

Article | 21 April 2026

CZECH REPUBLIC HUNGARY

Energy shock 2.0 – who breaks, who bends in Central and Eastern Europe

The oil shock that began in March isn't just another commodity move; it's a macro stress test at a difficult time for the CEE region, when disinflation was maturing, fiscal space was narrow, and demand was largely fragile. The differences that matter most aren't how much oil a country imports, but who has the institutional shock absorbers to manage the blow



How the CEE region copes with surging energy prices is not merely a function of oil imports, but of the institutional shock absorbers available to manage the blow

The 2026 energy shock has hit the CEE3 (the Czech Republic, Poland and Hungary) and Turkey at precisely the wrong moment. Disinflation has only just been restored, growth remains fragile, fiscal room is thin, and central banks were just preparing to ease. This makes the new oil shock less a replay of 2022 than a genuine policy stress test – one that will separate economies with credible institutions and strategic buffers from those still relying on short-term fixes.

In a broader sense, this energy shock is a stress test that Europe may fail by default. Handled nationally, it can lock in a two-speed Europe – a sheltered core cushioned by fiscal space and EU risk-sharing, and a periphery condemned to adjustment, weaker growth, and stalled convergence. That outcome would not be an accident, but a policy choice. The alternative is uncomfortable but clear: deeper integration or deeper divergence. Europe either uses this

shock to mutualise risk and modernise its energy base, or accepts fragmentation as the price of incrementalism.

- **This is not mainly an energy-dependence story; it's a policy-capacity story:** what matters most is not who imports the most oil or gas, but who still has the institutional strength, fiscal space, monetary credibility, and external support to absorb the shock without derailing recovery.
- **The main macro risk is demand destruction, not a classic overheating cycle:** higher energy prices now function as a tax on already fragile economies, squeezing households, weakening margins, and forcing central banks into an uncomfortable trade-off between protecting growth and defending credibility.
- **Resilience across the region is highly uneven:** the Czech Republic looks best placed to bend without breaking; Poland still has growth but little fiscal room; Hungary is the most complicated CEE case given its structural exposure; and Turkey remains the most vulnerable because energy sensitivity, FX pass-through, and limited external backstops all collide at once.
- **The countries that emerge stronger will be those treating energy policy as industrial policy:** the 2022 subsidy playbook is largely exhausted. The real differentiator is now whether governments use EU instruments and public investment to build energy resilience – grids, renewables, efficiency, infrastructure – or fall back on blunt support measures that protect consumption today but erode competitiveness tomorrow.

The timing could hardly be worse

The de facto closure of the Strait of Hormuz to most non-Iranian shipping since 28 February has stripped out a large share of global crude and LNG supply at a moment of already fragile demand. ICE Brent prices quickly climbed toward levels that European policymakers had previously treated only as tail-risk scenarios, and, despite extensive mitigation efforts including the rerouting of shipments, the release of sanctioned oil onto the market, and coordinated drawdowns from strategic petroleum reserves, the global economy is still operating with a significant net loss of oil supply. According to [our estimates](#), even after accounting for pipeline diversions, alternative shipping routes, and emergency stock releases, around 13 million barrels per day of oil supply remain effectively disrupted.

For Central and Eastern Europe and Turkey, which sit at the geographic and economic crossroads of this shock, the impact is real and immediate. The region spent 2024 and most of 2025 restoring disinflation, stabilising external balances, and rebuilding room for monetary easing. The question now is whether those gains can withstand a renewed cost-push surge. Some countries are better positioned than others. The critical differences extend beyond energy exposure. Institutional strength, fiscal space, and access to EU financial instruments – such as Security Action for Europe (SAFE) and the Recovery and Resilience Facility (RRF) –

will shape how effectively each economy can absorb and offset the blow.

