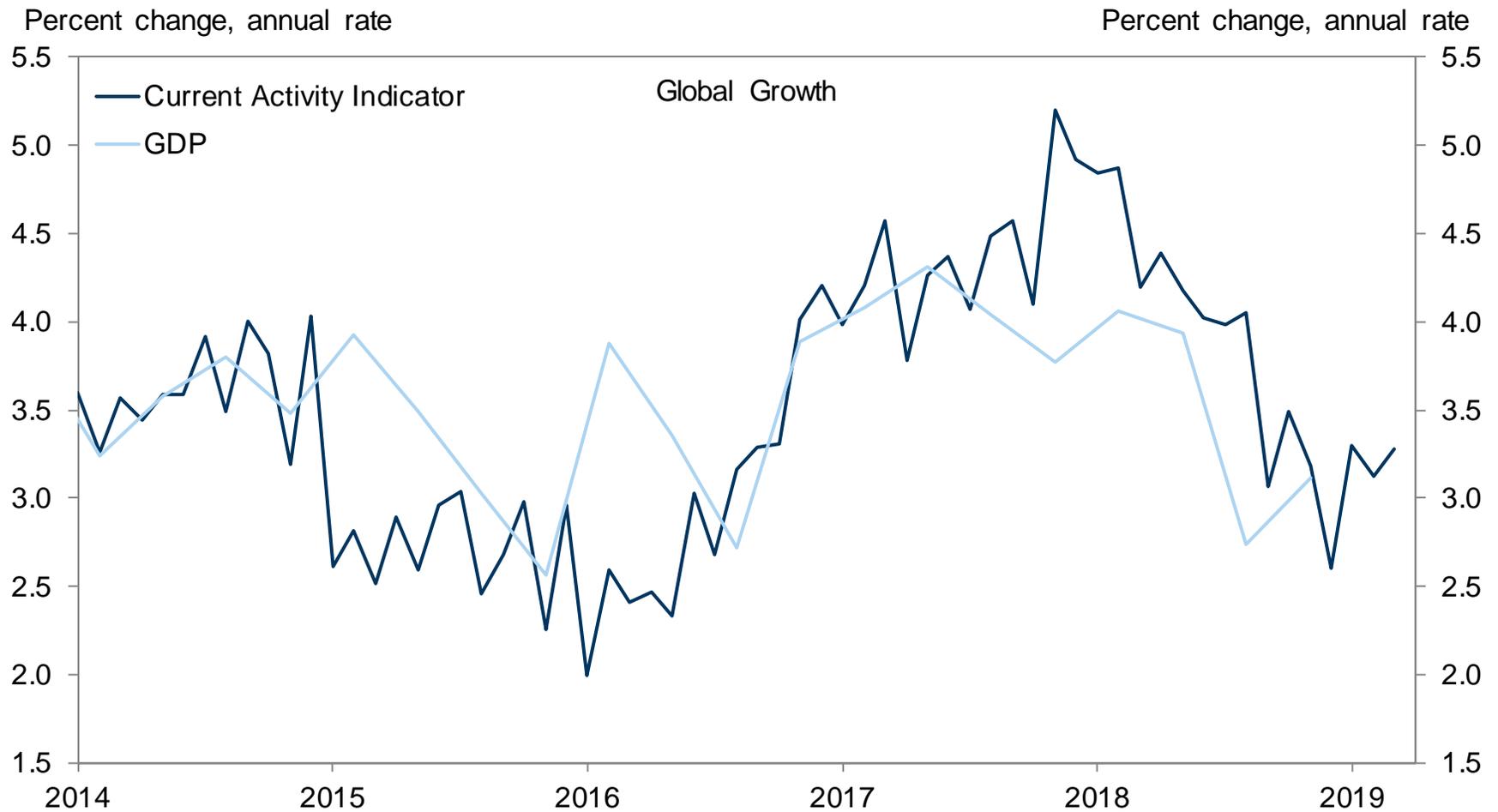


Source: Goldman Sachs Global Investment Research.

