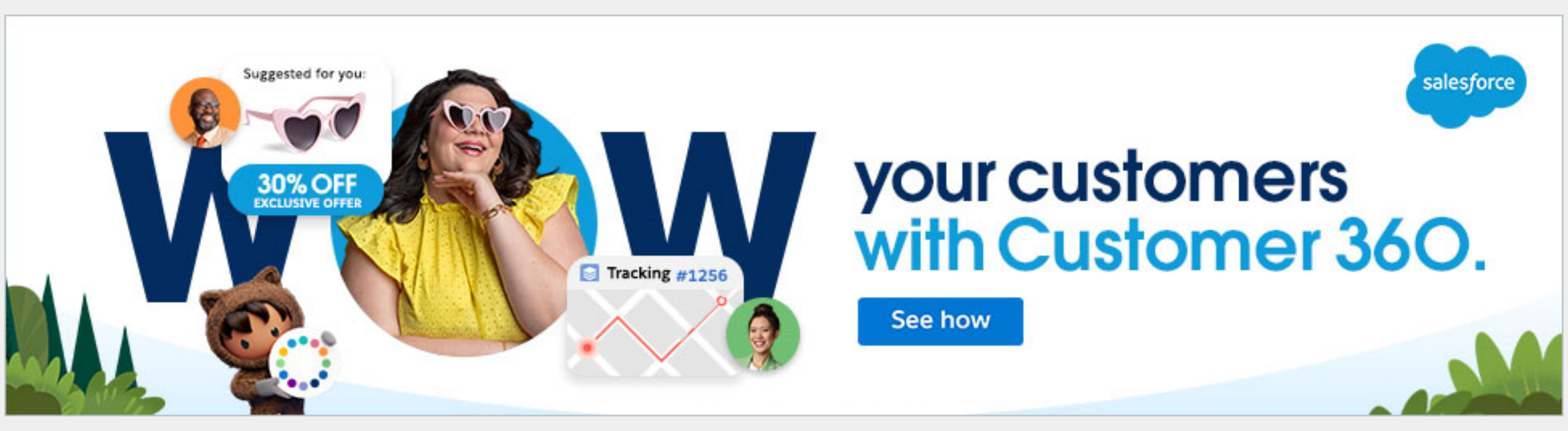
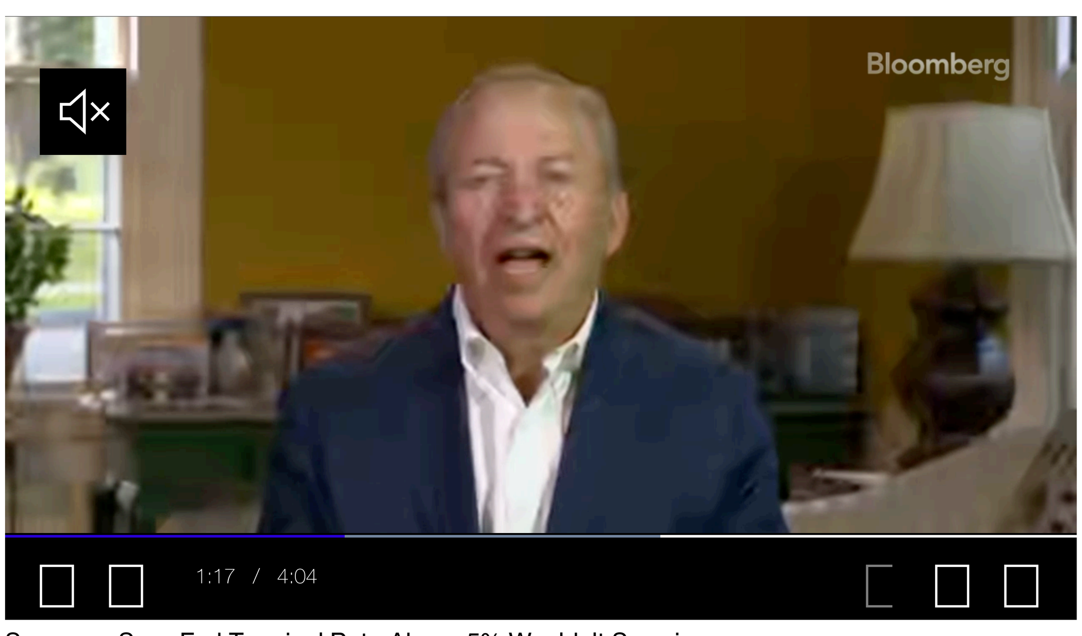


Economics

Goldman Cuts US Growth Forecast for 2023 After Rate Path Change

- GDP growth prediction for next year lowered to 1.1% from 1.5%
- 'A below-potential growth trajectory' may be needed: Hatzius



Summers Says Fed Terminal Rate Above 5% Wouldn't Surprise

By Joanna Ossinger
September 17, 2022, 4:39 AM EDT

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Goldman Sachs Group Inc. cut its US economic growth estimates for 2023 after recently boosting its predictions for Federal Reserve interest rate hikes.

US gross domestic product will increase 1.1% in 2023, economists including Jan Hatzius wrote in a note Friday, compared with a forecast of 1.5% previously. The projection for 2022 was left unchanged at 0%.

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Goldman raised its federal funds rate forecast by 75 basis points over the last two weeks for a terminal rate forecast of 4% to 4.25% by the end of 2022.

Goldman Lifts Forecasts for Fed Hikes in September and November

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"This higher rates path combined with recent tightening in financial conditions implies a somewhat worse outlook for growth and employment next year," the economists said. "Our growth forecast is slightly below consensus and implies a below-potential growth trajectory that we believe is necessary to cool wage and price inflation."

The Fed's rate-hike path has been a top focus for economists and investors this year as the central bank seeks to cool stubbornly high inflation.

Goldman also raised forecasts for the unemployment rate to reflect the lower growth, saying it will be about 3.7% by end-2022, compared with a call for 3.6% previously. It will rise to 4.1% by the end of 2023 versus 3.8% previously, and to 4.2% by end-2024 compared with a prior estimate of 4%.

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Markets

Wall Street Is Missing the Risk to Stocks If Inflation Is Beaten

- Falling CPI and sticky wages will lead to margin decay: Golub
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By Emily Graffeo
October 8, 2022, 9:33 AM EDT

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The conventional wisdom with stock bulls is that prices will take off when the Federal Reserve wins its fight against inflation. But the end of surging consumer costs could unleash another round of bad news.

A small chorus of researchers has for months warned of a potential hazard to earnings should the campaign to tamp down inflation succeed. Specifically, the squeeze on margins that could occur should an indicator known as corporate operating leverage suffer in an environment where sales flatten out.

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