A different shock in a different world

A useful way to understand the 2026 energy shock is through comparison with 2022. That earlier episode was, in essence, a supply shock landing on a booming economy. Post-pandemic demand was surging, households were running down accumulated savings, labour markets were tightening, and firms found it relatively easy to pass costs through. Central banks reacted late, allowing inflation expectations to drift, most starkly in Hungary and Turkey. The result was a multi-year inflation overshoot, prolonged monetary tightening, and a serious real income squeeze.

The world of early 2026 looks structurally different. The supply disruption in the Middle East is, if anything, sharper in its initial price impulse. But the demand backdrop could hardly be of greater contrast. German industrial output – the anchor of CEE manufacturing exports – has been flat for nearly two years. Real disposable income growth in the region has slowed from its 2024 peak. Labour markets, while still tight in Poland and the Czech Republic, are no longer in a state of broad overheating. And consumer confidence was already subdued heading into April 2026.

This combination of a cost-push shock hitting weak demand creates a fundamentally more complex macro challenge than in 2022. Back then, rising energy prices were partly absorbed by strong nominal income growth, and central banks eventually had a clear mandate to tighten. Now, the same type of shock acts as a regressive tax in a fragile momentum, risks stalling the recovery, and leaves central banks torn between the old disinflation agenda and the new price threat. We are not in a price-wage spiral scenario; we are in a demand-destruction scenario, and policy has no clean instruments.

The non-linearity in price pass-through is also likely underappreciated. In low-inflation environments, energy price impulses can partly be absorbed within firm margins when demand is weak. But once headline inflation crosses certain thresholds or maintains sufficient stickiness, pass-through becomes disproportionately stronger and expectations de-anchor more easily. The economies most at risk are those already operating close to or above those pain thresholds when the shock arrived.

The structural burden of energy intensity and exposure

Understanding the regional impact of the shock starts with a basic structural fact: CEE and Turkey remain more energy-intensive than Western Europe. Eurostat's 2024 data shows that, while the EU reduced the energy intensity of GDP by roughly one-quarter between 2014 and 2024, most CEE economies sit above the EU average – some by a wide margin – meaning any rise in energy prices exerts a proportionally heavier drag on growth.

The composition of that exposure matters as much as the level. Poland and the Czech Republic carry heavier exposure to coal and carbon pricing under the EU Emissions Trading System – both have spent close to 1% of GDP annually on emission allowances, a structural cost that sits directly on their external accounts and industrial competitiveness. The forthcoming ETS2 expansion to buildings and road transport fuels in 2027 will add another layer to this burden, converging with the Hormuz shock if energy prices remain elevated.

Hungary is more exposed through the natural gas channel, with vulnerabilities tied to LNG availability. It's a textbook case: heavy net gas imports, gas-intensive industrial production, and electricity prices tied to the marginal cost of gas-fired generation.

Turkey's exposure is broader still. As a net hydrocarbon importer with an annual net energy bill standing at US\$47 billion in 2025, it depends simultaneously on oil, gas, and coal, compounded by rapid FX pass-through into domestic prices if the central bank allows a rapid pace of exchange rate depreciation.

Figure 1: Energy intensity of GDP (kilograms of oil equivalent per thousand euro)



Source: Eurostat

The industrial structure further complicates the impact. Manufacturing accounts for a larger share of GDP in CEE than in Western Europe, so the shock hits hardest in a segment that has already acted as a drag on growth for two years. Energy-intensive firms in metals, chemicals, and transport equipment are financially constrained and may begin cutting investment, setting up competitiveness losses that persist well beyond the commodity shock itself.

These structural features produce different macro sensitivities across the region. Our calibration, drawing mostly on central bank assessments and our own analysis, suggests the order-of-magnitude impact shown in Table 2. These figures represent first-year effects under broadly unchanged volumes and should be interpreted as indicative rather than model-precise; they likely underestimate the shock if gas prices rise alongside oil.

