

Implications of Higher Tariffs for Euro Area and US Monetary Policy

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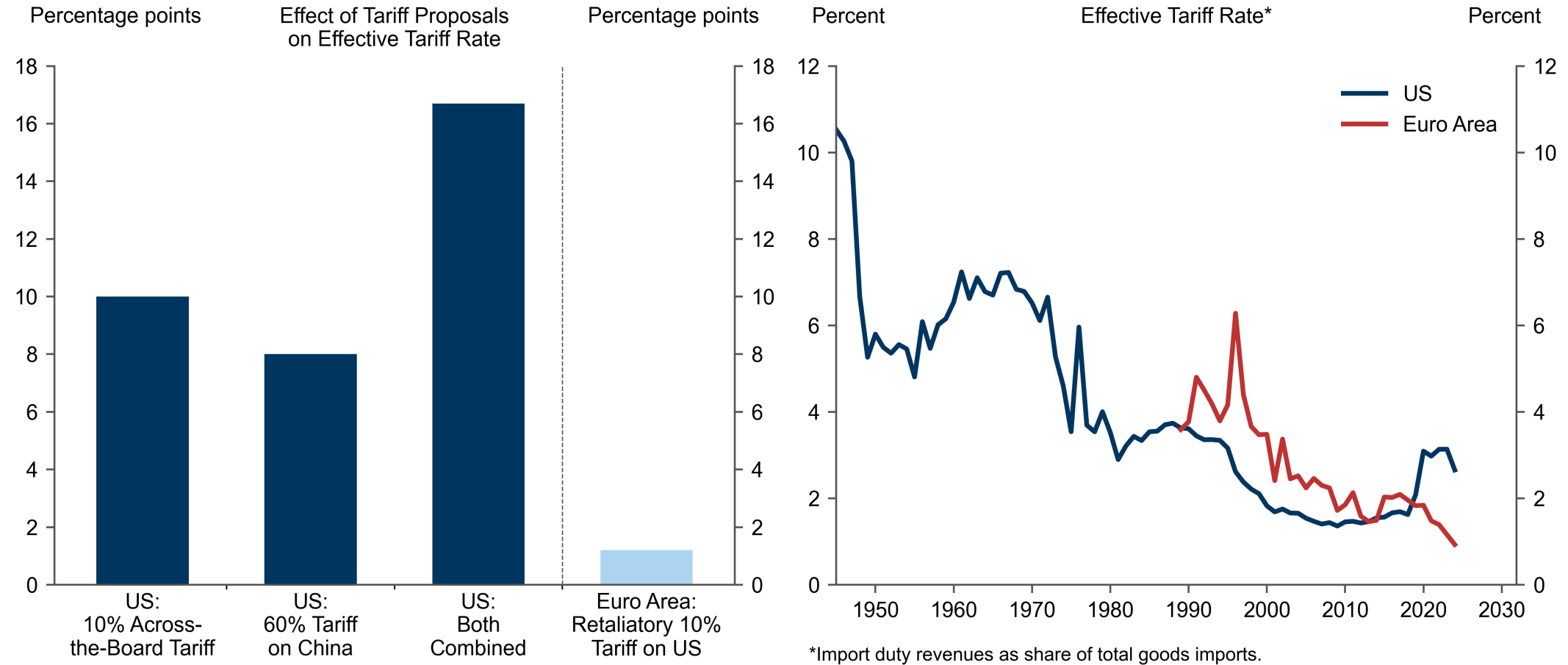
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Tariffs Floated by Former President Trump Would Significantly Raise the Effective Tariff Rate

