



Global Investment Research

Post-Pandemic Inflation and Monetary Policy

May 15, 2023

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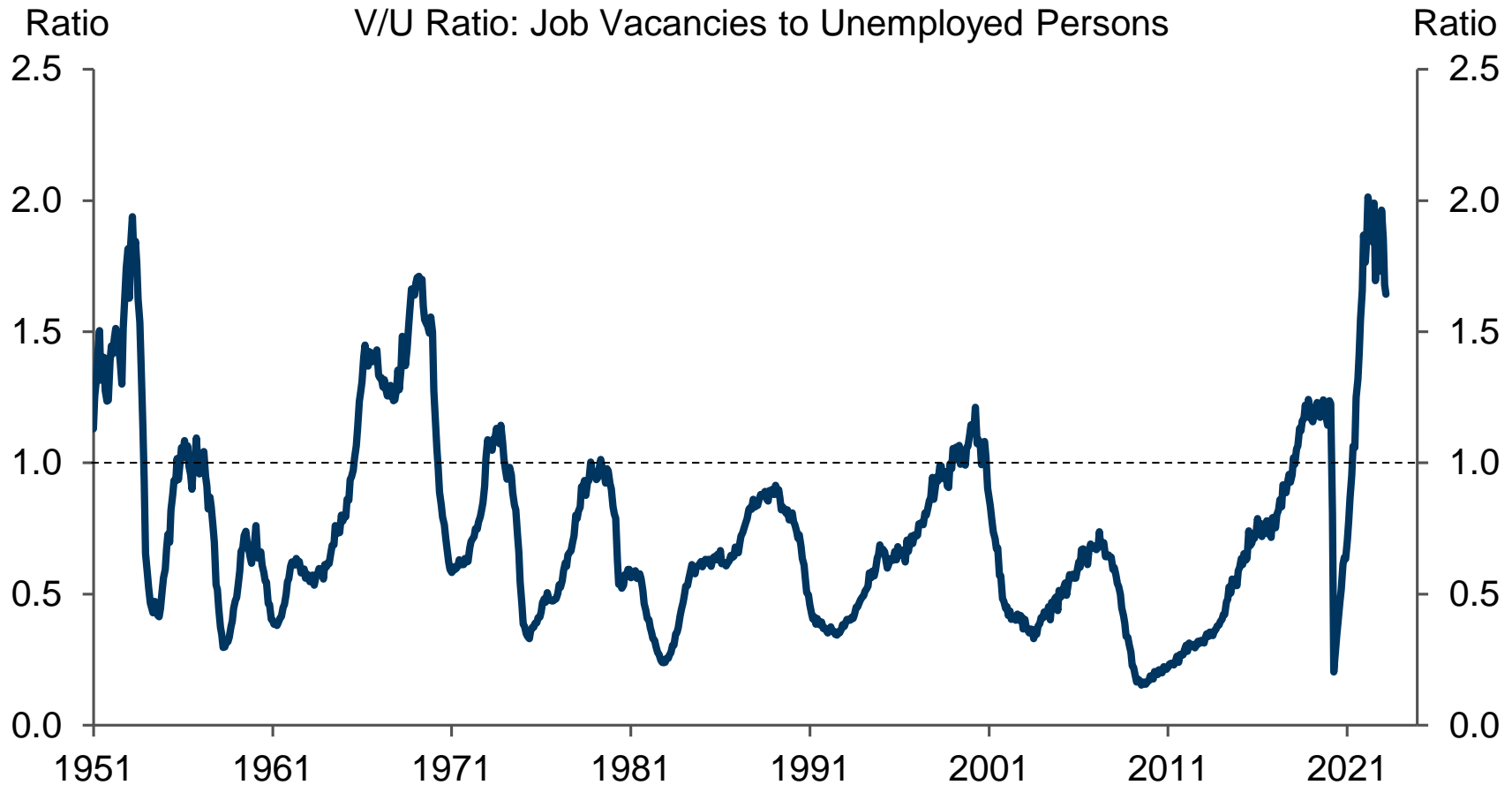
