Goldman Sachs Outlooks

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David Mericle: We have a generally optimistic outlook for the economy in 2026. Although I would say the labor market outlook presents the most uncertainty. We expect solid GDP growth in the US but we expect growth to be strongest in the first two quarters of the year. The main reason for that is that the boost from tax cuts should mostly show up in the first half. We're also more optimistic than most economists, most Fed officials and investors on inflation. We expect inflation to fall most of the remaining way to the Fed's 2% goal. We estimate that tariffs contributed a little over 50 basis points to inflation. So if you think of that as a one-time price level effect, that's unlikely to repeat over the course of this year. Then actually, I would say we did make quite a bit of progress in bringing inflation back to the Fed's goal in 2025. I think the biggest risk to our economic forecast is that the recent softening that we've seen in the labor market, especially in the back half of 2025, could continue. And I also worry that companies are increasingly feeling that they are under a lot of pressure to find ways to use AI to reduce labor costs. And if AI makes companies reluctant to hire or even keen to lay people off, that would be a new challenge that we would have to deal with.

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