

## Price shocks easing

- ◆ The MoU signed between the US and Iran has led to a fall in oil prices, but details are yet to be teased out in the deal
- ◆ The US economy remains robust, partly driven by AI demand and partly driven by resilient consumer spending...
- ◆ ...while global inflation will be dragged in different directions by food and energy prices

Markets may be finding more reason for optimism on the back of the Memorandum of Understanding (MoU) signed between the US and Iran on 17 June, with oil prices falling back significantly and equity markets picking up again, but the economic fallout will depend on the speed of reopening of the Strait of Hormuz.

### Picking up steam

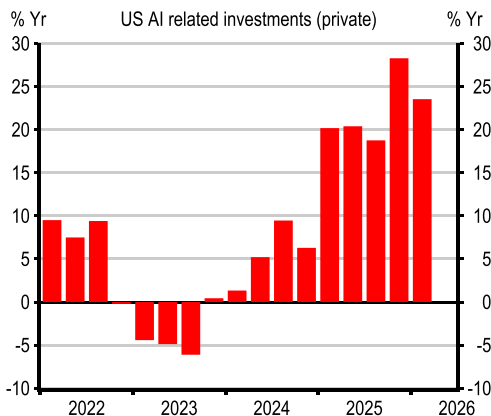
Some parts of the global growth story remain on a tear, largely surrounding AI. Asian exporters continue to see a strong lift from the build out of datacentres in the US and elsewhere, although the pull back in Korean industrial production and Taiwan export orders in May suggests that the broader pace of this growth might slow a touch. Nevertheless, **they still are growing at a handsome pace**. Mainland China is seeing a similar export boost, but domestic activity data are faltering somewhat.

The broad suite of US data continues to perform well. The labour market, having wobbled at the start of the year, appears to have stabilised, while **the American consumer has kept spending** – and this may be boosted by football-related spending in June and July.

AI-led exports remain robust despite some cooling

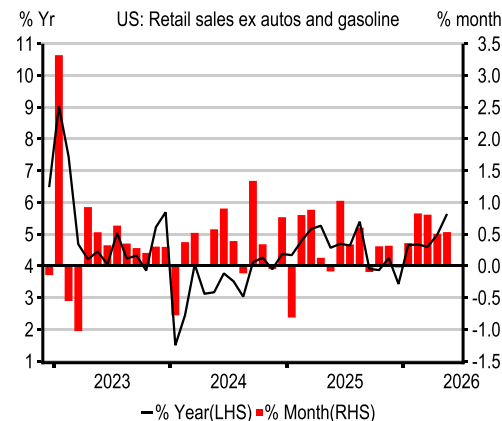
US consumption remains strong

### 1. AI related investments in the US remain strong...



Source: BEA, Latest data: 2026 Q1

### 2. ...and consumer spending is more than holding up



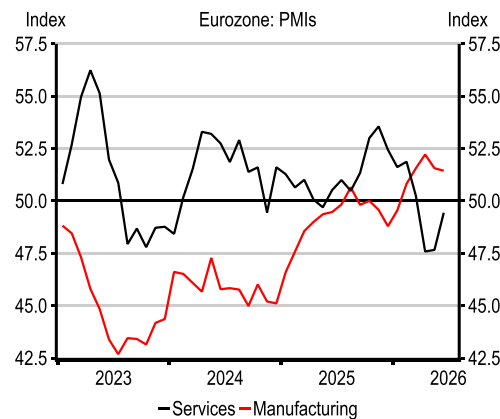
Source: USCB Latest data: May 2026

EU business activity subdued but consumer confidence up

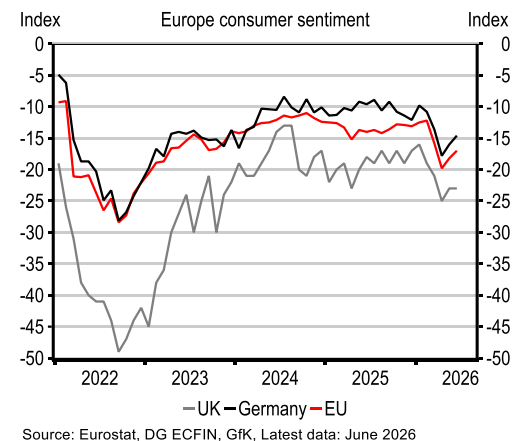
### Europe data mixed

Things aren't quite as bright in Europe, where the **activity data appear to be feeling the squeeze** from the jump in energy prices. Survey data have edged up on the back of the drop in oil prices, but we expect growth to slow through Q3. While some consumer services may see a boost from the World Cup and hot-weather related spend, the matches being late at night in European time zones may dampen the uplift.

