

Global Economics Analyst

Top 10 Charts of 2023

- We wish all of our readers a healthy, happy, and prosperous 2024. In our last *Global Economics Analyst* of 2023, we use 10 of our favorite charts to illustrate the key global themes that stood out this year and are likely to shape the year ahead.
- The big surprises of 2023 were the sharp outperformance of global growth—which exceeded expectations by 1pp—and the rapid normalization of inflation in the second half of the year. The upside growth surprise reflected a fading drag from monetary policy tightening (as the lag from changes in financial conditions to growth is much shorter than commonly appreciated), as well as a recovery in income growth that kept consumer spending growth solid.
- The progress on inflation despite firm growth underscored the unique nature of this cycle. Labor market rebalancing progressed smoothly as excess job openings unwound—despite unemployment rates remaining low—while labor supply beat expectations (both due to favorable hiring prospects and an immigration rebound). Combined with improving global supply conditions (which lowered core goods and headline inflation), this softened the upward pressure on wage growth, which should settle at a sustainable level in the year ahead.
- As inflation nears the finish line, the bar to cut rates has fallen, and central banks should begin to normalize policy next year. As the “soft landing” plays out and economic conditions return to something resembling normal, we remain focused on longer-term drivers of the economic outlook, including the upside growth potential from generative AI.

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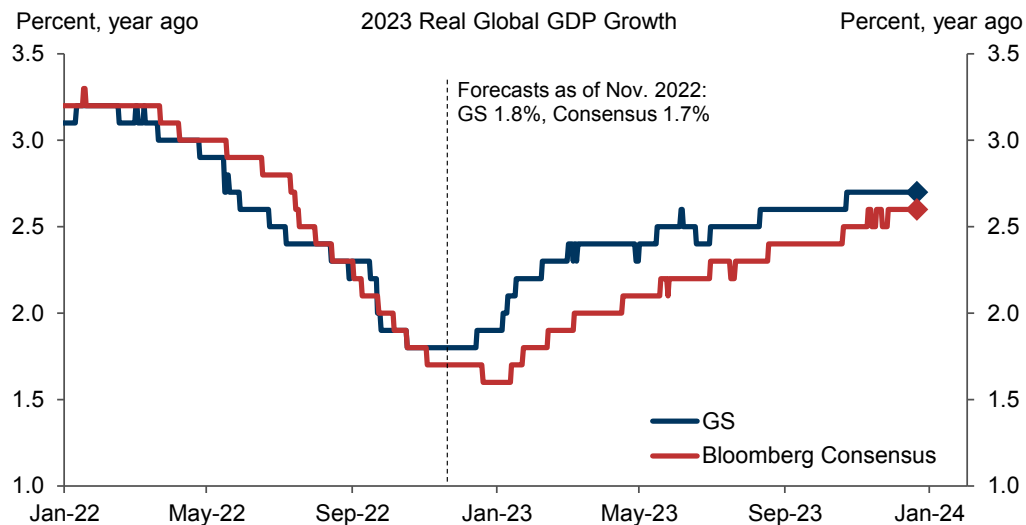
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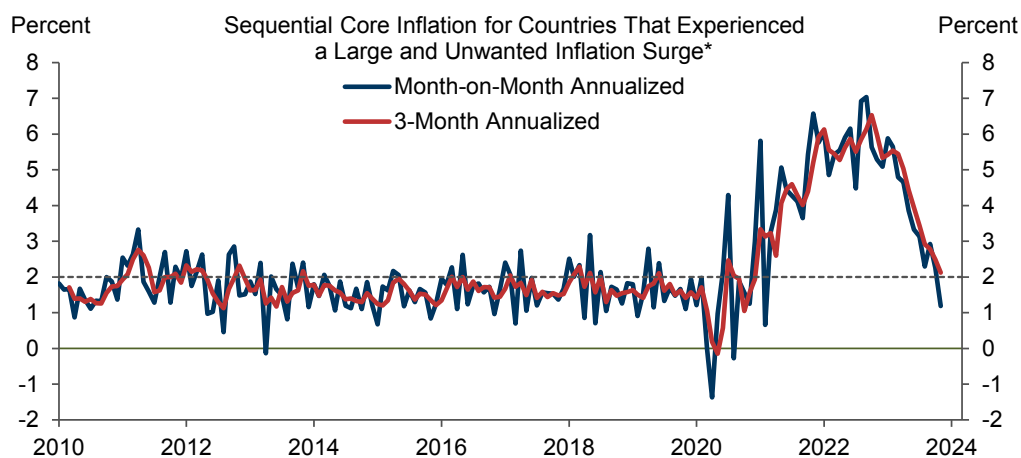
Top 10 Charts of 2023