Figure 2: Estimated macro sensitivity to a 10% increase in oil prices

Economy	CPI impact (pp)	Real GDP impact (pp)	Current account (% of GDP)
Poland	0.30	-0.15	-0.15
Czech Republic	0.20	-0.10	-0.10
Hungary	0.35	-0.10	-0.15
Turkey	0.70	-0.30	-0.20

Source: ING

Note: cumulative 12-month impacts under constant-volume assumption; Turkish coefficient reflects additional FX pass-through channel

At current trajectories – with oil not far from US\$100/bbl for an extended period – the mechanical hit to 2026 inflation could be around 1.0ppt higher than our pre-shock baselines for the CEE3, and materially more for Turkey. Current account balances could see meaningful deterioration as well, most acutely in Hungary and Turkey.

The starting grid: Who was where when the shock landed

Sensitivity coefficients are only part of the picture. Equally important is each economy's starting position, because the same external shock can produce very different domestic outcomes depending on fiscal space, monetary flexibility, and cyclical momentum.

Poland enters the shock from the strongest cyclical position among the CEE3. GDP grew 3.6% in 2025, the services sector is performing well, and consumption has been resilient. But its fiscal position is arguably the weakest in the group; the budget deficit may near 7.0% of GDP in 2026, and public debt is on track to exceed 60%. The easing cycle that resumed in September 2025 is now directly challenged. Surging fuel prices have jeopardised the low-inflation trajectory, additional monetary easing is off the table, and broad energy price shielding – used heavily in the previous cycle – cannot be repeated without meaningfully worsening a deficit already attracting rating agency attention.

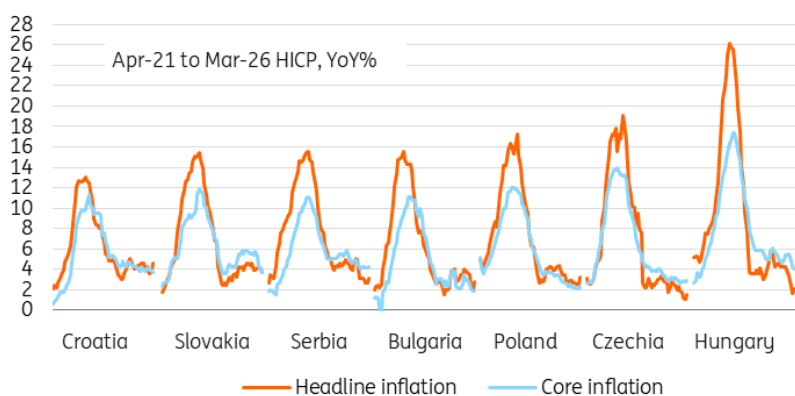
The Czech Republic is the regional benchmark for stability. With the policy rate at 3.50% and inflation largely back at target, the Czech National Bank (CNB) was flagging potential hikes in 2027 before the shock arrived. Czech exports are finding new customers in the US, the Middle East, and Asia. The labour market is tightening again, and the external balance is in surplus. For Czechia, the energy shock is a headwind, not a regime shift.

Hungary arguably presents the most complicated pre-shock backdrop. It enters 2026 after three years of real GDP stagnation: investment has fallen, business confidence remained subdued, and inflation was sticky until late 2025 despite the weak economy. Monetary policy stayed cautious to keep the forint attractive and anchor expectations. With inflation hitting a 10-year low in February 2026, Hungary was finally on the verge of reaping the benefits of

disinflation and a rate cut was implemented shortly before the Middle East conflict erupted. The shock, therefore, hits at the most optimal inflation moment – but unresolved energy intensity, import reliance, and the risk of delayed economic acceleration complicate the picture considerably.

Turkey presents a unique profile. Its sensitivity to energy price movements is high, and its external position is more exposed than the CEE economies, which benefit from EU-based institutional support. The central bank's disinflation efforts have been notable, and gross reserves reached record levels in late 2025. But the current account deficit has begun widening again, the lira remains under a tight central bank grip amid foreign outflows, and the interplay between energy prices and currency dynamics warrants close monitoring. As a result, Turkey may experience a more pronounced response to the current shock – both in terms of macroeconomic impact and the policy challenges it presents.