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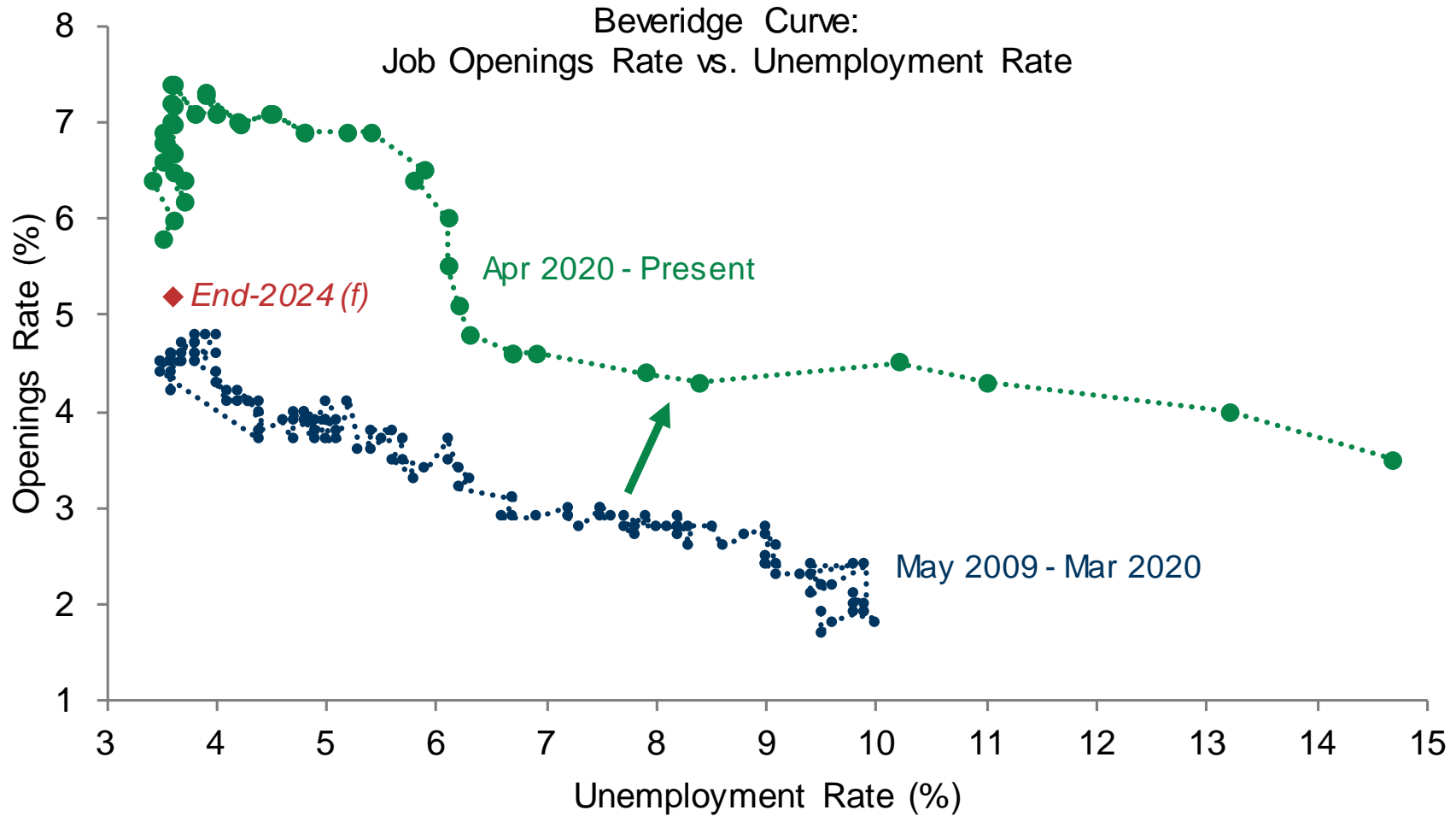
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The Ratio of Job Openings to Unemployed Workers Remains Very High

