

United States: Oil prices pushes inflation higher and household sentiment is under growing pressure

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

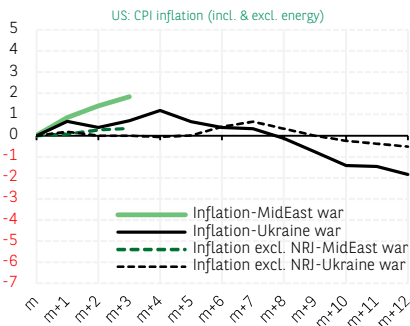
CPI inflation recorded its largest monthly increase since 2022 in March and stood at 4.2% y/y in May (+1.8pp in three months and a highest since 2023) – almost entirely on the back of gasoline prices, with the non-energy index edging up as well but to a lesser extent (+0.3pp to 2.9% y/y in three months).

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.

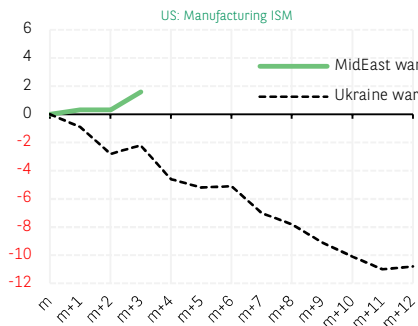
Meanwhile, the outlook of households, which were already low on optimism, has further deteriorated due to their sensibility to gasoline prices, while inflation expectations have risen.

However, macro conditions are significantly less inflationary than in 2022, although small businesses have raised their price plans.

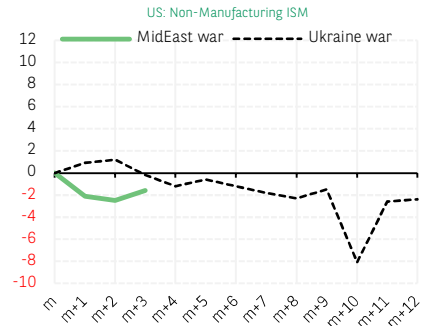
May 2026:
Energy-related inflation bounce



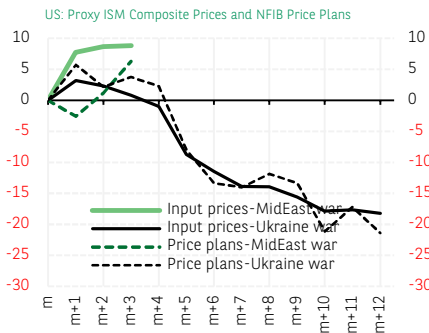
May 2026: Positive trend for manufacturing business sentiment



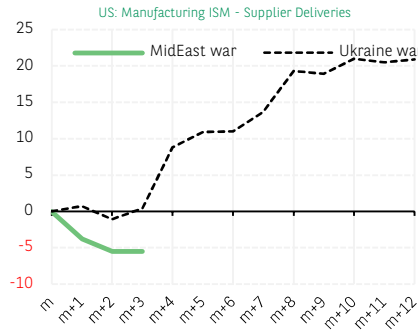
May 2026: Services business sentiment still buoyant



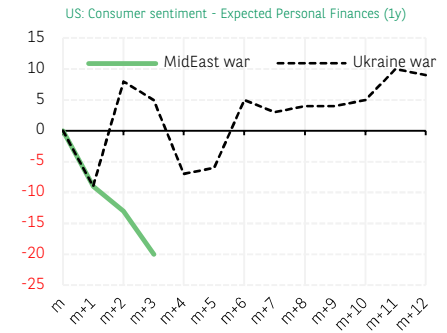
May 2026: Very elevated input prices, another rise in price plans



May 2026:
Longer delivery times



June 2026:
Growing concerns among households



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