Impulses Should Turn Gradually More Positive

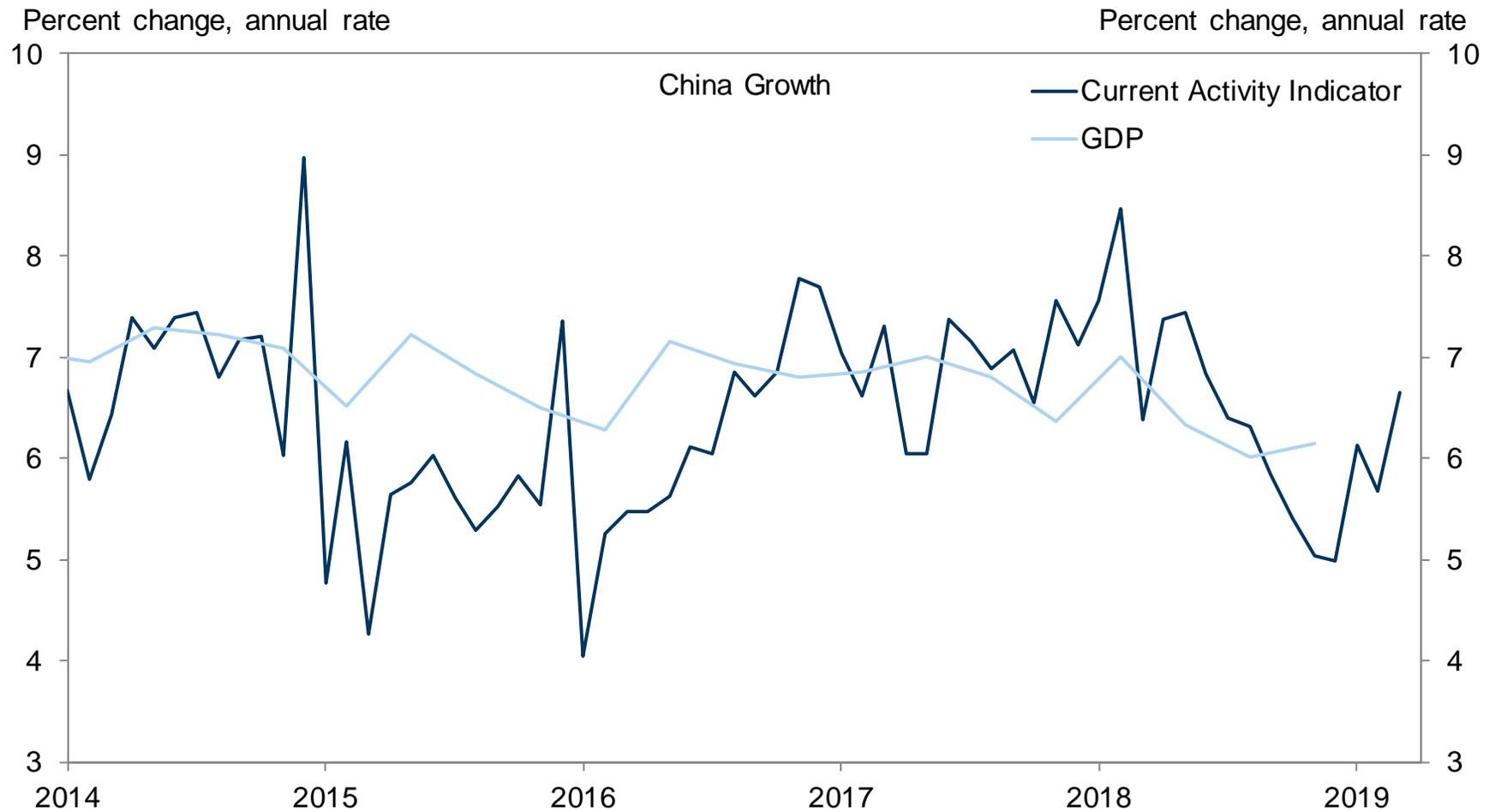


Global Growth Is Stabilizing...