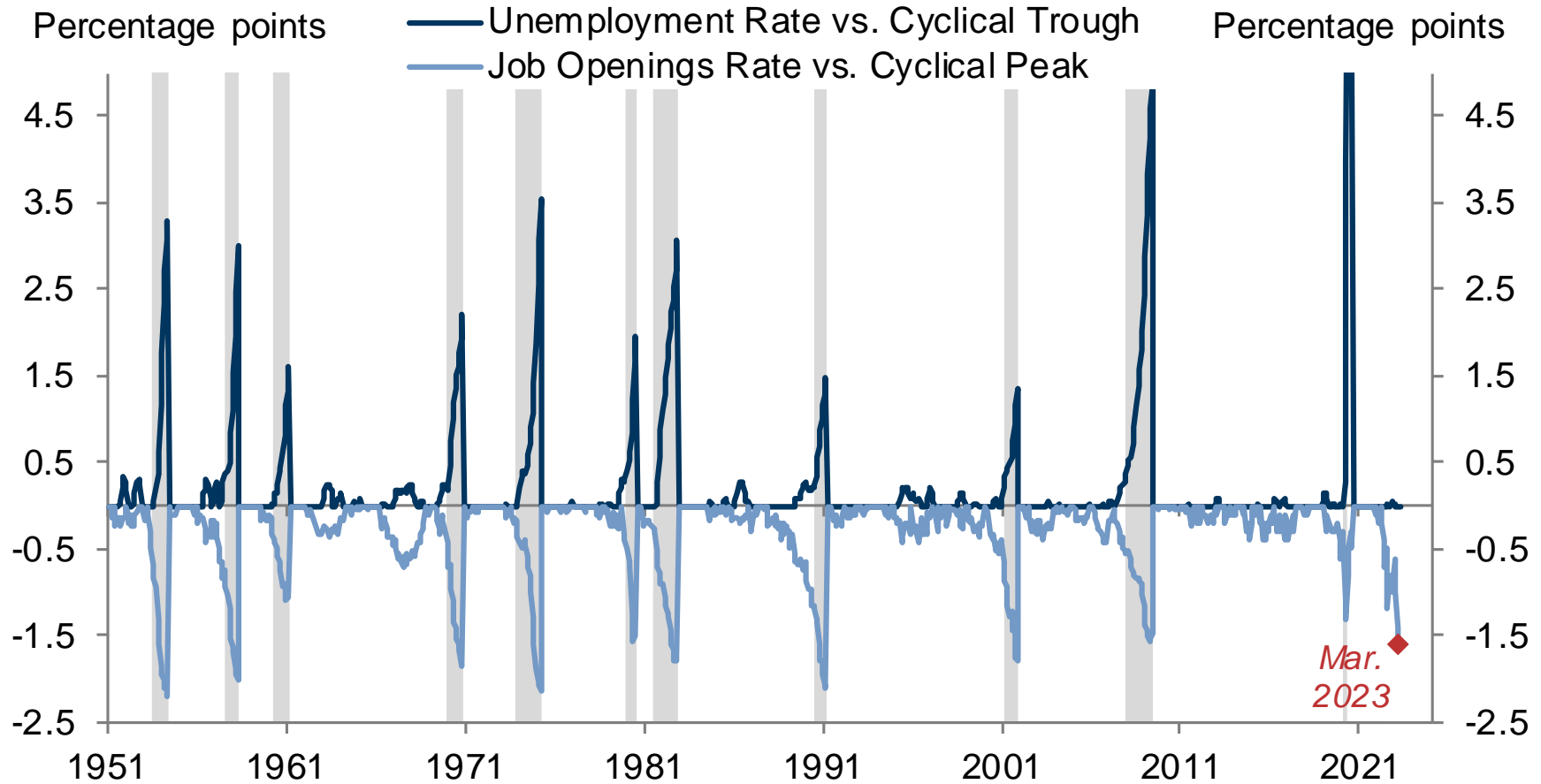


*Job openings prior to Dec. 2000 based on estimates provided in Barnichon (2010).

