Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of June 29, 2026

The final week of June presented another test for the increasingly prevailing macroeconomic narrative of "high growth, high inflation," bringing together indicators of economic momentum, inflation, and consumer sentiment.

Economic activity proved more resilient at the start of the year than initially projected, with the annualized rate of real GDP growth for Q1 revised up to 2.1%. Flash PMI survey data from S&P Global point to continued resilience in Q2, with U.S. business activity expanding for a third consecutive month in June. The expansion was driven primarily by the manufacturing sector and supported by precautionary inventory accumulation in anticipation of future supply chain disruptions and input cost pressures tied to the U.S.-Israel-Iran war. The service sector posted a more modest gain, with higher input and borrowing costs and subdued business and consumer confidence flagged as headwinds.

Consumer sentiment, as measured by the University of Michigan Consumer Sentiment Index, remains near historic lows but improved in June relative to the prior month, helped by the signing of the U.S.-Iran MOU and falling gasoline prices. Even so, the cost of living remains at the forefront of public consciousness, with most consumers reporting that higher prices are weighing on their personal finances. Inflation, as measured by the Personal Consumption Expenditures (PCE) price index, climbed from 3.8% in April to a three-year high of 4.1% in May, while core inflation—which excludes volatile food and energy prices—rose to 3.4%, well above the Federal Reserve's 2% target. Fallout from the Middle East conflict, tariffs, the AI boom, and resilient consumer demand continue to place upward pressure on structural inflation.

Inflation-adjusted consumer spending rebounded in May after a weak April, beating expectations even as low confidence and higher inflation weighed on real income growth, purchasing power, and the savings rate. That spending remains deeply bifurcated, however. Consumption is being heavily sustained by higher-income households, while middle- and lower-income families face intense pressure from the rising cost of essentials and, for the latter, recent cuts to social benefits.

Week ahead for economic data: This week's release calendar will be compressed by the Independence Day holiday, with labor market data for May and June taking center stage. Tuesday brings the latest Job Openings and Labor Turnover Survey (JOLTS), offering a look at the internal dynamics of the labor market in May, followed by Thursday's Employment Situation Report—the "jobs report"—for June, with crucial detail on job growth, wage growth, and the unemployment rate. Also on the calendar are Tuesday's Conference Board Consumer Confidence Index for June, providing another read on consumer sentiment, and Wednesday's ISM Manufacturing PMI, which will reveal whether input costs and supply chain bottlenecks continue to pose upside risks to prices.