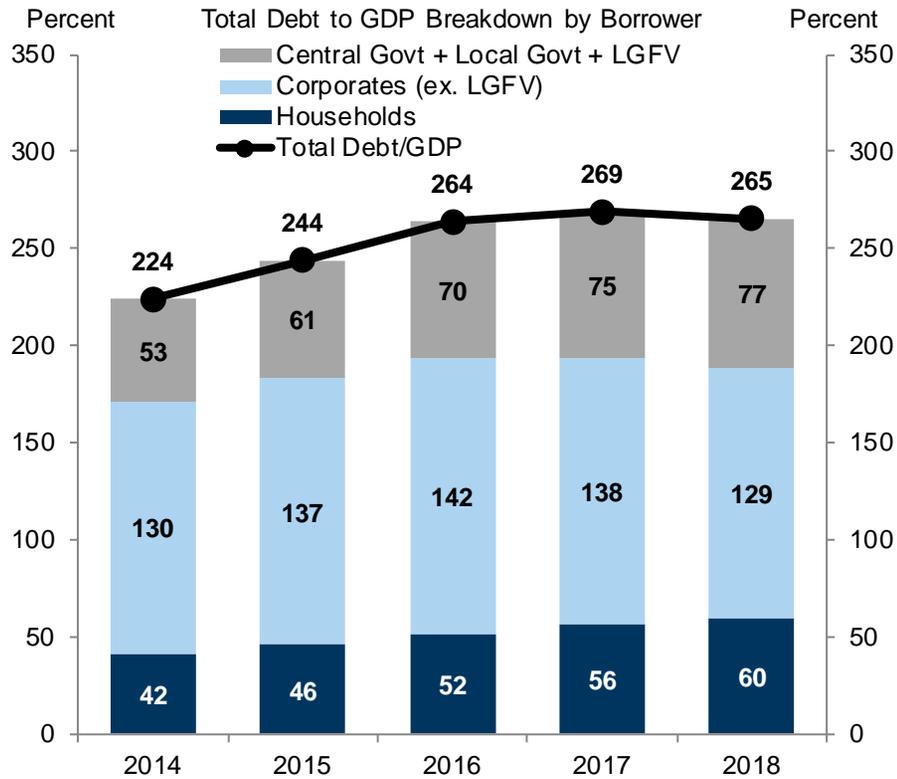
Source: Department of Commerce, Goldman Sachs Global Investment Research.

...With China Showing a Reacceleration...

