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Despite Trade Tensions, Global Growth Proves Resilient, Says Goldman Sachs

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While President Donald Trump's trade policies have sparked plenty of headlines and market jitters, new research from Goldman Sachs suggests the broader economy remains remarkably steady. Despite all the uncertainty swirling around tariffs and trade deals, investment, hiring, and consumer spending have held up far better than many expected.

Goldman Sachs analysts shared this insight in a recent report, noting there are "very few signs that uncertainty is taking a toll on activity." That's a striking conclusion, considering the trade tensions that have shaped the global economic landscape over the past year.

When Trump launched his second term, many economists warned that escalating tariffs and combative negotiations would slow growth across both developed and emerging markets. But so far, the reality looks much different.

Since late 2024, indicators of economic health have remained strong. Companies have continued to invest, factories have kept hiring, and consumers haven't pulled back on spending. Forecasts for growth this year have improved compared to earlier, more pessimistic predictions. According to Goldman's analysts, part of the reason is that trade-related investments make up only a small slice of most countries' gross domestic product (GDP). Even in major economies, a slowdown in factory spending represents just 0.2 to 0.3 percentage points of GDP, too small to drag down overall growth in a meaningful way.

Another important factor has been global financial conditions. Normally, uncertainty has the biggest impact when borrowing becomes harder. But over the past several months, liquidity has improved. Easier credit has allowed businesses to keep investing and expanding, softening any negative effects of trade worries.

There were, however, some temporary slowdowns. Economic activity and investment expectations took a dip in April, right after Trump's "Liberation Day" announcement on tariffs. But that decline quickly reversed as more positive tariff news emerged. Goldman Sachs still expects tariffs to slow growth later this year, but analysts believe the damage will mainly come from the direct impact of tariffs themselves rather than the fear surrounding them.

Recent U.S. data backs up this picture of resilience. In June, employers added 147,000 jobs, and the unemployment rate fell from 4.2% to 4.1%. Investors took heart in the news, pushing the S&P 500 and Nasdaq to record highs.

While trade uncertainty remains higher than normal, it has eased in recent months as negotiations continue. Some companies did rush to ship goods into the United States before tariffs took effect, a practice known as "front-loading," but even adjusting for that, Goldman found little evidence of a lasting drag on growth.

As Goldman Sachs put it simply, "The uncertainty drag, therefore, appears smaller than feared."