Job Openings Are Declining with No Increase in the Unemployment Rate So Far



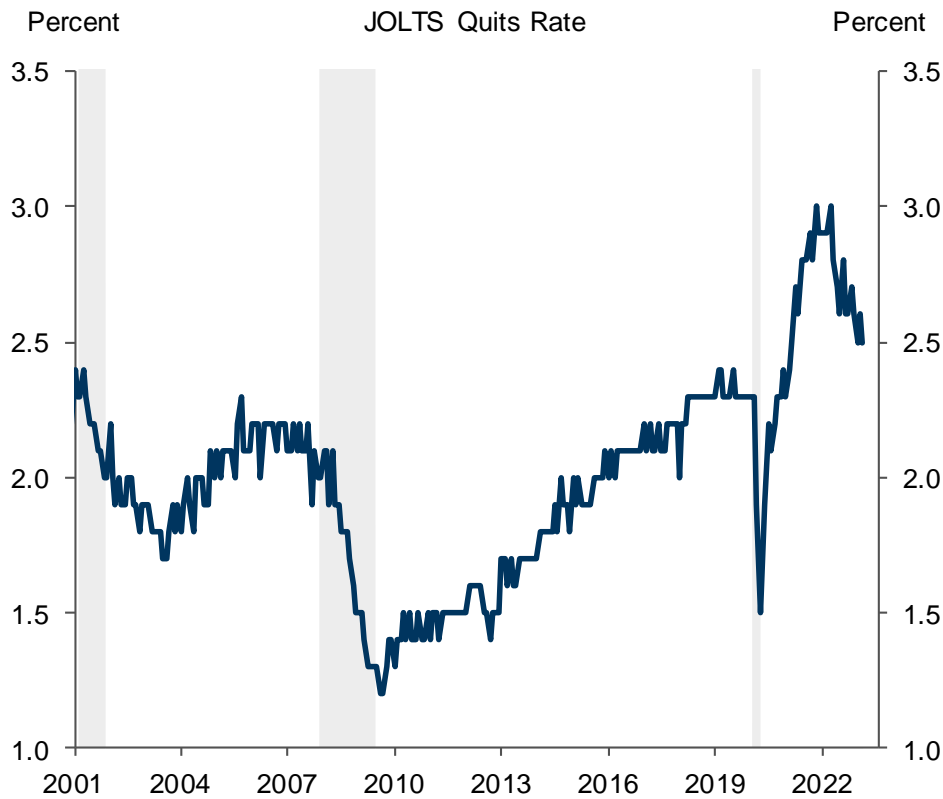
The Combination of Much Lower Job Openings and No Increase in Unemployment Is Unprecedented



*Job openings prior to Dec. 2000 based on estimates provided in Barnichon (2010).