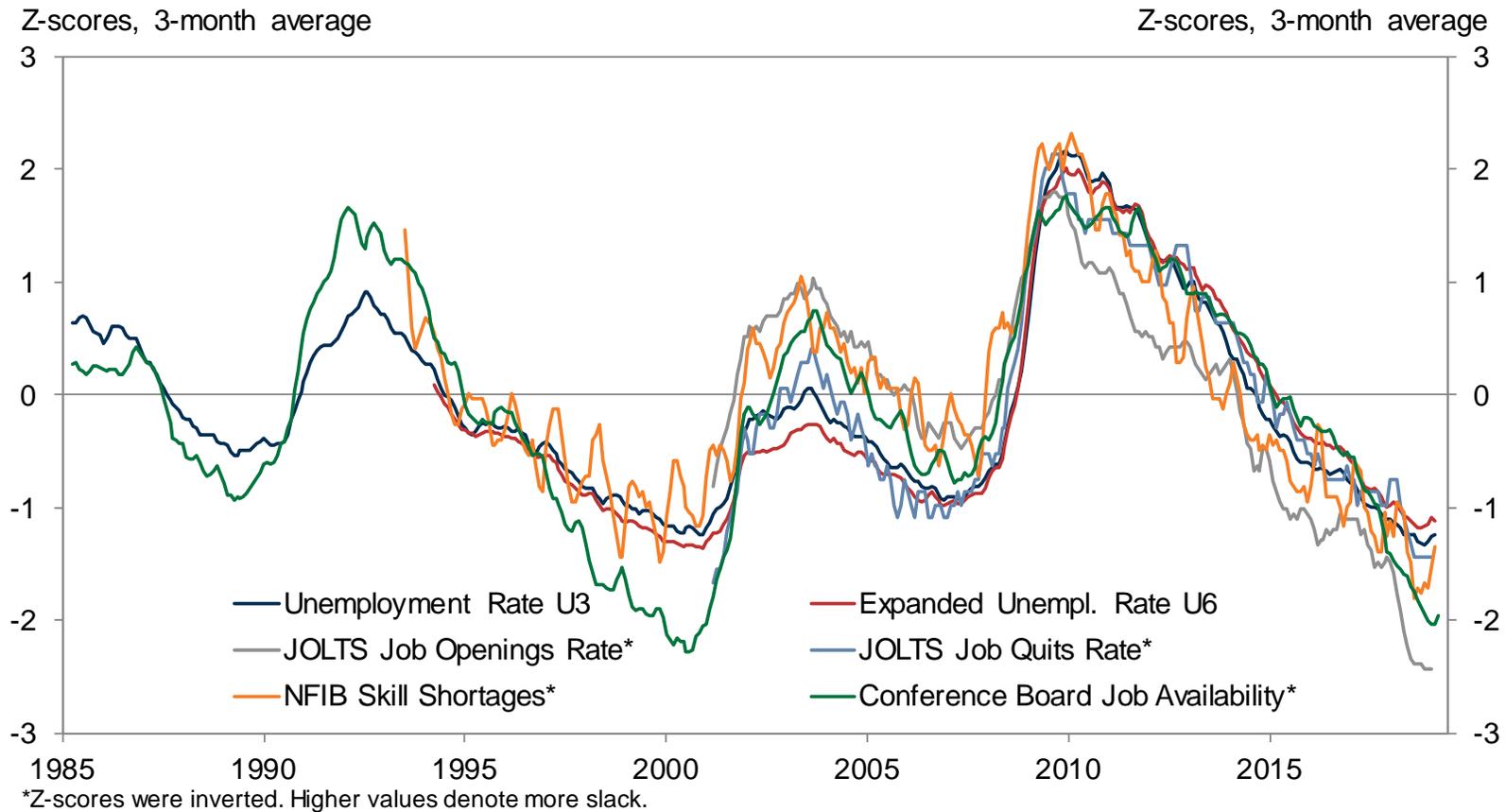


Source: Goldman Sachs Global Investment Research.