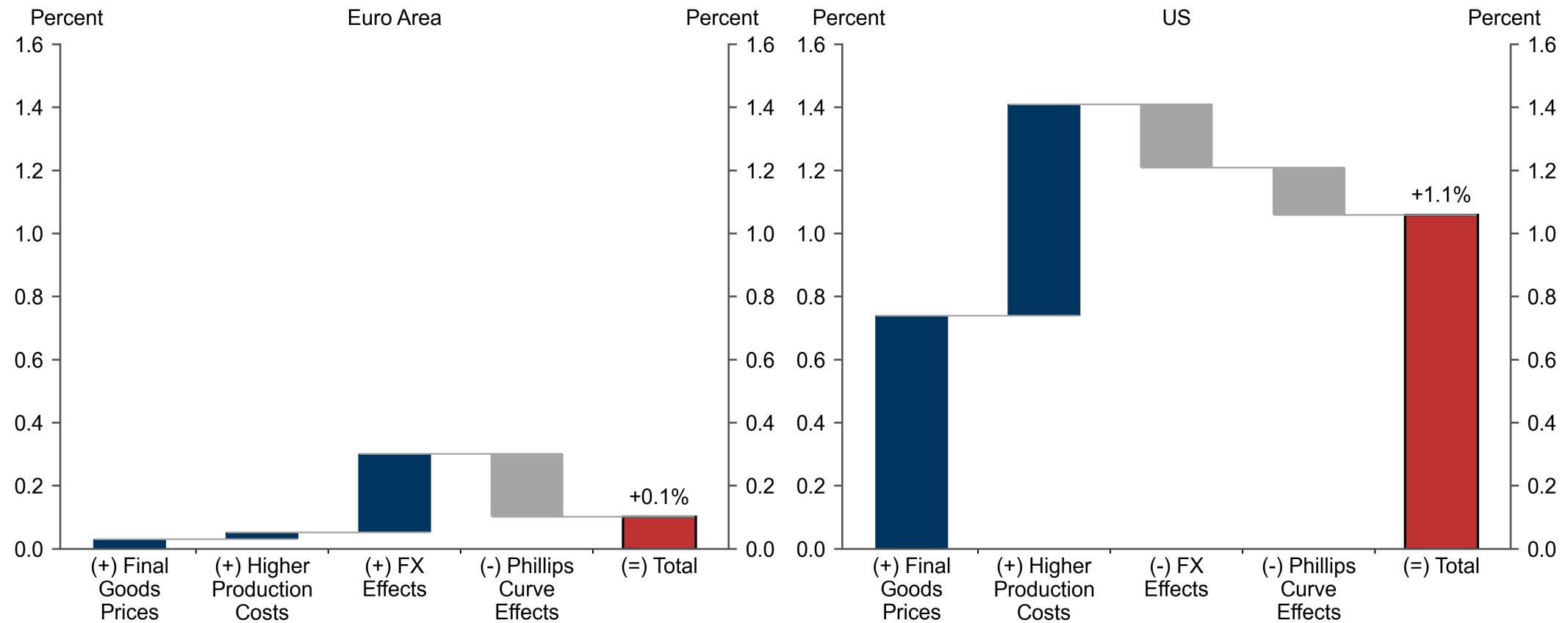


Source: Department of Commerce, World Bank, Goldman Sachs Global Investment Research.



Proposed Tariffs Would Likely Have a Modest Inflation Impact in the Euro Area but a Larger Impact in the US

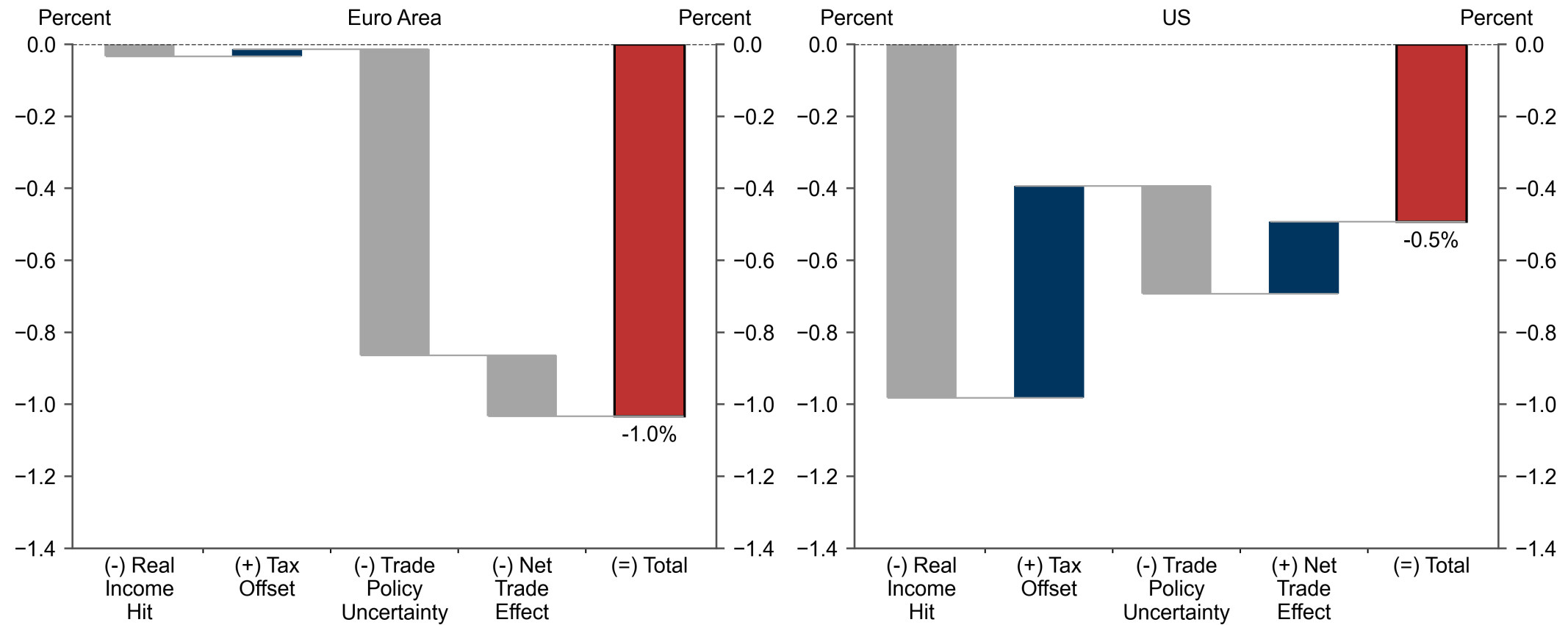
Cumulative Effect of US 10% Across-the-Board Tariff on Price Level, Assuming Full Retaliation



