

United States: Iran war pushes inflation higher and sustains downward pressure on household sentiment

The Iran war delivered a quick, though relatively contained, negative impact to US activity data and surveys.

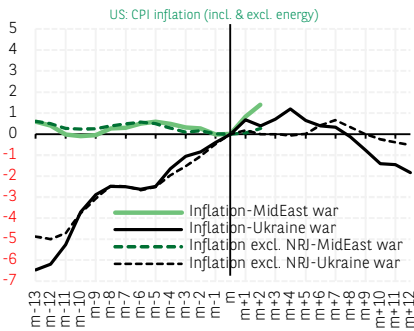
CPI inflation recorded its largest monthly increase since 2022 in March, before reaching 3.8% y/y in April (+1.4pp in two months and a highest since 2023) – almost entirely on the back of gasoline prices, with the non-energy index edging up only moderately.

Business sentiment, which was on an upward trajectory before the shock, stayed resilient but signaled a faster input-price growth (a leading indicator of inflation) and longer delivery times, both directly linked to Middle East turmoil and coming on top of the issue of tariffs.

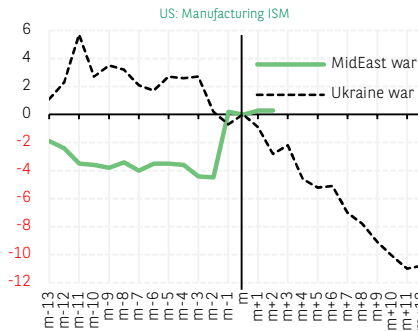
Meanwhile, the outlook of households, which were already low on optimism, has further deteriorated due to their sensibility to gasoline prices, while inflation expectations were rising.

However, macro conditions are significantly less inflationary than in 2022, and small businesses have not yet materially raised their price plans.

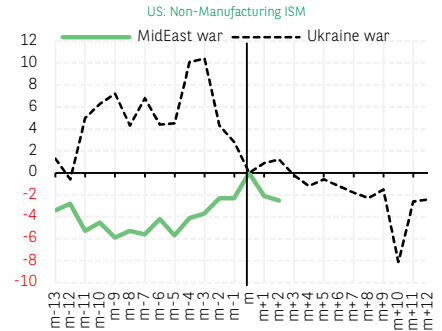
April 2026:
Energy-related inflation bounce



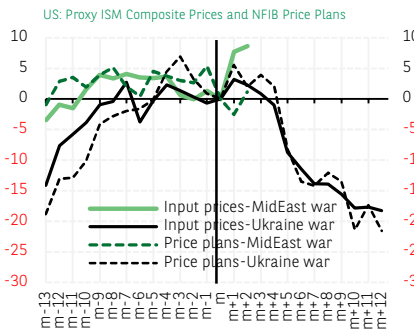
April 2026: Positive trend for manufacturing business sentiment



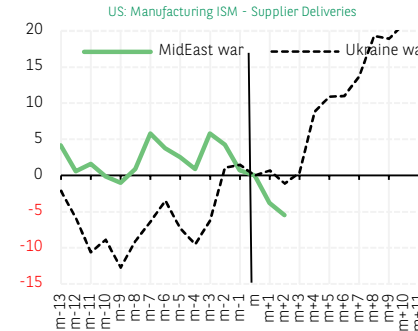
April 2026: Services business sentiment down but still buoyant



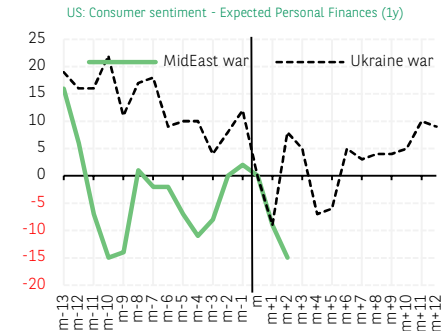
April 2026: Sharp rise in input prices, moderate rise in price plans



April 2026:
Longer delivery times



May 2026:
Growing concerns among households



Change since m = 0 = February 2026 / February 2022

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