...On the Back of More Stable Credit Conditions

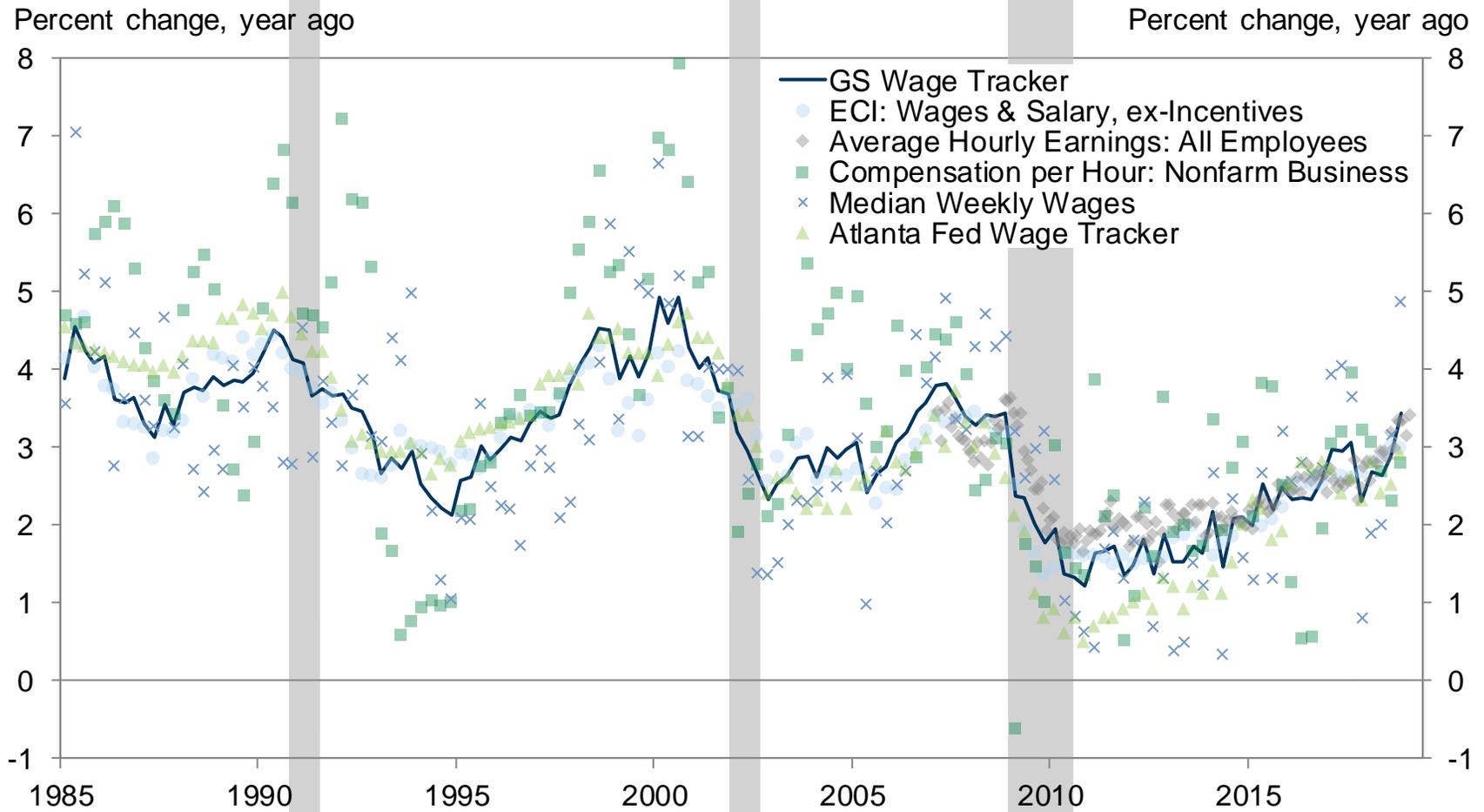


US Job Market Still on a Tightening Trend



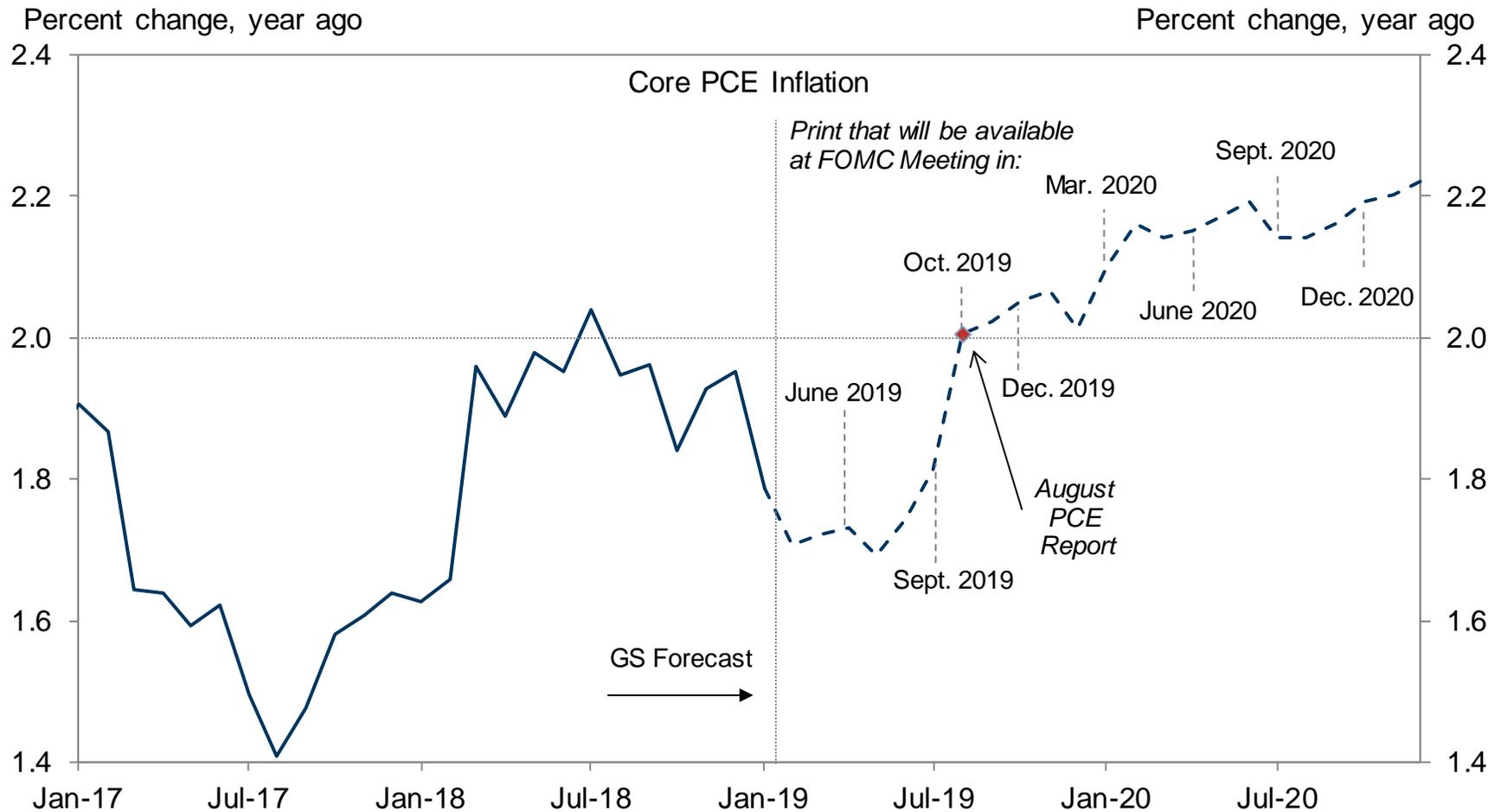
Source: Department of Labor. Conference Board. JOLTS. NFIB. Goldman Sachs Global Investment Research.

