

Macro Roundup Article

Headline: [2024 US Economic Outlook: Final Descent](#)

Article Link: <https://www.goldmansachs.com/intelligence/pages/gs-research/2024-us-economic-outlook-final-descent/report.pdf>

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Tweet: David Mericle @GoldmanSachs forecasts that US real GDP will grow 1.8% in 2024 on a Q4/Q4 basis, or 2.1% on a full-year basis. He expects rate cuts in Q4 of next year with a terminal rate of 3.5-3.75%.

Summary: We expect the FOMC to deliver its first rate cut in 2024 Q4 once core PCE inflation falls below 2.5%. We then expect one 25bp cut per quarter until 2026 Q2, when the fed funds rate would reach 3.5-3.75%. While we see rate cuts next year as optional in that they are not necessary to avoid recession, we expect the FOMC to conclude that while neutral might not be as low as the 2.5% median longer run dot, it probably is not as high as 5.25-5.5%, so some amount of normalization makes sense as inflation falls. We expect the equilibrium rate to be higher than last cycle because the post-financial crisis headwinds are behind us, much larger fiscal deficits that boost aggregate demand are likely to persist, the funds rate is approaching equilibrium from above rather than below, and the r^* narrative is changing. Related: Macro Outlook 2024: The Hard Part Is Over and Inching Toward Equilibrium and Soft Landing Summer

Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Other Source

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