Exhibit 1: Global Growth Surprised Sharply to the Upside in 2023...



Source: Bloomberg, Goldman Sachs Global Investment Research

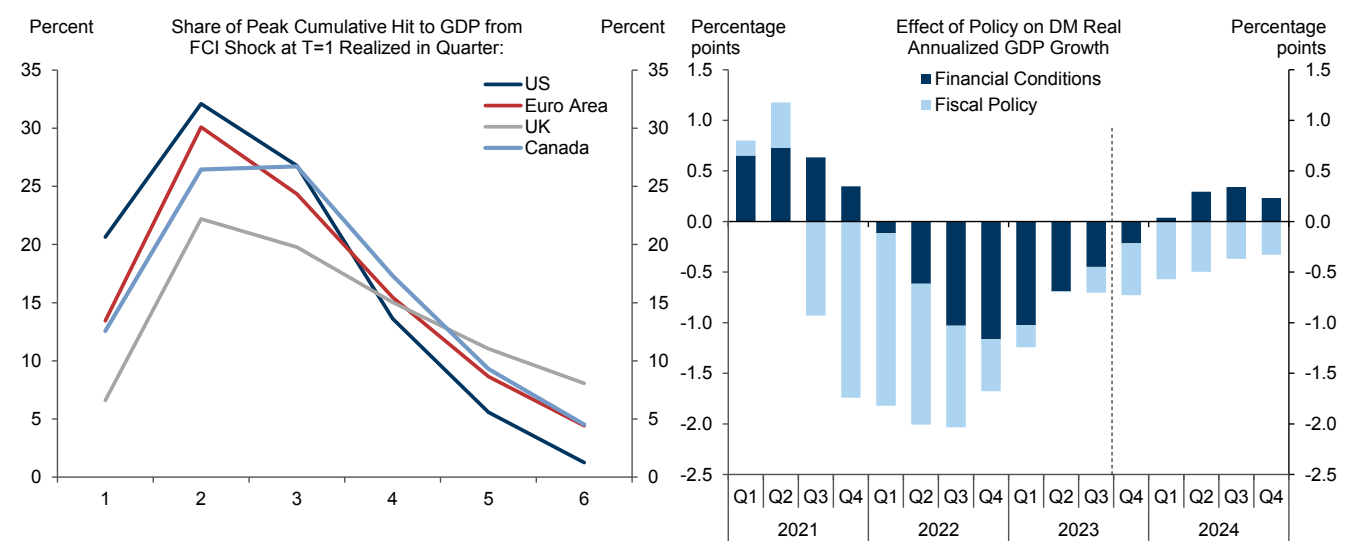
Exhibit 2: ...Despite Which, Inflation Plummeted Across Countries That Experienced an Unwanted Surge.



*GDP-weighted average of G10 economies (ex. Japan) plus EM early hikers. The EM early hikers are Brazil, Chile, Colombia, Czechia, Hungary, Mexico, Peru, Poland, and Romania. Data SA by GS when official SA not available. Unreleased values estimated using the average change in the mom rate for released countries.

Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 3: The Growth Drag From DM Monetary Policy Faded Faster Than Most Forecasters Expected (Although a Modest Fiscal Drag Remains in the Pipeline)...



