Allianz Global Investors

Sources of inflation

The Week Ahead – 18 September 2026

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Inflation has remained elevated meaningfully above most major central bank's inflation targets for more than five years. More recently, **a series of renewed supply-side shocks combined with a resilient economy** have arrested the initial disinflationary trend which took hold following the post-COVID global central bank tightening cycle of 2022-23. With little sign that these inflationary pressures are abating, central banks have once more pivoted hawkishly, taking their first steps in what might develop into a renewed (mini-) hiking cycle. We believe there are four main sources of inflation pressure today, with a focus on the dynamic in the United States (U.S.):

First, **re-escalation** in the **U.S.-Iran** and **Russia-Ukraine** conflicts have placed pressure on headline energy and food prices. Brent oil futures prices have once more sustainably risen above $100/bbl for the first time since the spring while average U.S. gasoline prices are nearing $4.30/gallon, also their highest since the spring. Meanwhile, production shortages, supply chain constraints, and higher transportation costs are adding pressure to the cost of food. Furthermore, a strong El Nino poses further upside risk to food prices in coming quarters.

Second, **tariff headwinds** have eased but continue to influence core goods prices and have potential to build further. The average statutory tariff rate on U.S. imports has stabilized near 11% since the Trump administration replaced many of the temporary Section 122 tariffs with more enduring Section 301 and 232 tariffs this summer. The recent disputes between the US and Canada demonstrate the continued propensity for the Trump administration to utilize tariffs as a

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key tool in foreign policy, underscoring the upside risks to tariff rates. While many models suggest that tariff pass-through to consumer prices is largely complete, there is likely still room to go.

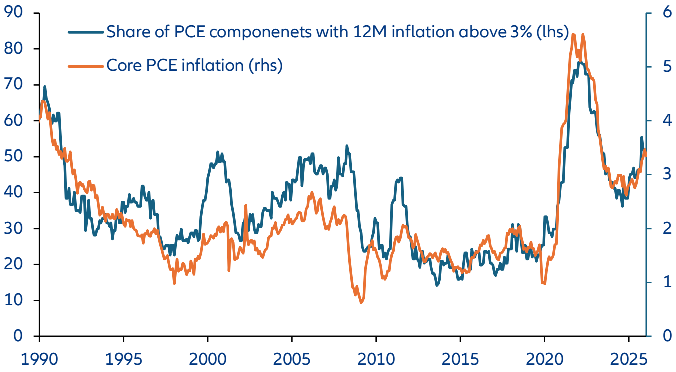
Third, underlying **economic growth has proven resilient**. Household consumption in the US has remained robust, most notably among high income earners, with growth in discretionary spending this summer focused on services, especially in leisure and travel-related spending. Indeed, labor markets have found stability this year, recovering from weakness last year. Private payroll growth has rebounded, and the unemployment rate remains historically low, even while wage growth is mixed. With households feeling more secure in their income and equity valuations near all-time highs, consumers are increasingly drawing down on their savings.

Fourth, the **AI investment cycle** is placing upward pressure on technology and electronic prices. Competition for energy, raw minerals, and computing power has likely added pressure to variety of baskets ranging from software, hardware, leisure, and energy components. The BEA (Bureau of Economic Analysis) will update their methodology for the PCE (Personal Consumption Expenditure) deflator later this month to better address certain product matching and quality adjustments in the software category, which will lower the official inflation rate somewhat. That said, the continued datacenter buildout and adoption of AI across industries will continue to place upward pressure on inflation.

Given the risks outlined above, it is no surprise that inflation has remained stubbornly above the **Federal Reserve's** 2% target, and moreover the breadth of inflation is widening across components. These pressures place the Federal Reserve in a pickle; supply shocks are unpredictable and could easily compound or fade over the near term, with changes in monetary policy having little effect. Meanwhile, elevated inflation and recovering labor markets have the potential to place the Fed's mandate in conflict. However, persistent supply chain shocks and an overheating economy increase the risk that temporary shocks to inflation become embedded through wage formation, corporate pricing behavior, and inflation expectations. With inflation projected to remain sticky and above target over the coming quarters, expect the Fed to tighten policy further in the months ahead.

The level of US inflation is elevated and the breadth is expanding

Core PCE inflation (rhs) and the share of components with 12-month inflation above 3% (lhs); %



Source: Bloomberg Finance, 15.09.2026.
Past performance does not predict future returns.

The coming week

The coming week will put **Europe's economic** mood to the test. On Tuesday, preliminary euro-area consumer confidence for September will offer a timely indication of household sentiment; the index previously stood at -15.5. Attention then shifts to Germany on Thursday, when the September **ifo survey** is released. The business climate index was last at 88.8, with current conditions at 88.5 and expectations at 89.1. Together, these indicators should help investors judge whether sentiment is finding firmer ground or whether economic uncertainty continues to cast a shadow.

In the **US**, the data calendar is light, with the September preliminary **S&P PMIs**, August preliminary **durable goods** orders, and the **University of Michigan** consumer sentiment and inflation expectations. These reports will provide a near-term gauge of how consumer spending and sentiment have held up over the past month.

The calendar is also light in the **UK** as well as **Japan**, where the release of the **S&P PMIs** on Wednesday represents the main economic data print of the week.

Wishing all a swift disinflation,
Liam Wash

Upcoming political events 2026

- 20 Sept: DE State elections in Mecklenburg-Western Pomerania
- 22–28 Sept: UN UNGA General Debate
- 1 Oct: EZB General meeting
- 4 Oct: BRA General elections
- 12–18 Oct: THA Worldbank Annual meeting
- 12–18 Oct: LVA Parliamentary elections

Calendar Week 39

Day	Country	Indicator	Period	Consensus	Previous
Monday	CN	Loan Prime Rate 1Y	Sep	--	3.00%
	CN	Loan Prime Rate 5Y	Sep	--	3.50%
	UK	House Price Rightmove YY	Sep	--	-1.0%
Tuesday	EC	Consumer Confid. Flash	Sep	--	-15.5
Wednesday	UK	Flash Composite PMI	Sep	--	52.5
	UK	Flash Manufacturing PMI	Sep	--	51.7
	UK	Flash Services PMI	Sep	--	52.5
	US	S&P Global Mfg PMI Flash	Sep	--	53.9
	US	S&P Global Svcs PMI Flash	Sep	--	56.5
Thursday	GE	Ifo Business Climate New	Sep	--	88.8
	GE	Ifo Curr Conditions New	Sep	--	88.5
	GE	Ifo Expectations New	Sep	--	89.1
	UK	CBI Distributive Trades	Sep	--	-48
	US	Current Account	Q2	--	-226.8B
	US	New Home Sales-Units	Aug	--	0.607M
	US	Initial Jobless Clm	14 Sep, w/e	--	--
	US	Cont Jobless Clm	7 Sep, w/e	--	--
Friday	EC	Money-M3 Annual Grwth	Aug	--	3.4%
	EC	Broad Money	Aug	--	17,613,983M
	US	Durable Goods	Aug	--	1.1%
	US	Durables Ex-Transport	Aug	--	0.4%
	US	U Mich Sentiment Final	Sep	--	47.8

The calendar data for the current week comes directly from LSEG Datastream. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by LSEG Datastream through a survey of analysts and economists. It is the average of all estimates submitted.

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