Figure 3: Inflation comparison across the region in the previous energy shock



Source: Eurostat

What policy can and cannot do

Monetary policy across the region has been caught in mid-transition. Central banks that were edging toward easing now face an uncomfortable reversal. The National Bank of Poland (NBP) has halted cuts; the CNB is on hold with a tightening bias; the National Bank of Hungary (NBH) remains restrictive to protect the forint. The European Central Bank (ECB) held rates but raised its 2026 inflation forecast and cut its growth, both explicitly linked to the energy shock.

The Turkish central bank has moved quickly, providing FX supply to the system, tightening Turkish lira liquidity that could flow to FX, and raising the effective cost of funding by 300bp to 40% to shift away from its easing bias.

The textbook reaction to a supply shock is to look through the first-round price impulse, act only if second-round effects materialise, and avoid choking an already weak economy with

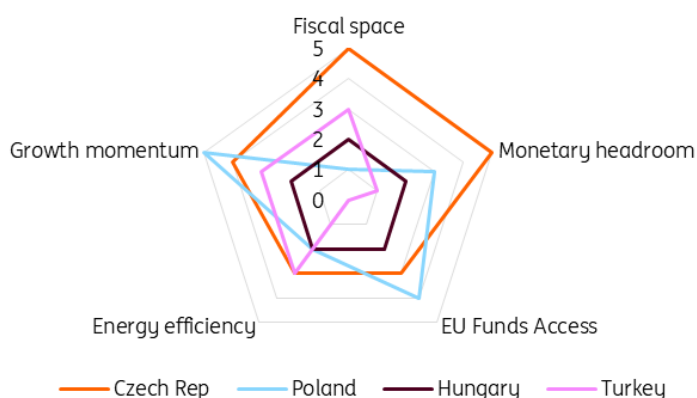
unnecessary tightening. In 2022, estimates of the transitory nature of the shock proved too optimistic. In 2026, central banks are understandably on high alert to avoid repeating that mistake. The bias is towards caution rather than aggressive tightening, but easing is largely off the table for most of 2026, especially under stress scenarios.

On the fiscal side, the 2026 story diverges most sharply from 2022. In the earlier crisis, governments deployed broad household energy price shields at substantial fiscal cost. Those shields bought time but also built up deferred inflationary pressures that materialised when caps were removed. In 2026, the fiscal space for broad price shielding is objectively narrower.

Poland is running a deficit well above the EU reference value. Hungary must protect its debt-to-GDP trajectory. The lesson of 2022 was that blunt tools defer rather than solve the problem. The lesson of 2026 may be that the political temptation to repeat the bluntness remains high even though the tools are no longer viable. In Turkey, fiscal prudence in recent years has provided a buffer, with the government reinstating a sliding-scale tariff that absorbs roughly 75% of the oil price shock at a manageable fiscal cost, helping contain first-round inflationary effects. Even so, upward pressure from oil, gas, transport, and fertiliser prices will likely push inflation above 25% this year.

Figure 4: Policy space and structural buffers

Scores range from 1 (weak) to 5 (strong), where higher values indicate greater policy space or stronger structural buffers



Source: ING

This is where EU instruments become the defining differentiator. Poland has an RRF envelope of roughly €60 billion and is accessing the new SAFE facility for up to €43.7 billion. CEE countries with immediate access to EU funds can substitute some of the fiscal impulse they cannot generate domestically with European co-financing, targeting the energy transition and industrial modernisation rather than consumption subsidies. Hungary is still facing uncertainty regarding the timing of EU funds, so the issue is likely to be solved – but Turkey has no such platform. Its adjustment must be carried entirely domestically, which could mean a larger toll

on real incomes and a more acute dilemma between protecting growth and defending the currency.