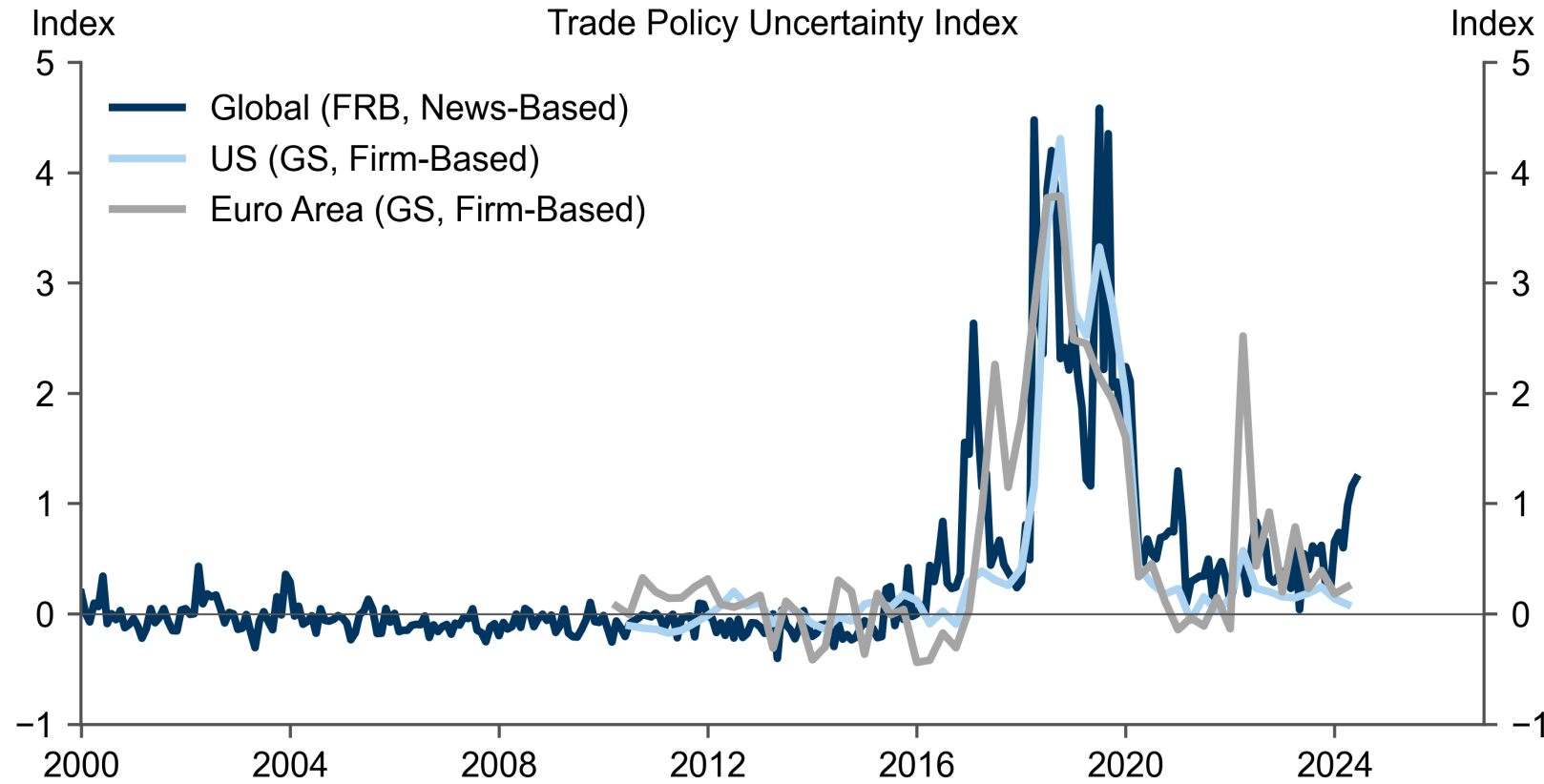


Proposed Tariffs Would Likely Lower GDP by More in the Euro Area than the US

Cumulative Effect of US 10% Across-the-Board Tariff on GDP, Assuming Full Retaliation