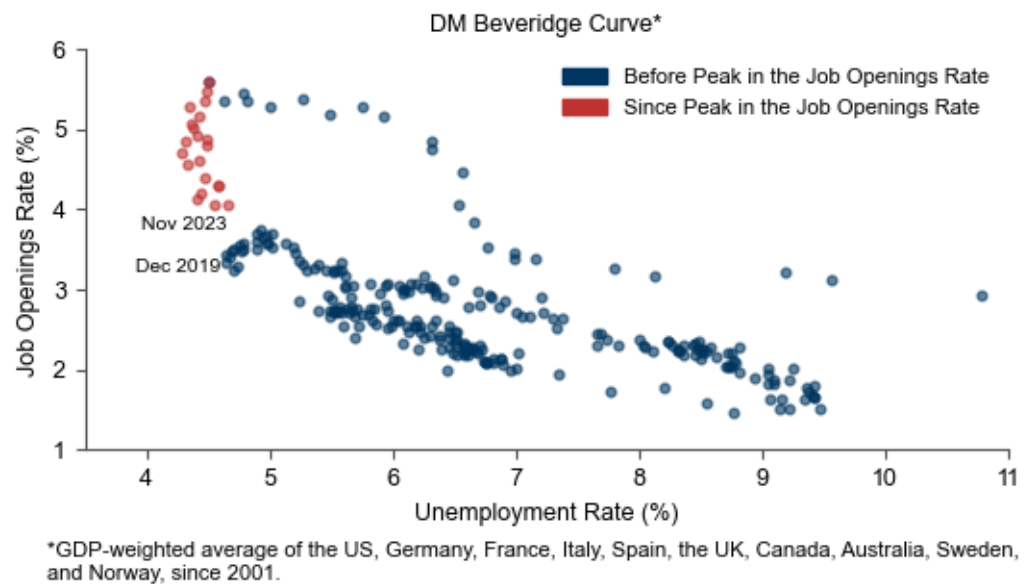
Source: Goldman Sachs Global Investment Research

Exhibit 4: ...While Real Incomes Improved Due to Solid Wage Gains and Cooling Inflation, a Trend Which Should Continue to Support Spending Next Year.



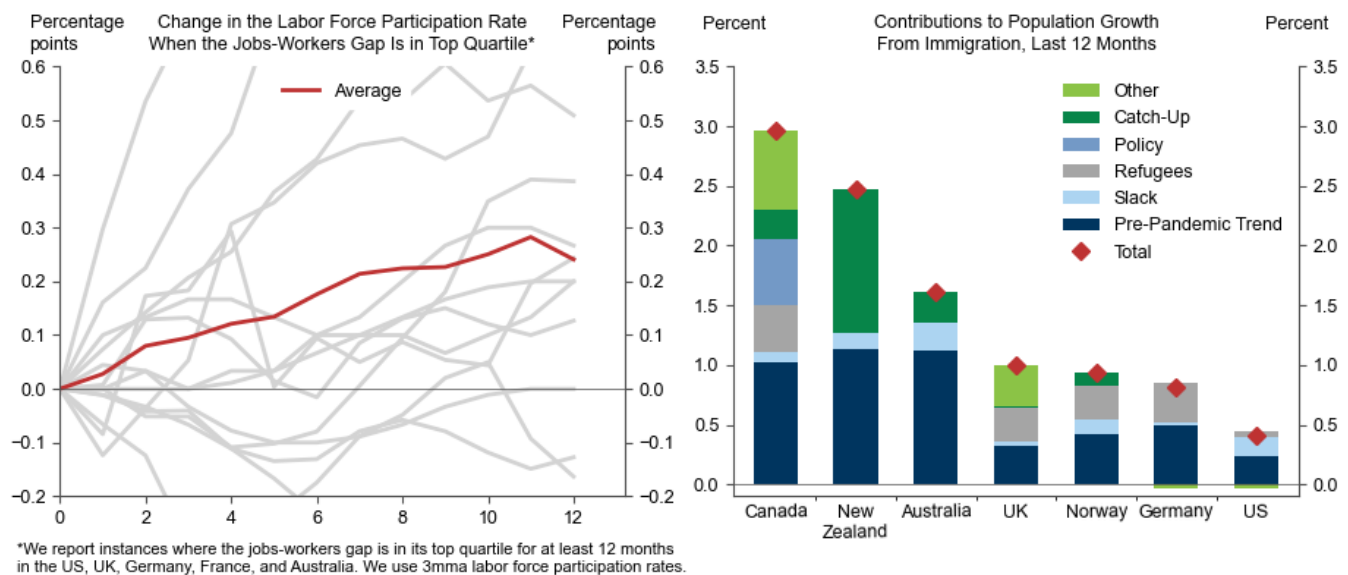
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 5: Despite Firmer-Than-Expected Growth, Labor Markets Continued to Rebalance Gently as Excess Job Openings Normalized While Unemployment Remained Low...