### 3. Despite an uptick, the eurozone services PMI remains below 50...



### 4. ...while consumer sentiment has edged up



El Niño risks may keep food inflation elevated

### Inflation pressures diverging

The inflation story is now complicated due to multiple competing forces. The oil price rise through May has lifted inflation, but some of these effects will now fade out on a m-o-m basis over the coming months. However, **food inflation is expected to pick up gradually**, due to the impact of El Niño adding to conflict-induced cost pressures in food supply chains. PMI data suggest much of the rise in input costs hasn't been passed on yet – the question is whether firms will now need to at all.

### Trade developments

Elsewhere, the US administration has decided not to renew the United States-Mexico-Canada Agreement (USMCA) agreement between the three North American trading partners for now, though the deal remains valid through 2036 at least. The US Treasury refunded USD22bn in tariffs in May, resulting in no net customs duties collected that month. Meanwhile, recent talks between the EU and China were constructive, with both parties agreeing to work to tackle bilateral trade ahead of their next ministerial meeting in October.

### Growth forecasts

We recently kept our global growth forecasts steady at **2.5% for this year and 2.7% for 2027**, although that masks sizeable revisions to some economies.

While there are no absolute winners from the conflict-driven global supply shock, **there are relative winners and losers**. The most notable upgrade to our 2027 forecast is to the US while the biggest downgrades are India and Brazil, reflecting a weaker carryover from H2 2026 when lagged effects of the energy shock and an anticipated impact from El Niño are set to weigh on the growth outlook.

We forecast global growth of 2.5% this year and 2.7% next

**Key GDP growth forecasts**

% year	2025		2026 forecast		2027 forecast	
<b>World</b>	<b>2.8</b>	<b>(2.8)</b>	<b>2.5</b>	<b>(2.5)</b>	<b>2.7</b>	<b>(2.7)</b>
US	2.1	(2.1)	2.3	(2.1)	2.3	(2.0)
Mainland China	5.0	(5.0)	4.6	(4.6)	4.7	(4.7)
Japan	1.1	(1.2)	0.7	(0.7)	1.0	(1.0)
India*	7.5	(7.5)	6.8	(6.3)	6.4	(6.8)
ASEAN-6	5.0	(5.0)	4.2	(4.2)	4.3	(4.5)
Eurozone	1.5	(1.5)	0.3	(0.7)	0.9	(1.1)
UK	1.4	(1.3)	1.1	(0.8)	1.0	(1.2)
Brazil	2.3	(2.4)	2.0	(2.0)	1.7	(2.2)
Mexico	0.6	(0.6)	1.0	(1.5)	2.0	(2.0)

Note: \*India data is calendar year forecast here for comparability. Previous forecasts are shown in parenthesis and are from the Macro Monthly dated 9 April 2026. Green indicates an upward revision, red indicates a downward revision.  
 Source: Bloomberg, HSBC Economics

**Key recent releases**

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
16 Jun	Mainland China	Retail sales ytd (% y-o-y)	May	1.4	1.4	1.9	→
16 Jun	Mainland China	Industrial production (% y-o-y)	May	4.5	4.4	4.1	↑
16 Jun	Mainland China	Fixed assets ex rural - ytd (% y-o-y)	May	-4.1	-2.3	-1.6	↓
17 Jun	UK	CPI (% y-o-y)	May	2.8	3.0	2.8	↓
17 Jun	US	Retail sales advance (% m-o-m)	May	0.9	0.6	0.4	↑
30 Jun	Mainland China	PMI-Manufacturing (Index)	Jun	50.3	50.1	50.0	↑
30 Jun	UK	GDP (% y-o-y)	Q1, final	0.9	1.1	1.1	↓
1 Jul	Eurozone	HICP (% y-o-y)	Jun, flash	2.8	3.0	3.2	↓
2 Jul	US	Nonfarm payrolls, monthly change (000s)	Jun	57	113	129	↓

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
14 Jul	US	CPI	Jun
14 Jul	Mainland China	Exports / Imports	Jun
15 Jul	Mainland China	GDP	Q2
16 Jul	UK	GDP	May
20 Jul	Mainland China	People's Bank of China interest rate announcement	-
22 Jul	UK	CPI	Jun
23 Jul	Eurozone	European Central Bank interest rate announcement	-
24 Jul	UK	Retail Sales	Jun
24 Jul	EU / UK / US	PMIs	Jul
30 Jul	Eurozone	GDP	Q2
30 Jul	UK	Bank of England interest rate announcement	-
30 Jul	US	Federal Reserve interest rate announcement	-
30 Jul	US	GDP	Q2
31 Jul	Eurozone	HICP	Jul

Source: LSEG Eikon, HSBC

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