From price shock to policy paths – scenario implications

To anchor the discussion, Figure 5 translates the energy shock into a set of consistent macro-policy scenarios. Starting from a common baseline, scenarios 2 and 3 illustrate progressively persistent energy price disruptions and the macro trade-offs that they force. The message is not precision but asymmetry: higher and more volatile oil and gas prices produce non-linear inflation responses, quickly crowd out growth, and compress monetary space, especially in economies where buffers are already thin.

Figure 5: Energy price scenarios and macro-policy implications

		1Q26	2Q26	3Q26	4Q26	FY26	1Q27	2Q27	3Q27	4Q27	FY27
Brent (US\$/bbl)	Baseline	78	96	93	88	89	82	79	75	72	77
	Scenario 2	78	110	102	100	98	93	89	84	80	87
	Scenario 3	78	135	150	120	121	105	100	94	90	97
TTF forecast (EUR/MWh)	Baseline	40	55	45	45	46	40	33	31	32	34
	Scenario 2	40	74	60	60	59	54	46	43	43	47
	Scenario 3	40	90	75	80	71	71	60	56	55	61
Poland	GDP (%YoY)	3.1	3.4	3.6	3.5	3.4	3.6	3.4	3.0	2.9	3.2
	Scenario 2	3.1	3.4	3.5	3.4	3.3	3.5	3.4	3.0	3.0	3.3
	Scenario 3	3.1	2.6	2.3	2.7	2.7	2.8	3.1	3.2	3.2	3.1
	CPI (%YoY)	2.4	3.6	3.9	4.2	3.5	3.8	2.9	2.5	2.4	2.9
	Scenario 2	2.4	4.0	4.3	4.7	3.9	4.2	3.0	2.6	2.4	3.1
	Scenario 3	2.4	4.7	6.5	6.4	5.0	6.1	4.1	1.9	2.1	3.5
	Policy rate (%)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
	Scenario 2	3.75	3.75	3.75	4.25	4.25	4.25	4.00	3.75	3.75	3.75
	Scenario 3	3.75	4.50	5.50	5.50	5.50	5.50	5.25	4.75	4.25	4.25
Czech Republic	GDP (%YoY)	2.4	2.3	2.1	2.0	2.2	2.1	2.3	2.4	2.5	2.3
	Scenario 2	2.4	2.2	1.6	1.2	1.9	1.0	1.5	2.0	2.4	1.7
	Scenario 3	2.4	1.8	1.0	0.5	1.4	0.5	0.9	1.4	1.8	1.2
	CPI (%YoY)	1.6	2.5	2.3	2.8	2.3	3.3	2.5	2.5	2.4	2.7
	Scenario 2	1.6	2.7	2.8	3.7	2.7	4.4	3.1	2.4	1.9	3.0
	Scenario 3	1.6	3.5	3.8	4.7	3.4	4.9	3.6	2.9	2.4	3.5
	Policy rate (%)	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
	Scenario 2	3.50	3.50	3.50	3.75	3.75	3.75	3.75	3.50	3.50	3.50
	Scenario 3	3.50	3.50	3.75	4.00	4.00	4.00	4.00	3.75	3.75	3.75
Hungary	GDP (%YoY)	1.6	1.3	1.6	2.1	1.6	1.4	2.7	2.7	3.2	2.5
	Scenario 2	1.6	1.1	1.3	1.7	1.4	1.0	2.3	2.3	2.9	2.1
	Scenario 3	1.6	0.8	0.5	0.6	0.9	-0.3	1.1	1.4	2.2	1.1
	CPI (%YoY)	1.8	3.5	4.1	4.3	3.4	4.2	4.0	3.5	3.1	3.7
	Scenario 2	1.8	4.0	4.7	4.8	4.2	4.7	4.5	3.9	3.4	4.1
	Scenario 3	1.8	4.6	6.3	5.8	5.2	5.0	4.6	4.0	3.6	4.3
	Policy rate (%)	6.25	6.25	6.25	6.25	6.25	6.25	6.00	5.75	5.00	5.00
	Scenario 2	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.00	5.75	5.75
	Scenario 3	6.25	6.25	6.75	6.75	6.75	6.75	6.75	6.50	5.75	5.75
Turkey	GDP (%YoY)	3.5	3.2	2.8	2.6	3.0	2.9	3.9	4.1	5.0	4.0
	Scenario 2	3.5	3.0	2.5	2.3	2.6	2.7	3.6	3.7	4.7	3.6
	Scenario 3	3.5	2.6	1.8	1.5	1.6	2.6	3.4	3.4	4.4	3.1
	CPI (%YoY)	30.9	30.8	28.2	27.5	29.6	23.9	21.2	19.6	18.9	21.2
	Scenario 2	30.9	32.0	29.1	28.7	30.2	25.0	22.3	20.6	19.8	21.9
	Scenario 3	30.9	34.2	33.8	30.6	32.4	26.3	23.5	21.7	21.0	23.1
	Policy rate (%)	37.00	37.00	35.00	33.00	33.00	30.00	27.00	25.00	23.00	23.00
	Scenario 2	37.00	38.50	37.00	35.00	35.00	31.50	28.50	26.50	24.50	24.50
	Scenario 3	37.00	41.00	43.00	38.00	38.00	33.00	30.00	28.00	26.00	26.00