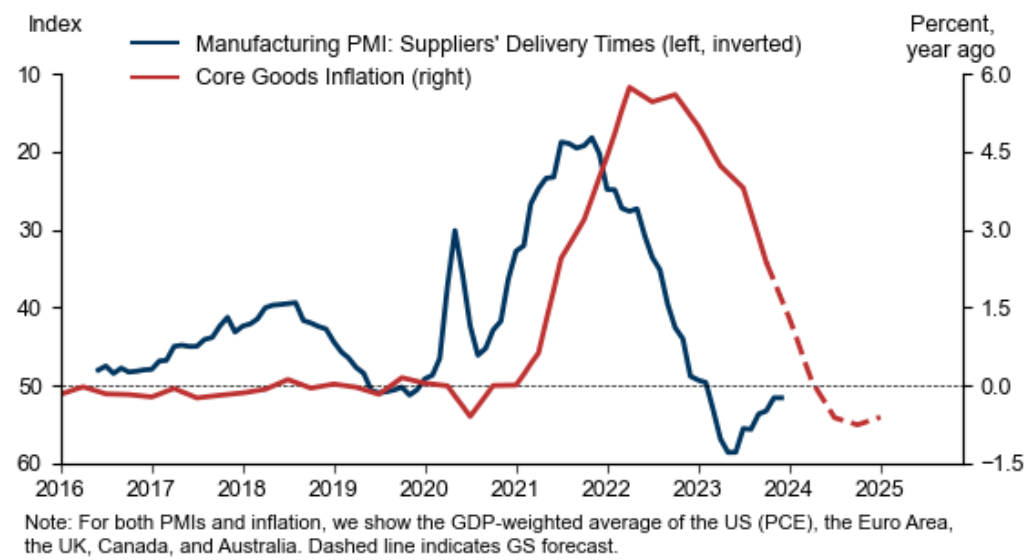
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 6: ...And Labor Supply Surprised to the Upside, Both Because Hiring Conditions Remained Favorable and Because Immigration Was Unusually Strong.



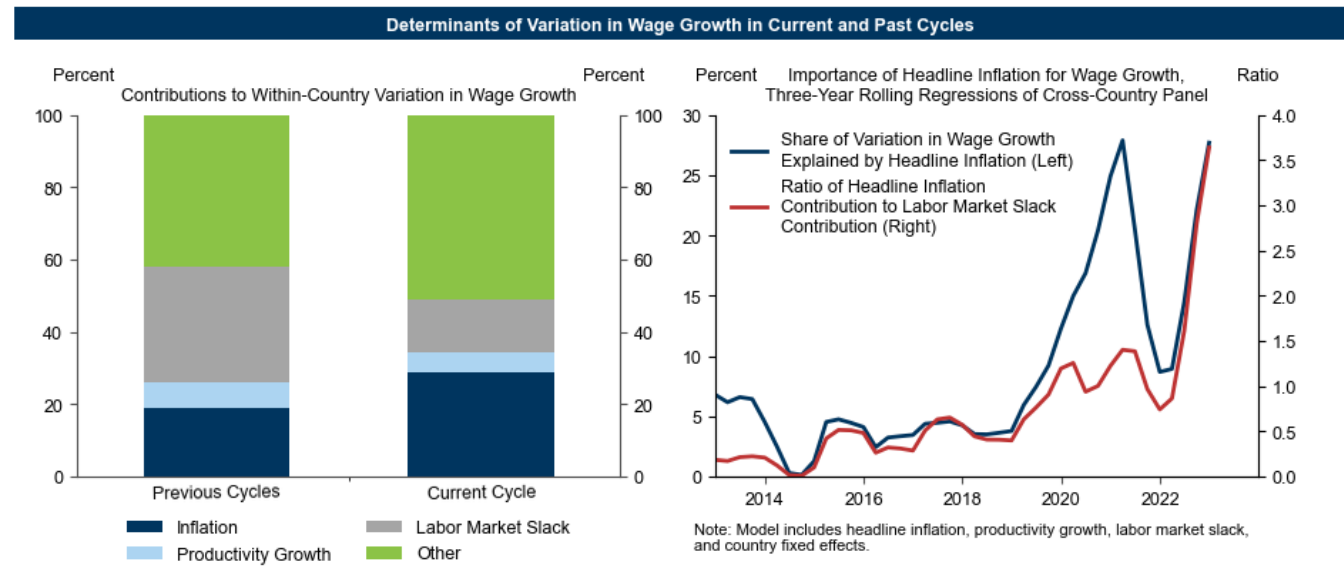
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 7: Meanwhile, Healing Supply Chains Played an Unusually Large Role in Disinflation...