Wage Acceleration Likely to Continue



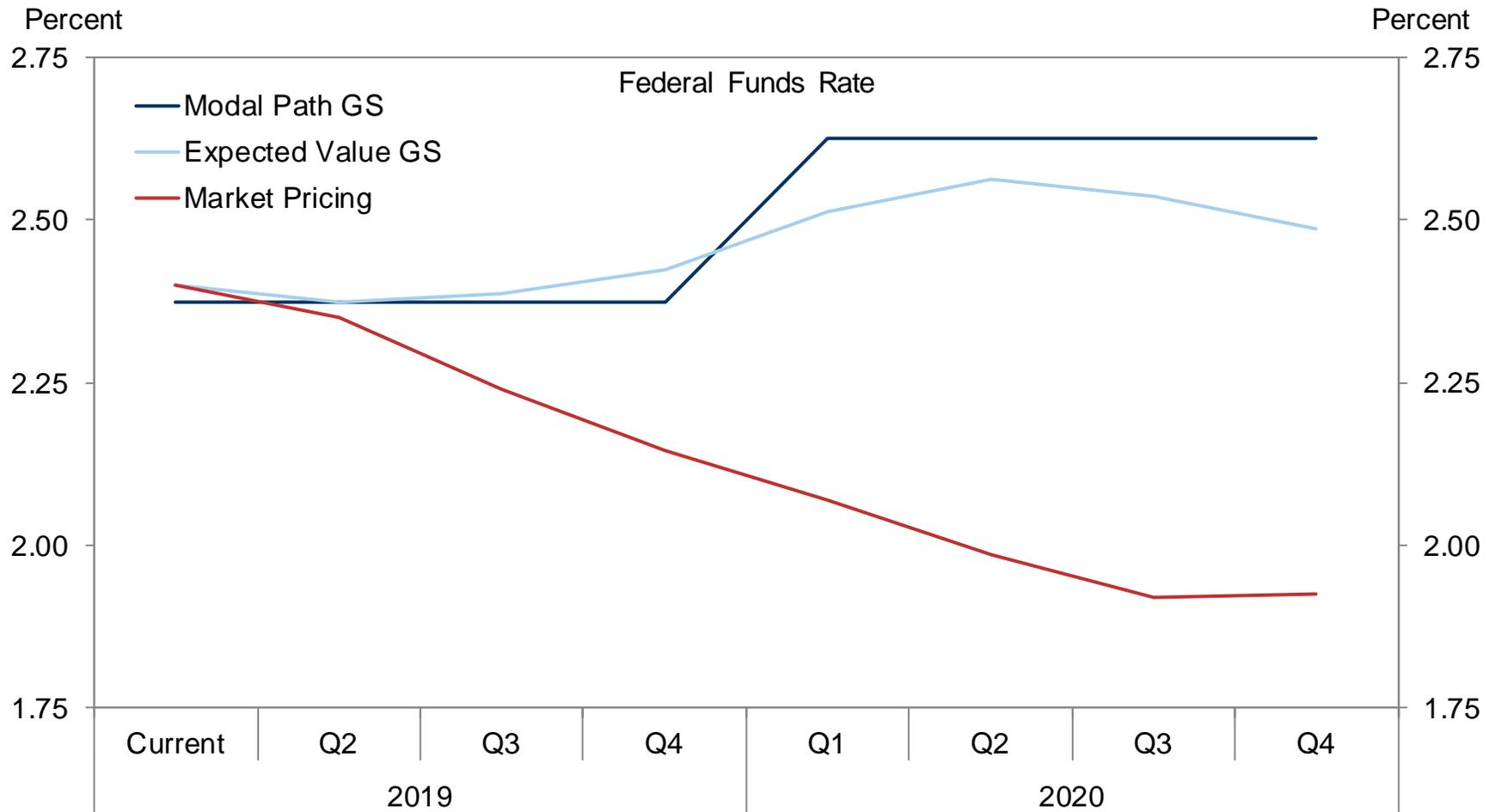
Source: Goldman Sachs Global Investment Research.