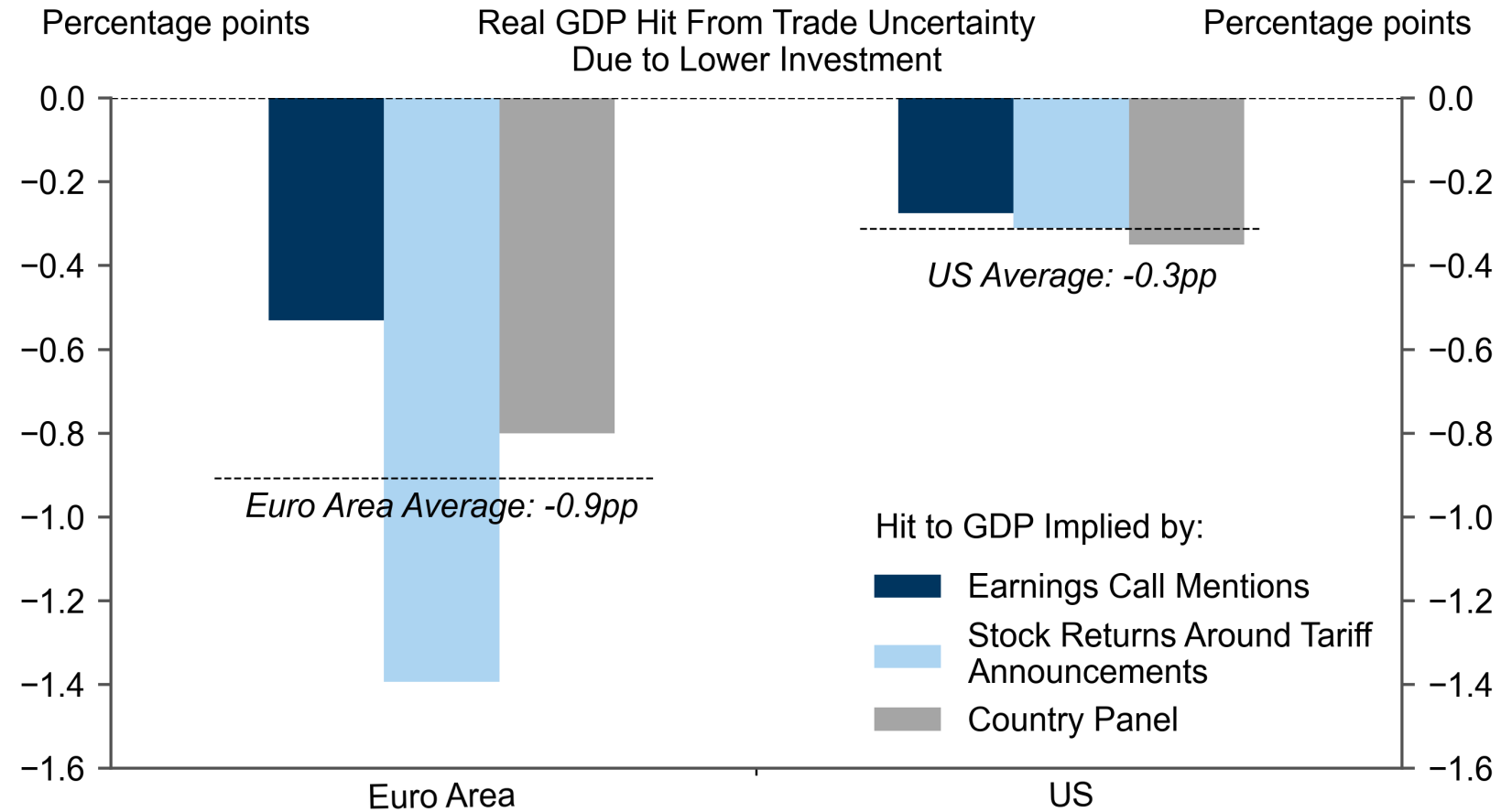


Trade Policy Uncertainty Rose Significantly During the 2018-2019 Trade War and Has Recently Ticked Up



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

A Rise in Trade Policy Uncertainty to the 2018-2019 Peak Would Likely Subtract More from Euro Area than US Growth



Under Standard Taylor Rule, Proposed Tariffs Point to Modestly Lower Policy Rate in the Euro Area but Higher Rate in the US

