Implications of Higher Tariffs for Euro Area and US Monetary Policy

July 2, 2024
Tariffs Floated by Former President Trump Would Significantly Raise the Effective Tariff Rate

Source: Department of Commerce, World Bank, Goldman Sachs Global Investment Research.
Proposed Tariffs Would Likely Have a Modest Inflation Impact in the Euro Area but a Larger Impact in the US

Source: Goldman Sachs Global Investment Research.
Proposed Tariffs Would Likely Lower GDP by More in the Euro Area than the US

Source: Goldman Sachs Global Investment Research.
Trade Policy Uncertainty Rose Significantly During the 2018-2019 Trade War and Has Recently Ticked Up

Note: Values normalized by variance from 2010-present and indexed to 2010-2016 average.

Source: Federal Reserve Board, Bloomberg, Goldman Sachs Global Investment Research.
A Rise in Trade Policy Uncertainty to the 2018-2019 Peak Would Likely Subtract More from Euro Area than US Growth

Source: Goldman Sachs Global Investment Research.
Under Standard Taylor Rule, Proposed Tariffs Point to Modestly Lower Policy Rate in the Euro Area but Higher Rate in the US

Source: Goldman Sachs Global Investment Research.