

Economic Outlook and Financial Conditions

May 23, 2025

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Goldman, Sachs & Co.

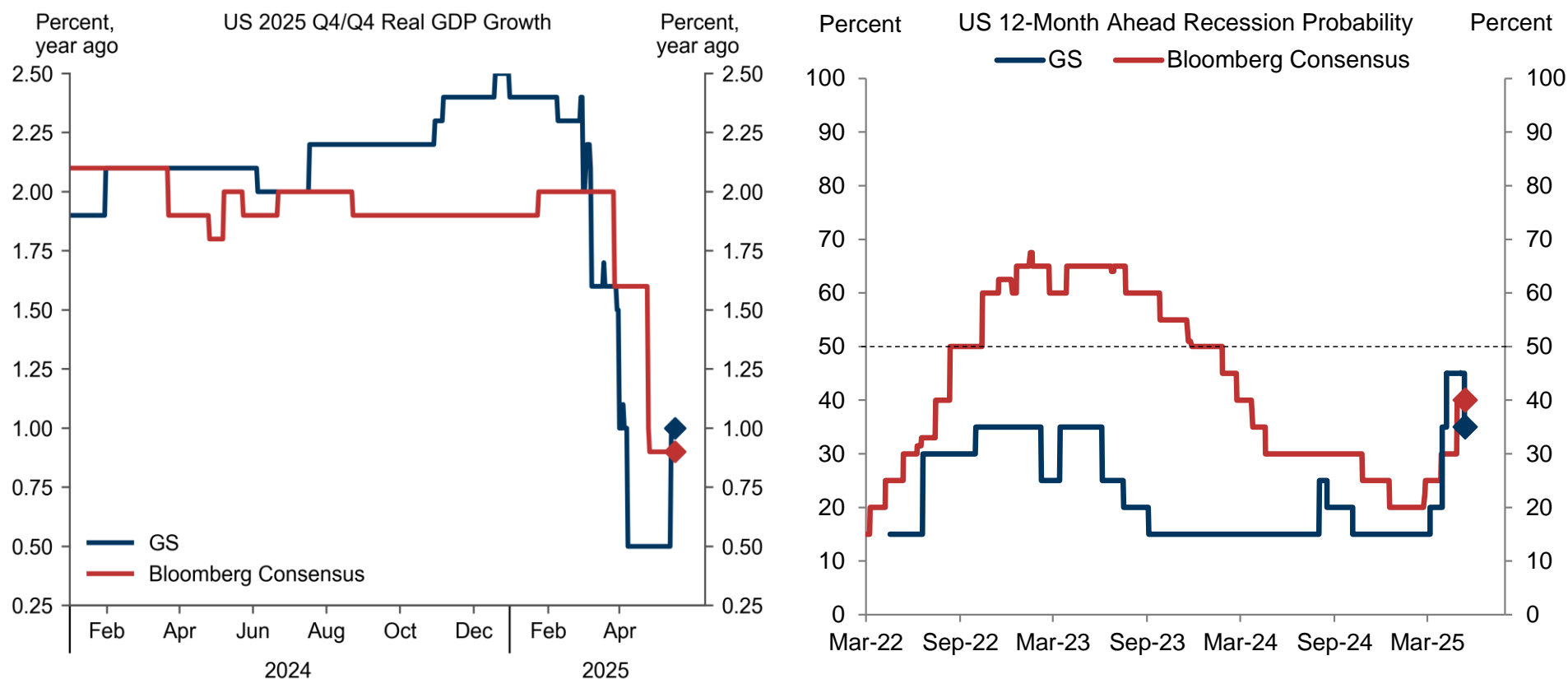
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