United States: Activity shrugs off the energy shock

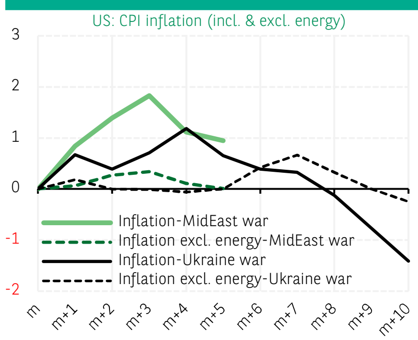
The US economy has held up well since the shock began. Consumption and business investment grew at a 4.1% annualized pace in Q2. At the same time, the scope for energy-driven disinflation has narrowed: WTI (the US reference) has averaged USD 82/bbl since 8 July, ranging between USD 72-92.

CPI rose 0.1% m/m in July, reversing June's -0.4% drop. The year-on-year rate eased to 3.4% (down 0.1pp) but remained 1.0pp higher than in February – the last pre-war reading. Energy accounts for the entire gap: its contribution to the annual rate was negligible in February and stood at 1.0pp in July. Inflation excluding energy reached 2.55% y/y in July (down 0.1pp), unchanged from February. Macroeconomic conditions remain far less inflationary than in 2022, although small businesses have raised their pricing intentions.

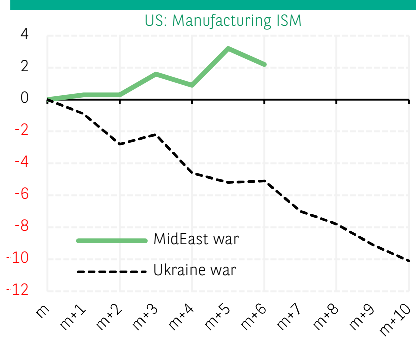
Business sentiment strengthened despite the shock. The ISM manufacturing index has remained in growth territory without interruption since January 2026, following 36 months of contraction out of 38. Input prices – a leading indicator of inflation – and delivery times have tightened further, as the Middle East situation compounds existing pressures from steel and aluminum prices, tariffs, and input availability.

Household confidence remains deeply depressed – a long-standing trend – and sensitivity to gasoline prices rules out any improvement in the near-term. Real consumer spending, however, has never contracted monthly since the onset of the conflict.

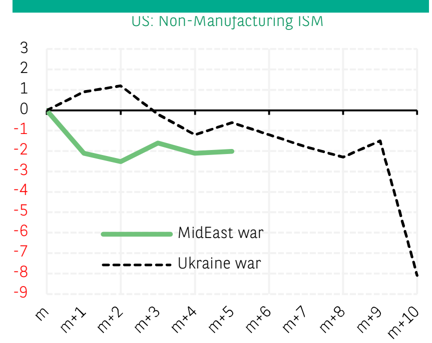
July 2026: Inflation excluding energy back at its pre-war level



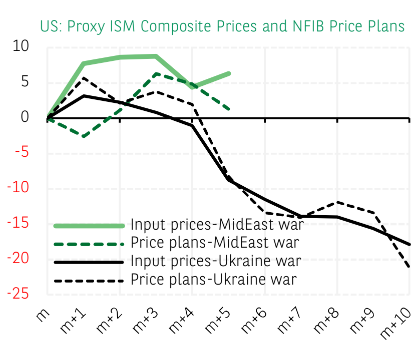
August 2026: Manufacturing activity firmly anchored in expansion territory



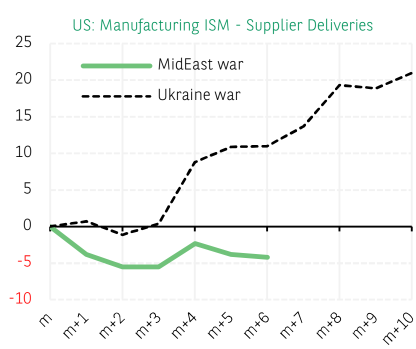
July 2026: Business sentiment holds up in services



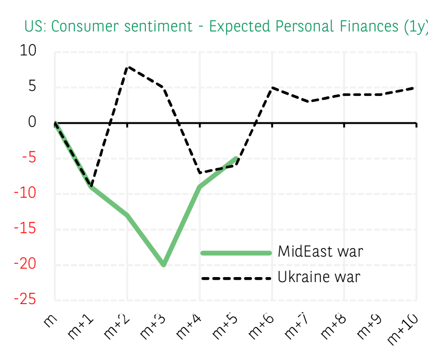
July 2026: Persistent pressure on input prices



August 2026: Supplier delivery times lengthen again



July 2026: Concerns over household finances ease again



Change since m = 0 = February 2026 / February 2022.
Unit: inflation change in percentage point, point for confidence surveys.

Source: BLS, ISM, NFIB, University of Michigan, BNP Paribas