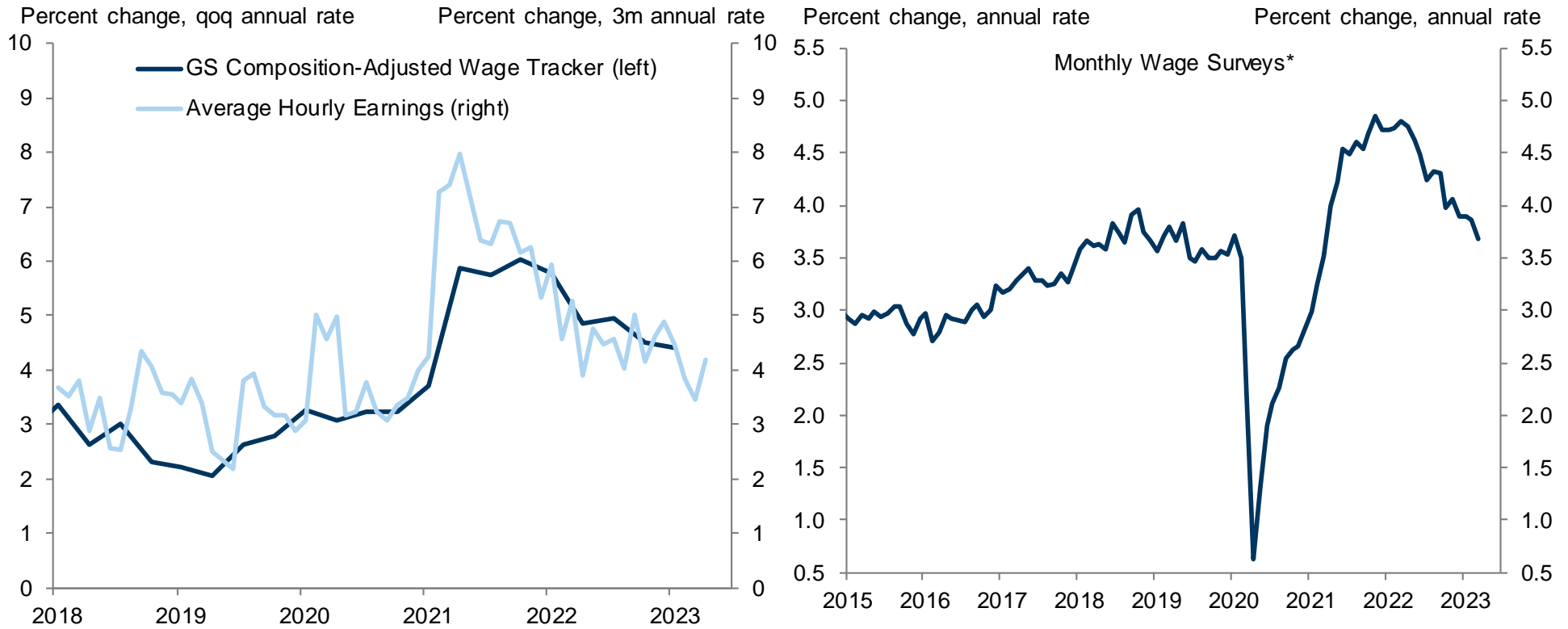


A Lower Quits Rate and Fewer Labor Shortages Confirm That the Labor Market Is Rebalancing



Source: Haver Analytics, Goldman Sachs Global Investment Research.

Wage Growth Has Slowed, But Remains Above the 3½% We Estimate Is Consistent with 2% Inflation