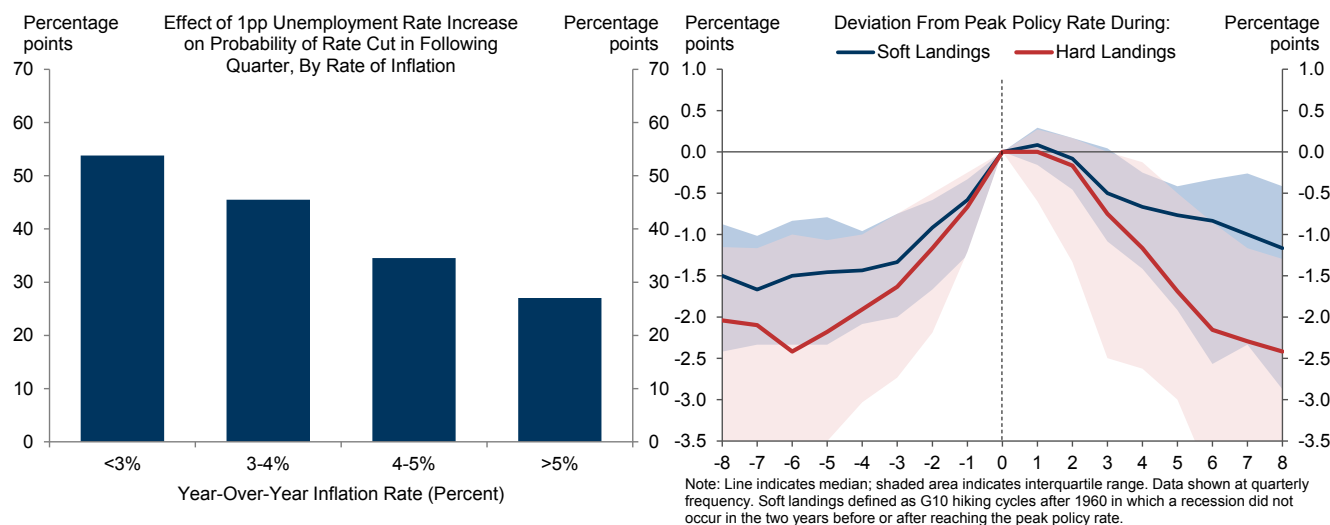
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 8: ...Especially Because Headline Inflation Disproportionately Drove the Wage Growth Overshoot.



