

## Macro Roundup Article

**Headline:** [What Have We Learned About the Neutral Rate?](#)

**Article Link:** <https://www.goldmansachs.com/intelligence/series/goldman-sachs-research/>

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**Tweet:** David Mericle and Manuel Abecasis argue that the FFR will likely settle in a range of 3-3.25% going forward, higher than the FOMC's 2.5% median projection, driven by increased demand for investment and government debt over the next decade.

**Summary:** Our best guess is that if the Fed solves the inflation problem without a recession, the funds rate will eventually stabilize closer to 3-3.25% than to the FOMC's 2.5% median longer run dot. We expect a slightly higher  $r^*$  both because our analysis of factors that influence  $r^*$  suggests a more limited decline, and because we put some weight on the long-run advanced economy average of a roughly 1% real short-term rate and on the higher average rate seen for quite a while after the last inflation surge. Projected changes in factors such as government debt and demographics imply a net increase of about 0.5pp over the next decade, and larger increases are possible if artificial intelligence or the green energy transition boost investment demand. Related: The Fed and the Secular Decline in Interest Rates

**Primary Topic:** Business Cycle

**Topics:** Business Cycle, GDP, Monetary Policy, Weekly

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