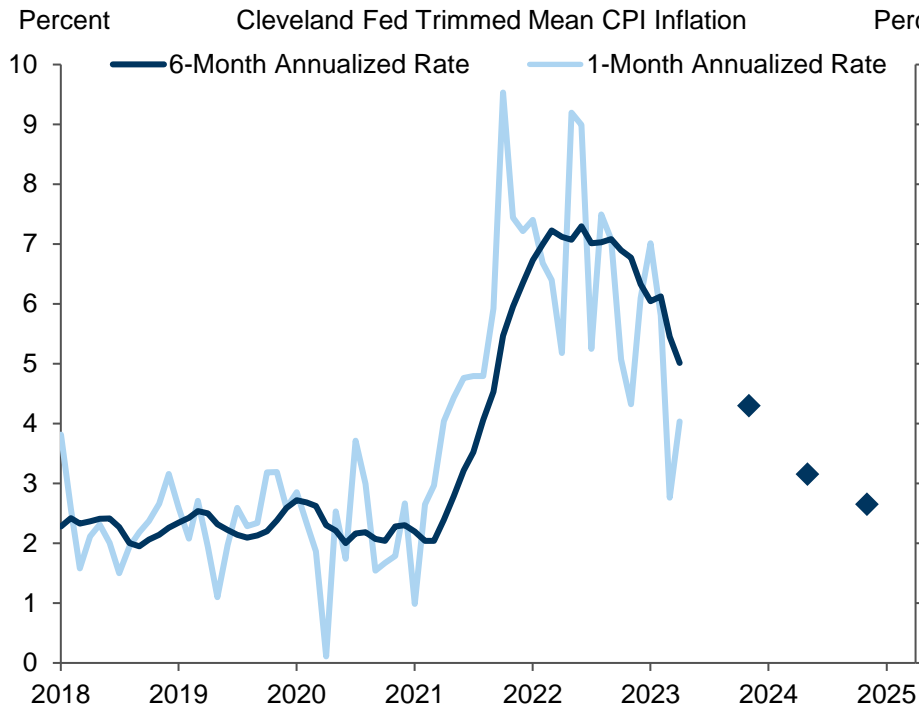


Note: Our sequential wage tracker is the first principal component of average hourly earnings for private industry workers and the Employment Cost Index. Both series are adjusted for changes in the composition of the labor force between 2020Q1 and 2022Q3.

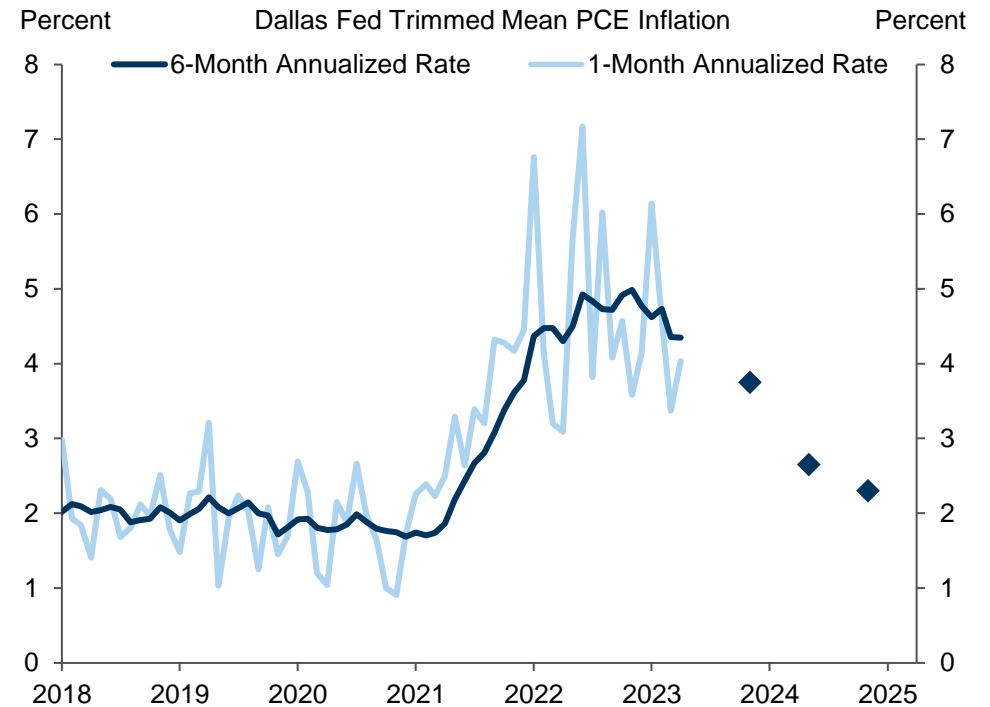
* Average of NFIB, Dallas Fed manufacturing, Dallas Fed services, Richmond Fed Manufacturing, Richmond Fed services, NY Fed services, and Kansas City Fed services, scaled to 6-month annualized average hourly earnings.



