Three Observations in Support of a Soft Landing

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Unlike a Majority of Forecasters, We Do Not Expect a US Recession Over Next 12 Months

Estimated US Recession Probability (Next 12 Months), Wall Street Journal October 2022 Forecaster Survey

Consensus Median Forecast: 65%

GS Forecast: 35%

Source: Bloomberg, Goldman Sachs Global Investment Research.
Observation #1: Labor Market Rebalancing
Overheating Visible in Vacancies, Not Employment…

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Observation #1: Labor Market Rebalancing

...Vacancies (and Quits) Are Now Cooling...

Source: Haver Analytics, Linkup, Indeed, Goldman Sachs Global Investment Research.
Observation #1: Labor Market Rebalancing

...And Wage Growth Has Begun to Slow

*ECI wages and salaries private sector ex incentives (SA by Haver), qoq annual rate. **6m annual rate. ***Average of Dallas Fed manufacturing, Dallas Fed services, Richmond Fed manufacturing, Richmond Fed services, NY Fed services (SA by GS), Kansas Fed Services, and NFIB. Where available, we average current and expected wage changes for each survey. Values before the introduction of the more recent surveys are backcasted statistically.

Source: Haver Analytics, Linkup, Indeed, Goldman Sachs Global Investment Research.
Observation #2: Inflation Coming Down
Goods Inflation Turns into Goods Deflation…

Source: Haver Analytics, Linkup, Indeed, Goldman Sachs Global Investment Research.
Observation #2: Inflation Coming Down
...And Shelter Inflation Turns into Shelter Disinflation

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Observation #3: Expectations Anchored
LT Inflation Expectations Far Below 1970s Level

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Headline and Core Inflation Likely to Return to 2½% in 2024, Even Without a Recession

* New and used cars, car parts, and household furnishings and operations.

* New, used, and rental cars, furniture, sporting equipment, household appliances, sports and recreational vehicles, and video, audio, photo, and info. equipment.

Source: Haver Analytics, Goldman Sachs Global Investment Research.
Disclosure Appendix

November 21, 2022

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