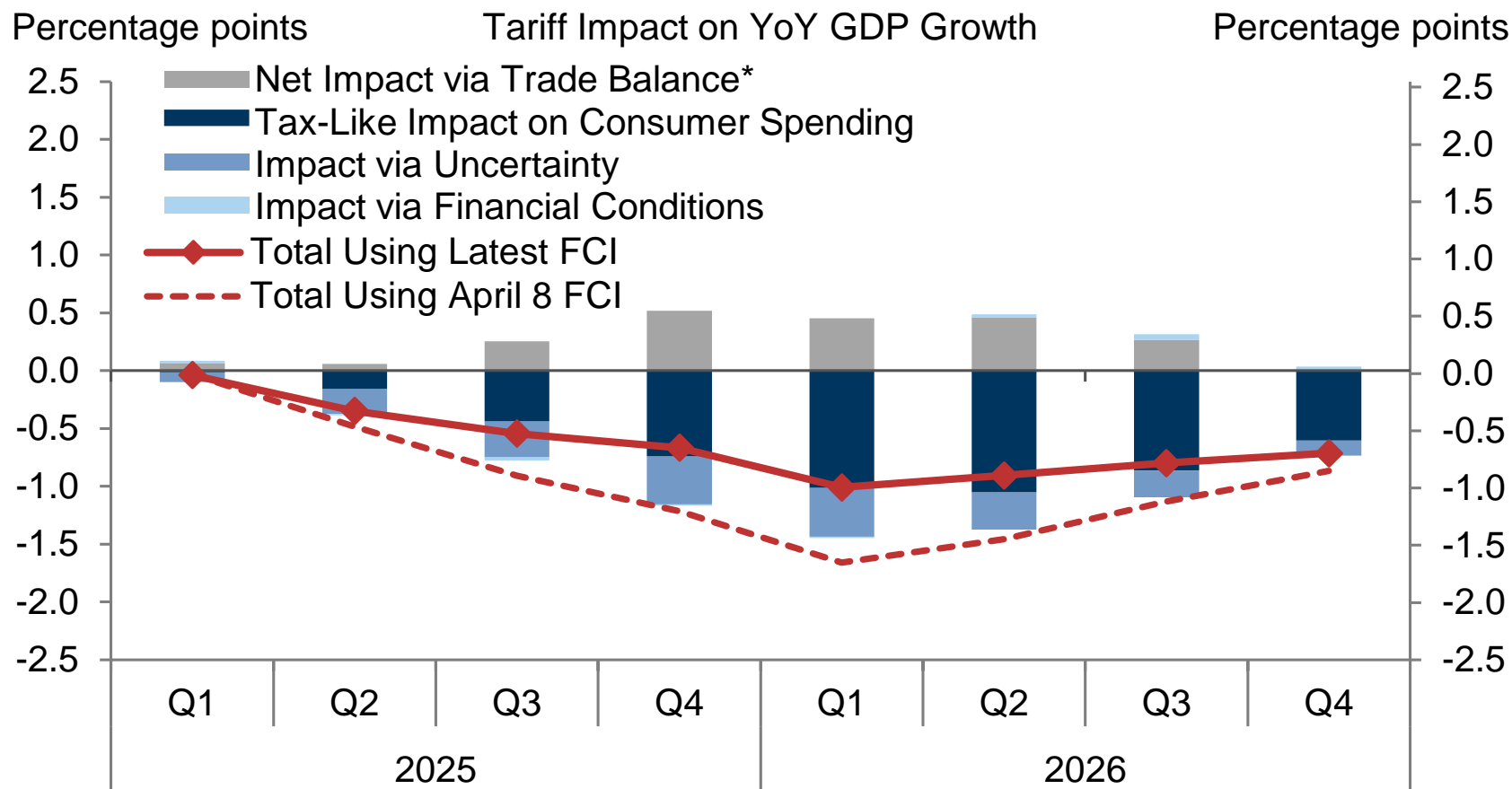
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We Have Revised Down Recession Risk Modestly But Remain More Concerned Than in Prior Years