Inflation Has Started to Decline Meaningfully, and We Expect the Improvement to Continue



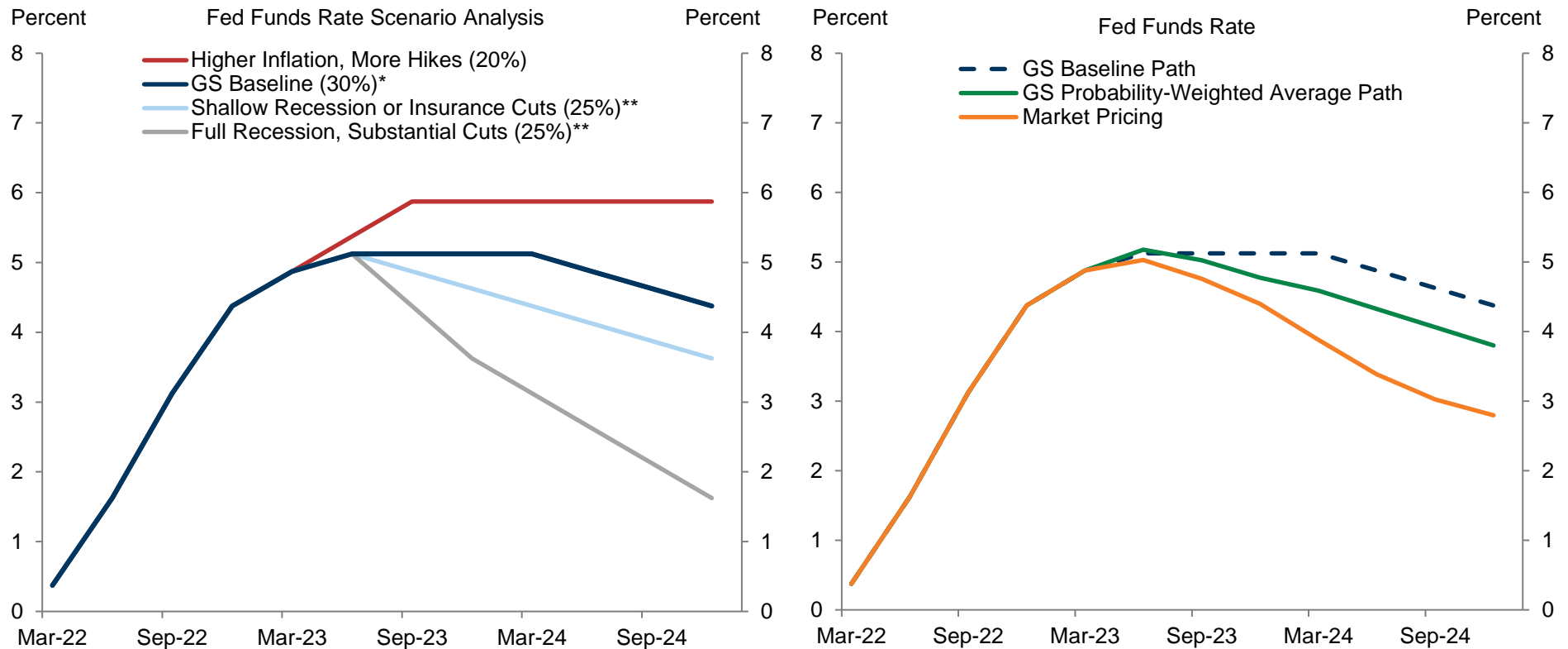
Markers indicate GS forecast for 6-month annualized core CPI in 2023H2/2024H1/2024H2.



Markers indicate GS forecast for 6-month annualized core PCE in 2023H2/2024H1/2024H2.

Source: Haver Analytics, Goldman Sachs Global Investment Research.

We Expect Monetary Policy to Stay More Restrictive Than the Market Is Pricing As the Job Is Not Yet Done



* The cuts in our baseline scenario are meant as a placeholder for an uncertain future date when a material risk to growth emerges.

** The recession scenarios show unrealistically slow cuts to capture many sub-scenarios of recessions starting at various points in time. The recession scenarios reflect our subjective recession probability of 35% over the next 12 months and continued elevated risks thereafter.

Disclosure Appendix

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Disclosure Appendix

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