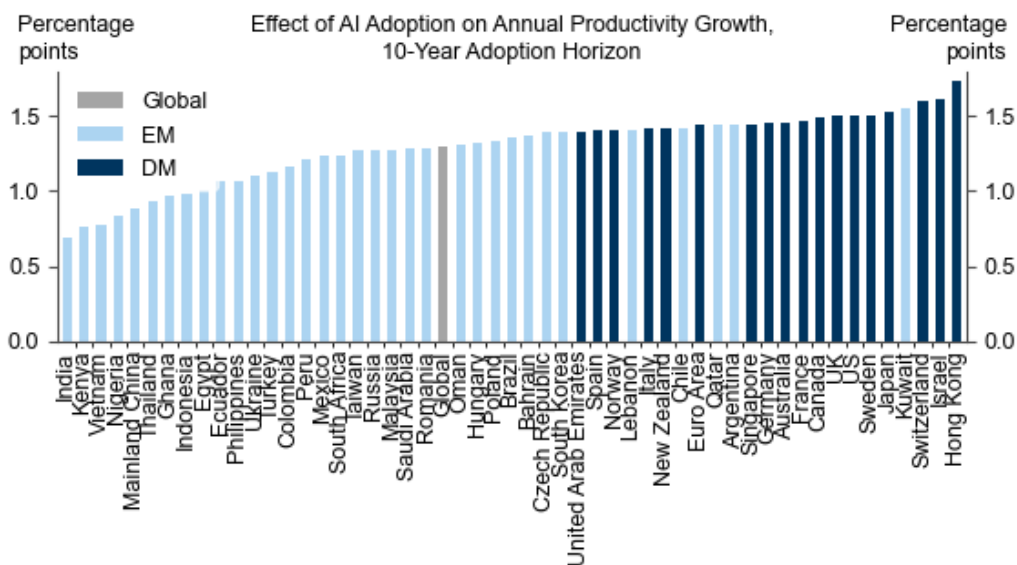
Source: Goldman Sachs Global Investment Research

Exhibit 9: Next Year, Falling Inflation Should Greatly Lower the Bar for Central Banks to Cut Rates (Albeit to Higher Levels Than in Prior Cycles That Ended in Recession), Providing a Tailwind to Growth...



Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 10: ... While Over the Longer-Run, We Are Especially Optimistic About the Potential Growth Boost From Generative AI.



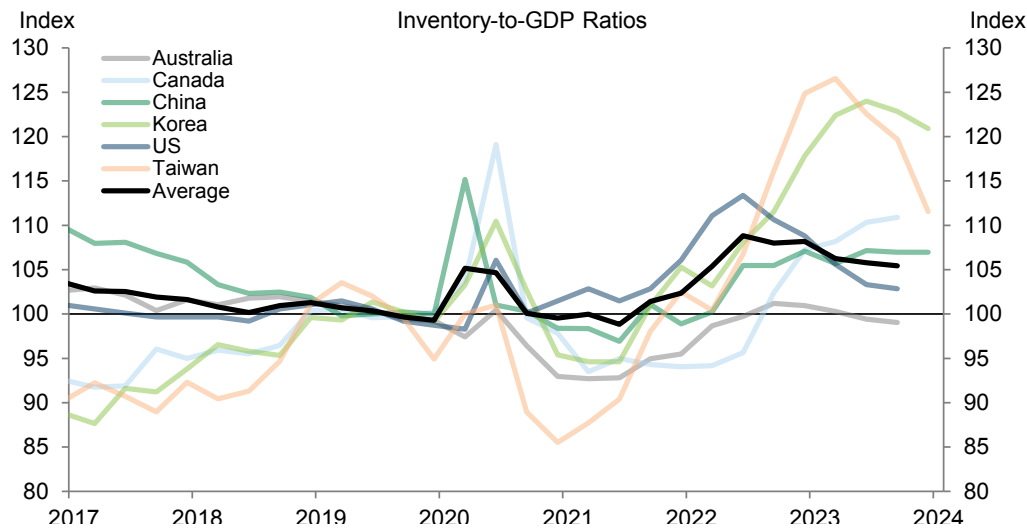
Source: Goldman Sachs Global Investment Research

In light of the progress this year, we are increasingly confident that The Hard Part Is Over.

