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US Economic Growth Holds Steady Amid Tariff Measures Under Trump Administration

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A new report on the United States' gross domestic product (GDP) is expected to show that the U.S. economy experienced modest growth during the second quarter of the year,as President Donald Trump's tariff policies continued to take effect. The data is anticipated to show a 2.3% annualized increase in GDP for the three months ending in June, signaling resilience in the face of ongoing trade policy shifts.

Despite earlier concerns that the imposition of tariffs might trigger a broader economic downturn, the U.S. economy has remained stable. Unemployment hovers near historic lows, and while job growth has slowed compared to previous years, it remains strong overall. Inflation has edged up over the last two months but is still below the levels seen when Trump assumed office. The projected growth rate follows a -0.5% contraction in the previous quarter, pointing to a rebound in economic activity.

However, the impact of tariffs complicates the interpretation of GDP figures. The federal GDP formula deducts imports to exclude foreign production, meaning that fluctuations in import volumes can distort the final measure. During the first quarter, GDP declined partly due to a rise in imports, as businesses accelerated inventory purchases ahead of expected tariffs. This front-loading of imports may have deflated earlier GDP readings. Conversely, a reduction in imports in the second quarter, driven by companies having already stockpiled goods, could artificially boost GDP results.

Consumer sentiment initially took a hit following the implementation of Trump's "Liberation Day" tariffs in April, reaching its lowest point in several years. Given that consumer spending drives about two-thirds of the U.S. economy, this raised concerns. However, sentiment has improved for two consecutive months, coinciding with Trump's decision to scale back some of the more aggressive tariff measures. So far, consumer spending has remained steady, supporting signs of broader economic stability.

The GDP report is set to be released just hours before the Federal Reserve's latest decision on interest rates. Current market expectations suggest there is a 97% likelihood that the central bank will maintain existing rates, according to the CME FedWatch Tool, which tracks market-based rate expectations. Continued economic growth reduces the urgency for the Federal Reserve to cut rates, as both businesses and consumers appear to be weathering elevated borrowing costs.

Federal Reserve Chair Jerome Powell indicated the central bank will monitor trade policy effects before considering further monetary adjustments. "Despite elevated uncertainty, the economy is in a solid position," Powell stated during a recent press conference in Washington, D.C.

The steady performance of the U.S. economy amid a shifting trade landscape reflects a degree of resilience and adaptability, even as policy changes introduce new variables into the nation's economic outlook.