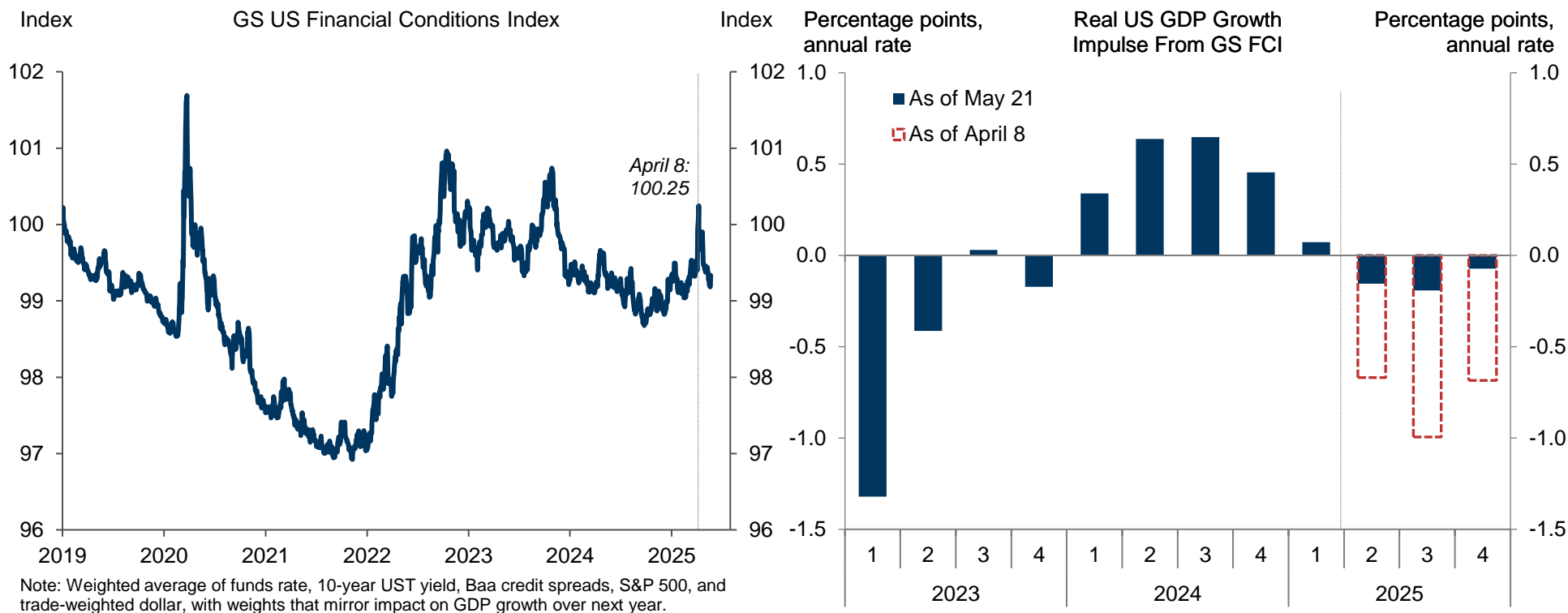


Higher Tariffs Are Likely to Shave 1-1.5pp from US Growth

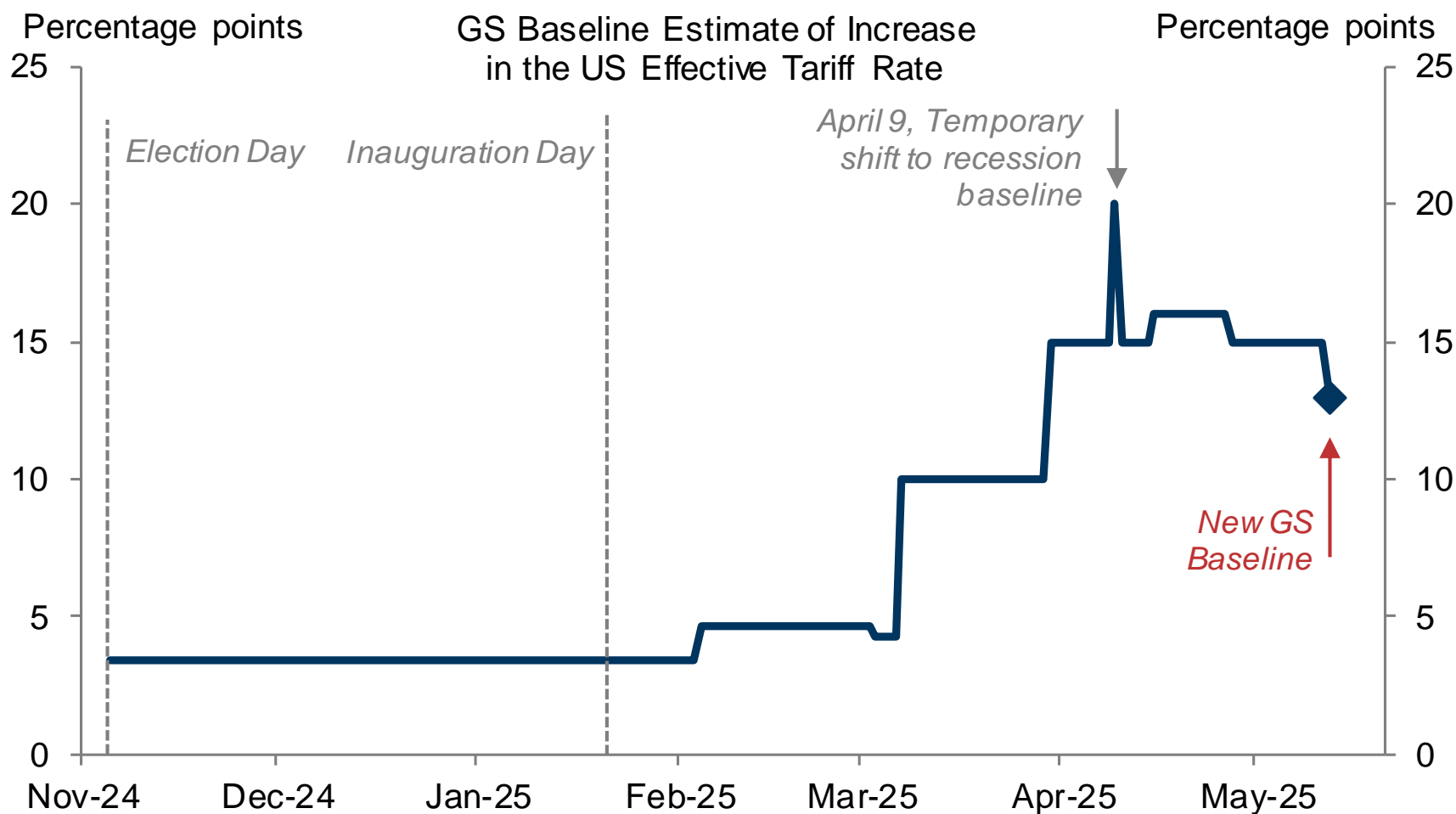


*Positive impact of lower US demand and negative impact of retaliation and boycotts.

