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Goldman Sachs Economist Predicts Limited Tariff Impact and Three Rate Cuts in 2025

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David Mericle, Goldman Sachs' chief US economist, has expressed confidence that President Trump's tariffs will not trigger a prolonged inflationary surge. In a recent interview with CNBC Television, Mericle outlined his expectation for the Federal Reserve to implement three interest rate cuts this year, with the first potentially occurring as early as September.

Mericle argues that the current economic landscape supports a relatively benign outlook for inflation, despite the upward pressure from tariffs. “The latest data suggests the economy, particularly the labour market, is not in dire need of aggressive rate cuts,” he stated.

“Inflation is trending back towards 2%, even with the temporary boost from tariffs. Supply and demand, especially in the labour market, are now better balanced, and we’re seeing the end of catch-up inflation from previous years.”

Unlike the conditions in 2022, when labour market tightness fuelled inflationary concerns, Mericle believes the current environment is far less conducive to sustained price increases. “The tariff effects are unlikely to spark a long period of high inflation,” he explained. “The economy is not facing the same degree of labour market strain as it did three years ago, which reduces the risk of tariffs unanchoring inflation expectations.”

Mericle’s optimism stems from his view that tariff-driven price increases will be transitory, with economic fundamentals supporting a stable trajectory. He anticipates the Federal Reserve will respond with measured rate cuts to maintain this balance, starting in two months. “I’m relaxed about the inflation news,” he noted. “We’re moving in the right direction, and I expect three cuts later this year as the Fed navigates these dynamics.”

This perspective offers a counterpoint to concerns about tariff policies reigniting inflationary pressures. Mericle’s analysis suggests that while short-term price fluctuations may occur, the broader economic conditions are sufficiently robust to absorb these shocks without derailing progress towards stability.