Core PCE Inflation Below 2% Until Late 2019



Source: Department of Commerce. Goldman Sachs Global Investment Research.

Bond Market Discounts Too Low a Fed Path



Source: Bloomberg, Goldman Sachs Global Investment Research.

Global Growth Forecasts

Real GDP Growth							
Percent Change yoy	2016	2017	2018	2019 (f)		2020 (f)	
				GS	Cons*	GS	Cons*
US	1.6	2.2	2.9	2.4	2.4	2.1	1.9
Japan	1.0	1.9	0.8	0.5	0.8	0.7	0.5
Euro Area	1.9	2.5	1.8	1.0	1.4	1.4	1.4
Germany	2.2	2.5	1.5	0.7	1.0	1.4	1.4
France	1.1	2.3	1.5	1.0	1.3	1.5	1.4
Italy	1.0	1.6	0.8	-0.3	0.2	0.8	0.8
Spain	3.3	3.0	2.5	2.3	2.2	2.1	1.9
UK	1.8	1.8	1.4	1.1	1.4	1.4	1.5
China	6.7	6.8	6.6	6.2	6.2	6.1	6.0
India**	7.9	6.6	7.3	7.2	7.3	7.9	7.3
Russia	-0.2	1.5	1.8	2.1	1.5	2.9	1.7
Brazil	-3.5	1.1	1.1	2.0	2.3	3.0	2.5
Developed Markets	1.7	2.4	2.3	1.7	1.9	1.8	1.7
Emerging Markets	4.5	5.1	5.0	4.7	4.8	5.3	5.0
World	3.1	3.8	3.8	3.4	3.5	3.7	3.5

* Bloomberg consensus forecasts as of March.

** Bloomberg consensus fiscal year basis

US Forecasts

THE US ECONOMIC AND FINANCIAL OUTLOOK

(% change on previous period, annualized, except where noted)