For Now, Financial Conditions Impulse Looks Much Less Negative Than Just After “Liberation Day”

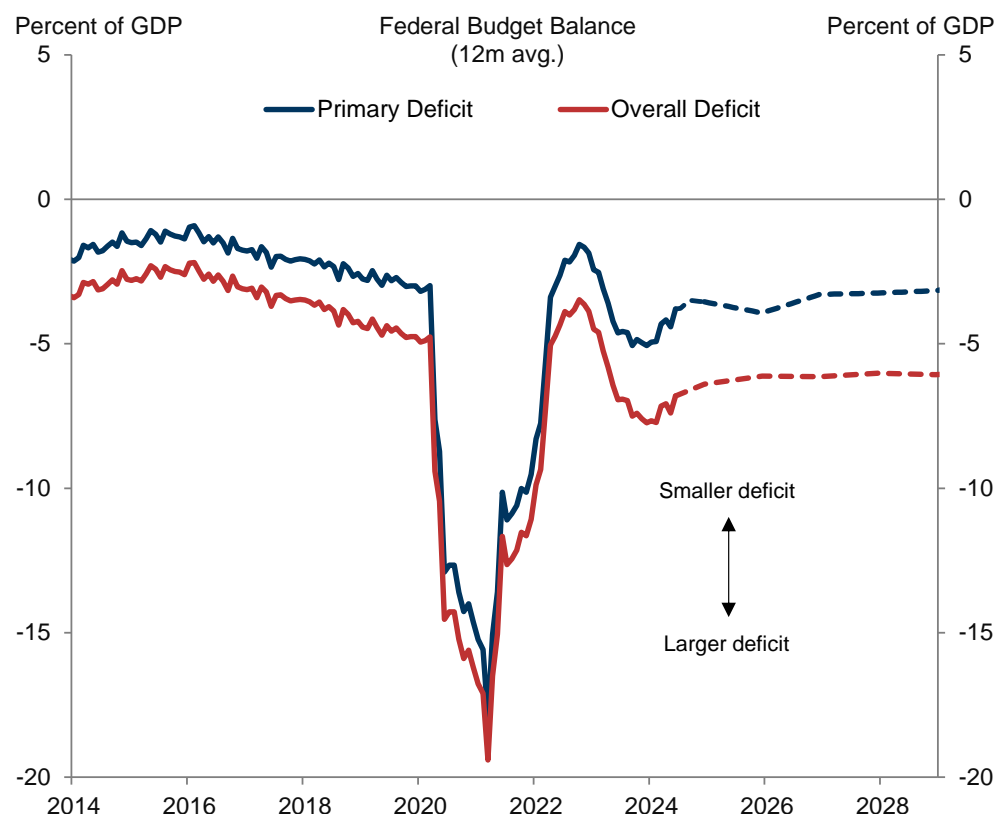


Tariff Policy Remains Extremely Uncertain Despite President Trump's Recent Pullback

