Macro Monthly

Economics
Global

Resilient growth amid energy price volatility

- Volatile energy markets continue to swing inflation and rate expectations…
- …but moves in core inflation have been much more benign…
- …and most activity data are holding up reasonably well

Uncertainties over the path to a resolution of the Middle East conflict have caused the oil price to move in a volatile manner in recent weeks – firstly back up to USD100/b, then back below USD80/b – the difference having quite a **sizeable impact on the global economic outlook**. At the time of writing, markets remain hopeful of a resolution; however, as we have seen, this can change quickly.

Headline risks, core contained

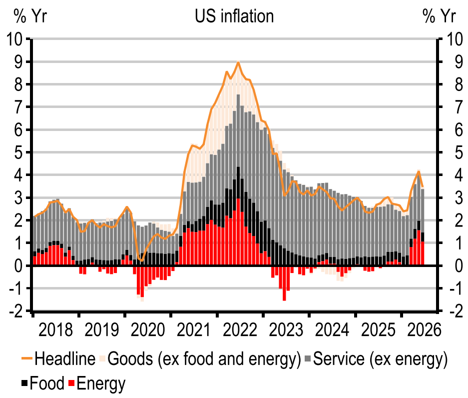
Commodities and El Niño pressuring headline inflation

Headline inflation risks, therefore, remain acute: beyond oil and gas, other commodity prices remain elevated. And the rising probability of a **more powerful El Niño later this year is keeping food prices high**, particularly rice prices.

But underlying prices pressures are contained

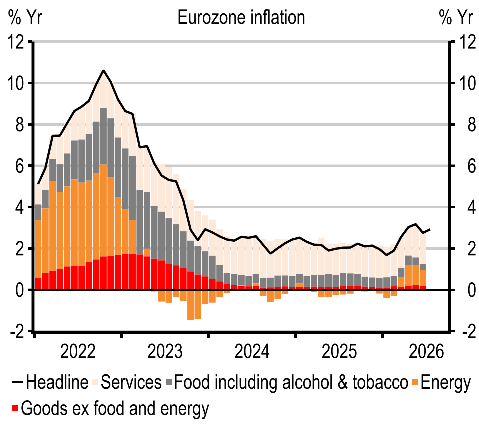
The encouraging part of the inflation story is the **lack of spillover into other areas of the inflation basket**. Our measures of so-called 'supercore' inflation, which strip out food, energy and their related items (such as airfares and food away from home), have hardly budged. In most economies (with the notable exception of the Philippines), inflation increases since February have been **concentrated in headline inflation** rather than core measures. US inflation in June saw this quite clearly, even if the eurozone flash release saw a slight tick up in core inflation. In most of Asia, for now, inflationary pressures remain on the food and energy side.

1. US energy inflation dipped in June



Source: BLS, Latest data: June 2026

2. Eurozone core inflation remains under control



Source: ECB, Latest data: June 2026

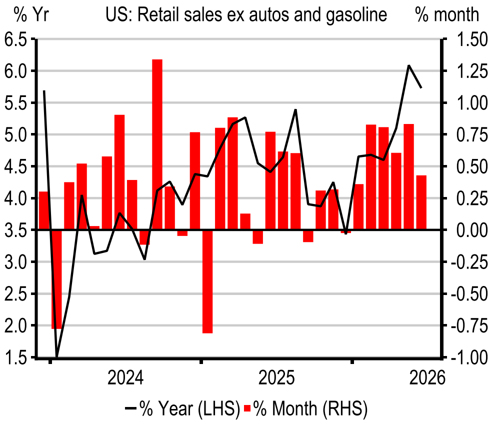
HSBC

Robust Q2 growth

Consumption and AI demand have bolstered growth

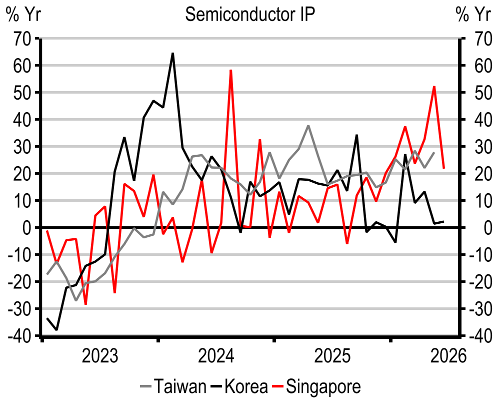
Surprisingly, **global growth data for Q2 have broadly performed well**. Despite higher headline inflation squeezing household incomes, US and European consumers have kept spending, and, in Asia, Korea and Taiwan recorded robust growth, primarily driven by AI demand. Mainland China's domestic activity remains subdued, but trade data are still robust, with exports rising for high-tech products. The recent Politburo meeting didn't announce any new stimulus, but it did emphasise service-related consumption and promoting a more balanced trade profile.

3. US consumer spending is still robust



Source: USCB Latest data: May 2026

4. Semiconductor Industrial Production (IP) remains strong in Asia



Source: SingStat, MODS, MOEA Latest data: June 2026, June 2026, May 2026

Additional tariffs

On the trade front, the US implemented a 10-12.5% tariff on 60 trading partners under Section 301, effective 24 July 2026, although products subject to Section 232 tariffs are exempt. At the same time, the US administration has threatened the EU with additional tariffs after the EU imposed fines on several US tech companies over unethical conduct.

Policy challenges

We expect the ECB to hike rates again in September

How these inflation and growth cross-currents interact is crucial for policymakers. Although we expect the European Central Bank (ECB) to now **deliver another rate rise in September**, for other major central banks it is a much tougher balancing act. We continue to expect the Federal Reserve and the Bank of England to remain on hold; however, as with so much of the global outlook right now, this hinges on oil prices remaining under control.

Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
15 Jul	Mainland China	GDP (% y-o-y)	Q2	4.3	4.5	5.0	↓
16 Jul	UK	Monthly GDP (% 3M-3M)	May	0.7	0.5	0.8	↑
30 Jul	US	Real GDP (% q-o-q, annualised)	Q2, 1st release	1.5	2.0	2.1	↓
31 Jul	Eurozone	HICP (% y-o-y)	Jul, flash	2.9	2.9	2.8	→
3 Aug	US	ISM manufacturing (Index)	Jul	55.6	53.9	53.3	↑
5 Aug	US	ISM services (Index)	Jul	54.1	54.5	54.0	↓
7 Aug	Mainland China	Exports (% y-o-y)	Jul	23.9	23.0	27.0	↑
7 Aug	Mainland China	Imports (% y-o-y)	Jul	27.5	29.7	36.0	↓
7 Aug	US	Nonfarm payrolls, monthly change (000s)	Jul	-23	88	20	↓

Source: Bloomberg, HSBC
↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus

Key upcoming events

Date	Market	Release	Period
12 Aug	US	CPI	Jul
13 Aug	UK	GDP	Q2
14 Aug	Eurozone	GDP	Q2
14 Aug	US	Retail Sales	Jul
17 Aug	Mainland China	Retail Sales	Jul
19 Aug	UK	CPI	Jul
20 Aug	Mainland China	People's Bank of China interest rate announcement	-
21 Aug	UK	Retail Sales	Jul
21 Aug	EU/UK/US	PMIs	Aug
1 Sep	Eurozone	HICP	Aug
4 Sep	US	Non-Farm Payrolls	Aug

Source: LSEG Eikon, HSBC

Disclosure appendix

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