

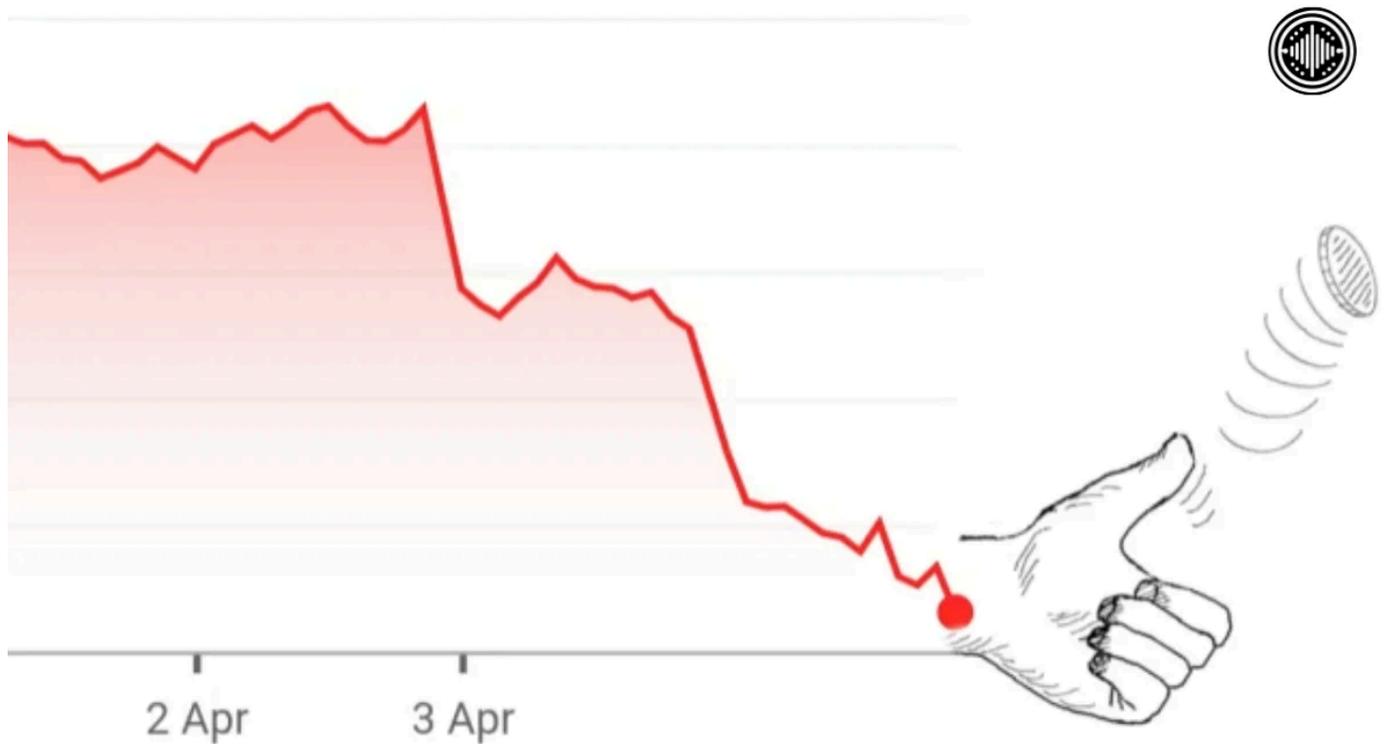
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Goldman Sachs Economist Sees Little Long-Term Inflation Risk From Tariffs, Predicts Rate Cuts Ahead

July 19, 2025

– Categories: General News



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Tariff-related inflation fears may be overstated, according to David Mericle, Chief U.S. Economist at Goldman Sachs. In a recent interview with CNBC Television, Mericle said that while import tariffs could push prices up temporarily, the broader economic outlook remains

steady and unlikely to trigger a lasting inflationary surge. He added that he expects the Federal Reserve (Fed) to cut interest rates three times in 2025, beginning in September.

Mericle acknowledged that tariffs could cause “a little bit of a boost” to monthly inflation figures but said the broader trend is returning to the Fed’s 2% target. “I think the latest batch of data suggests that the stakes are not hugely high at the moment,” he said. “The labor market, at least, doesn’t seem to need great rate cuts. But the inflation data suggests we’re doing just fine.”

The economist emphasized that both supply and demand, particularly in the labor market, have stabilized compared to the post-pandemic period when inflation hit decades-high levels. “We’re seeing the end of catch-up inflation,” Mericle noted, “and I’m not worried about tariffs unanchoring inflation expectations.” He made clear that short-term price increases are not likely to spiral out of control or require an aggressive response from the Fed.

Goldman Sachs, one of the largest investment banks in the U.S., has penciled in three interest rate cuts for 2025. Mericle said the first is likely in September, assuming inflation trends continue to ease and no new economic shocks emerge. “I think we are moving in the right direction for reasons many economists anticipated,” he explained, referring to a more balanced labor market and waning wage pressures.

The comments come amid increased scrutiny over tariffs reintroduced or proposed by President Donald Trump as part of his economic platform. Critics have warned they could reignite inflation, but Mericle believes conditions now are far more favorable than during the inflationary spikes of 2021–2022. “The economy is not nearly facing the same degree of labor market tightness as it did back when we all worried about this in 2022,” he said.

In his view, the structure of today’s economy, particularly the absence of overheating in employment, means that tariff impacts are likely to be short-lived. The Fed’s patience and measured response reflect confidence that inflation is cooling without damaging economic growth.

Mericle’s assessment offers a more tempered view of the economic risks associated with tariffs, aligning with a broader market sentiment that sees rate relief on the horizon. If his forecast holds, rate cuts later this year could offer some relief to consumers and businesses alike, even as trade policies remain a hot-button issue in the 2024 election cycle.