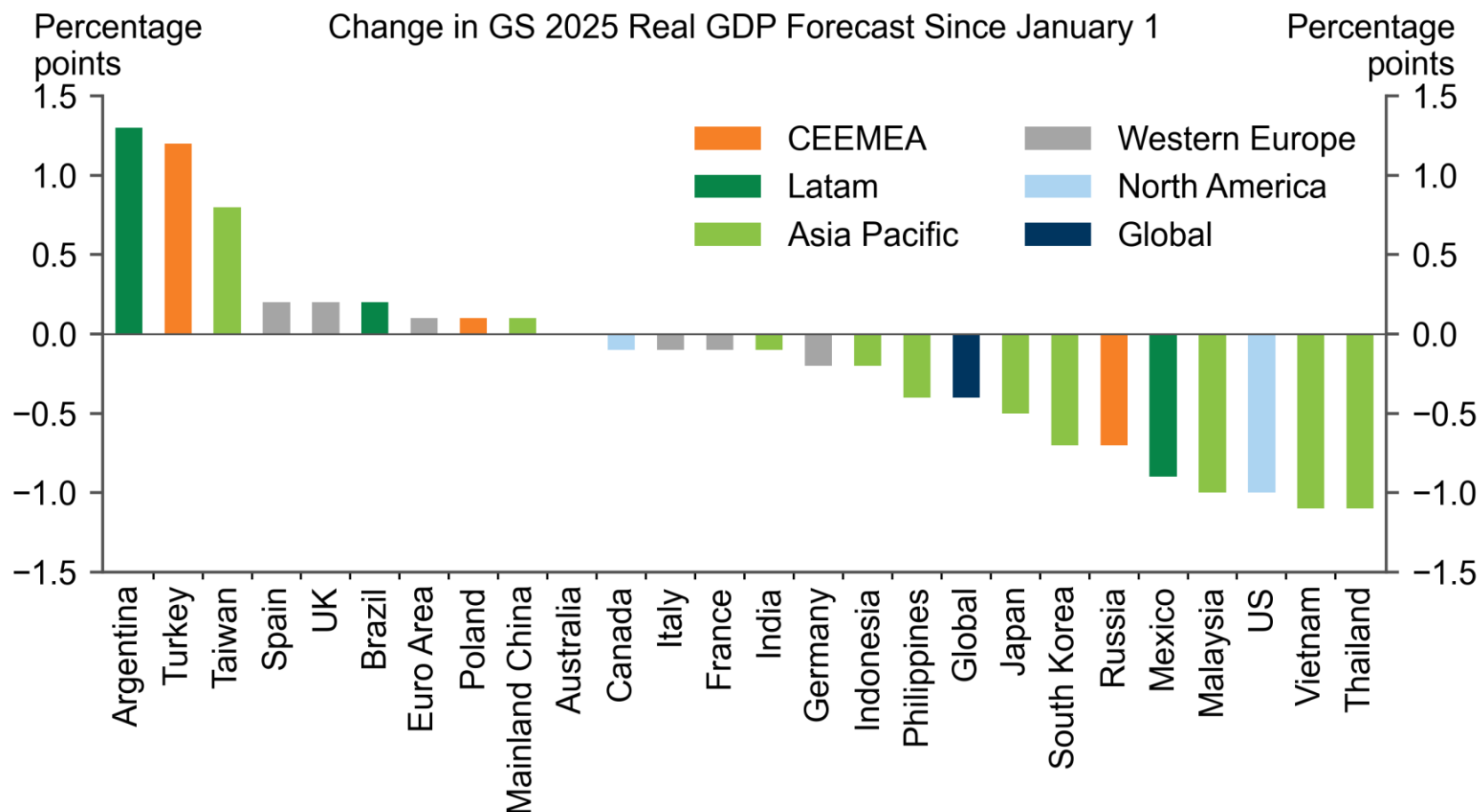


US Fiscal Policy Remains on an Unsustainable Path

Expected Fiscal Policy Changes	Impact, per Year	
Expansion of 2017 Tax Cuts	USD	% of GDP
Larger child credit (+\$500)	\$17bn	0.05%
Larger standard deduction	\$32bn	0.10%
Larger passthrough deduction	\$11bn	0.03%
New Business Tax Cuts		
Full expensing of domestic manufacturing facilities, equipment, and R&D	\$96bn	0.29%
Expanded limit on interest deductibility	\$6bn	0.02%
Inflation Reduction Act green subsidies	-\$46bn	-0.14%
Other business tax policies	-\$15bn	-0.04%
Campaign Tax Proposals		
Expand state and local tax (SALT) deduction	\$15bn	0.04%
Exclude auto loan interest from income tax	\$14bn	0.04%
Exclude extra 50% overtime from income tax	\$31bn	0.09%
Exclude tips from income tax	\$10bn	0.03%
Other individual tax policies	\$14bn	0.04%
Spending Cuts		
Medicaid	-\$47bn	-0.14%
SNAP (food stamps)	-\$28bn	-0.08%
Other	-\$33bn	-0.10%
Spending Increases		
Defense	\$31bn	0.09%
Other business tax policies	\$24bn	0.07%
Total	\$131bn	0.39%



We Have Downgraded Our Growth Forecasts for Most Economies Over the Course of the Year



Disclosure Appendix

May 27, 2025

Reg AC

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