

Macro Roundup Article

Headline: [Global Views: Friendly Baseline, Greater Risks](#)

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Tweet: Jan Hatzius @GoldmanSachs forecasts wage growth decelerating to 3.5%, consistent with the Fed's 2% inflation target and expects quarterly cuts starting in July.

Summary: Despite the recent upside inflation surprises, we think the broader disinflationary narrative remains intact. One key reason is that the labor market continues to rebalance nicely. Our jobs-workers gap is down to 2.0 million, the quits rate is below pre-pandemic levels, and the wage news remains favorable. As of March, average hourly earnings and the Atlanta Fed wage growth tracker are consistent with year-on-year wage growth of just over 4%, and we expect the more reliable employment cost index to show a similar pace for Q1. Over the next year, we see wage growth converging to 3.5%, the pace we estimate is consistent with 2% assuming a productivity trend of 1.5% and stable profit margins.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post, Weekly

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