Global Economics Team

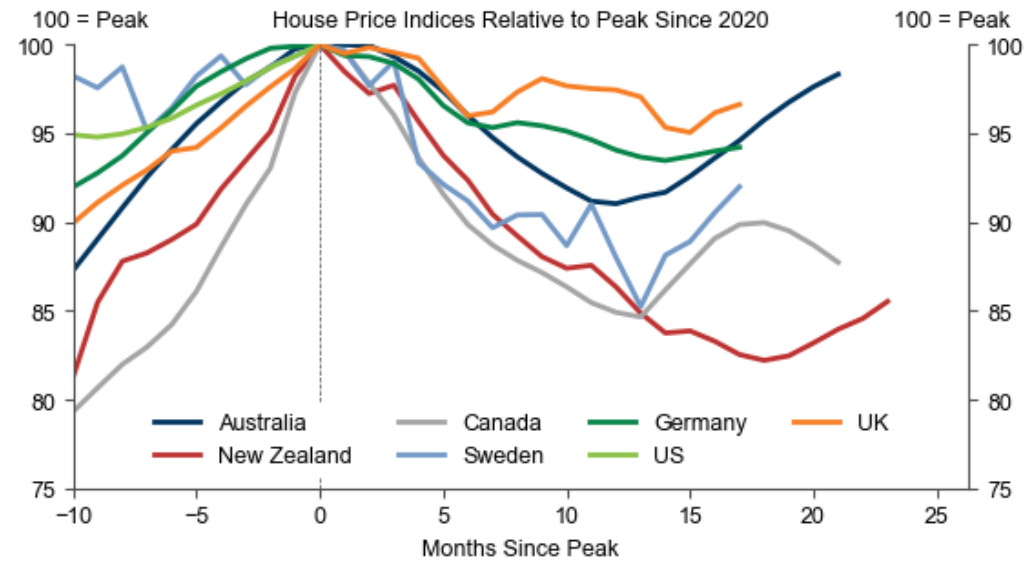
Bonus Charts

Exhibit 11: Next Year, We Expect a Rebound in DM Manufacturing, Partly Due to a Normalization in the Global Inventory Cycle.



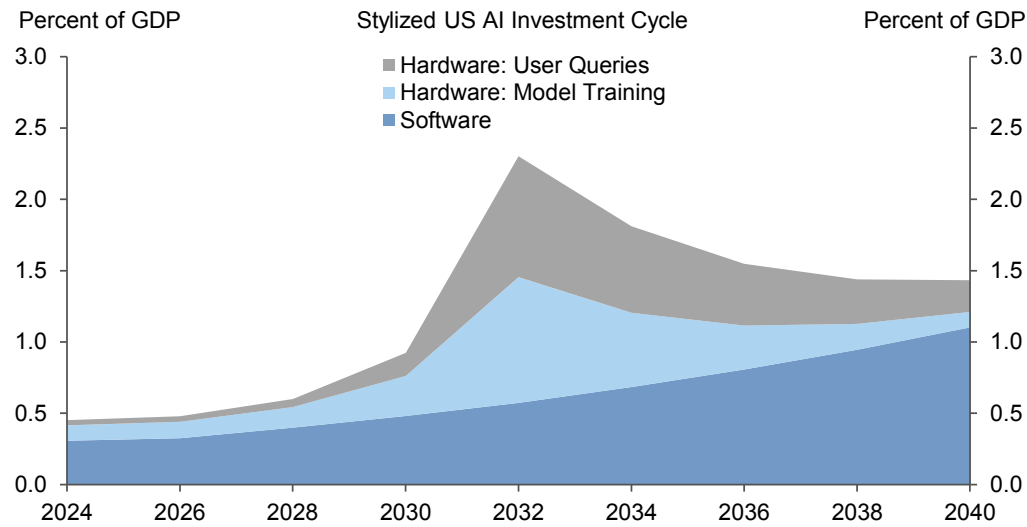
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 12: The Housing Market Should Also be a Source of Growth as Rates Fall, Especially After the Surprising Stabilization in Home Prices Earlier This Year.



Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 13: Even Before AI Starts to Impact Long-Term Growth, It Could Drive a Large Capital Investment Cycle, Particularly in the US.



Source: Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

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