	2017	2018	2019	2020	2021	2022	2019				2020			
			(f)	(f)	(f)	(f)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
OUTPUT AND SPENDING														
Real GDP	2.2	2.9	2.4	2.1	1.8	1.6	1.2	3.0	2.2	2.2	2.0	2.0	1.9	1.8
Real GDP (Q4/Q4)	2.5	3.0	2.2	1.9	1.7	1.6	--	--	--	--	--	--	--	--
Consumer Expenditure	2.5	2.6	2.6	2.3	1.9	1.7	1.1	3.6	2.6	2.3	2.2	2.2	2.2	1.9
Residential Fixed Investment	3.3	-0.3	0.1	5.4	2.9	2.3	0.3	2.0	6.0	6.0	6.0	6.0	4.0	4.0
Business Fixed Investment	5.3	6.9	4.0	3.8	3.4	3.2	1.7	4.3	4.9	3.9	3.5	3.5	3.4	3.4
Structures	4.6	5.0	0.6	2.0	2.0	2.0	0.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Equipment	6.1	7.4	2.2	3.9	4.0	3.4	-3.2	2.0	4.0	4.0	4.0	4.0	4.0	4.0
Intellectual Property Products	4.6	7.5	8.6	4.9	3.5	3.8	9.0	9.0	8.0	5.0	4.0	4.0	3.5	3.5
Federal Government	0.7	2.6	2.9	1.2	0.0	0.0	1.0	7.0	2.5	2.5	0.0	0.0	0.0	0.0
State & Local Government	-0.5	0.8	1.3	0.4	0.0	0.0	2.9	1.5	1.0	1.0	0.0	0.0	0.0	0.0
Net Exports (\$bn, '09)	-859	-912	-979	-1,028	-1,066	-1,103	-955	-970	-988	-1004	-1013	-1023	-1032	-1042
Inventory Investment (\$bn, '09)	23	45	44	20	20	25	88	45	25	20	20	20	20	20
Industrial Production, Mfg.	2.0	2.3	1.1	1.1	1.1	0.9	-0.3	0.4	0.9	1.1	1.3	1.3	1.2	1.1
HOUSING MARKET														
Housing Starts (units, thous)	1,208	1,249	1,287	1,327	1,373	--	1,279	1,282	1,274	1,313	1,299	1,322	1,341	1,349
New Home Sales (units, thous)	616	620	654	677	701	--	645	654	653	664	666	672	681	688
Existing Home Sales (units, thous)	5,531	5,341	5,172	5,219	5,268	--	5,155	5,166	5,178	5,189	5,201	5,213	5,225	5,237
Case-Shiller Home Prices (%yoy)*	6.2	4.4	3.3	2.8	2.2	2.0	3.4	3.7	3.4	3.3	3.2	3.0	2.9	2.8
INFLATION (% ch, yr/yr)														
Consumer Price Index (CPI)	2.1	2.4	1.9	2.3	2.3	2.3	1.6	1.8	1.9	2.1	2.4	2.2	2.2	2.2
Core CPI	1.8	2.1	2.3	2.4	2.6	2.5	2.1	2.2	2.4	2.4	2.4	2.4	2.4	2.5
Core PCE**	1.6	1.9	1.9	2.2	2.3	2.3	1.7	1.7	1.9	2.0	2.1	2.2	2.1	2.2
LABOR MARKET														
Unemployment Rate (%)	4.4	3.9	3.7	3.4	3.4	3.6	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3
U6 Underemployment Rate (%)	8.5	7.7	7.3	6.7	6.7	7.0	7.6	7.3	7.1	7.0	6.9	6.7	6.6	6.5
Payrolls (thous, monthly rate)	180	221	149	125	81	76	160	160	150	125	125	125	125	125
GOVERNMENT FINANCE														
Federal Budget (FY, \$bn)	-666	-779	-950	-1,050	-1,125	-1,250	--	--	--	--	--	--	--	--
FINANCIAL INDICATORS														
FF Target Range (Bottom-Top, %)^	1.25-1.5	2.25-2.5	2.25-2.5	2.5-2.75	2.5-2.75	2.5-2.75	2.25-2.5	2.25-2.5	2.25-2.5	2.25-2.5	2.5-2.75	2.5-2.75	2.5-2.75	2.5-2.75
10-Year Treasury Note^	2.40	2.69	3.00	2.85	2.80	2.80	2.75	2.90	3.00	3.00	3.00	2.95	2.90	2.85
Euro (€/€)^	1.20	1.15	1.19	1.25	1.30	1.35	1.13	1.14	1.17	1.19	1.20	1.22	1.23	1.25
Yen (\$/¥)^	113	110	106	105	100	97	110	108	107	106	105	105	105	105

* Weighted average of metro-level HPIs for 381 metro cities where the weights are dollar values of housing stock reported in the American Community Survey.

** PCE = Personal consumption expenditures. ^ Denotes end of period.

Note: Published figures in bold.

Source: Goldman Sachs Global Investment Research.

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April 3, 2019

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