Source: ING

The case for shorter, smarter supply chains

Every energy shock produces an industrial policy argument. The 2026 shock makes one that is unusually compelling for CEE. Nearshoring and friendshoring were already gaining traction after the pandemic. The Hormuz disruption has added an acute logistical shock on top of the strategic arguments: the era of just-in-time globalisation, built on cheap and dependable long-distance shipping, might be over.

CEE is structurally well-placed to benefit from this reallocation. The region combines strategic geography, improved infrastructure, and a large pool of technically skilled workers. Poland and Czechia have established themselves as high-value logistics and manufacturing hubs. Hungary has leveraged its dense and well-connected motorway network to strengthen its role as a regional transport and manufacturing corridor. Crucially, this physical and human capital base is being reinforced by a broader “working smart” agenda of capital deepening and automation – this was outlined in our [October 2025 edition](#) and is consistent with the nearshoring dynamics identified in our [Directional Economics](#) analysis of CEE manufacturing relocation, making the region an increasingly credible destination for the technology-intensive investment that Western multinationals are reshoring.

But the energy shock of 2026 adds a sharper argument: reshoring investment goes to locations that guarantee affordable and reliable energy, not just skilled labour. Persistently high and volatile prices erode competitiveness and offset locational advantage. Regions that respond by accelerating renewable permitting, grid build-out, and energy efficiency investment will capture the next reshoring wave. Those responding with ad hoc price controls and fiscal drift may find the shock has corroded the very advantages they sought to protect. This is also why the linkage between EU funds (RRF, SAFE, Cohesion) and energy system transition matters so much; used well, these instruments are not subsidies for consumption but supply-side investments that permanently reduce the economy's sensitivity to the next oil price spike.

Cracks and crossroads – the integration question

Crises tend to expose pre-existing structural weaknesses. The 2026 energy shock has intensified a debate about Europe's economic architecture. One scenario is a genuinely two-speed Europe: a core of countries with fiscal possibilities, institutional quality, and policy credibility that can absorb the shock – that could be Czechia, Poland and the broader northwest – and a periphery left financially strained, politically volatile, and structurally exposed. If EU funds primarily flow to countries most capable of absorbing them, divergence could widen rather than narrow – a risk that mirrors [our previous findings](#) that institutional quality and absorptive capacity, not income level alone, determine whether shocks accelerate or derail convergence.

The alternative is deeper integration. Joint gas purchasing under REPowerEU, SAFE's risk-

sharing for defence financing, and the strategic logic of coordinated cross-border energy infrastructure all point towards a more unified European energy market. Every major external shock since the 2010-2012 debt crisis has produced additional European institutional architecture: the Banking Union, the ESM, NGEU, and SAFE. The 2026 energy shock may follow the same pattern.

For the CEE3, the result of this integration debate is crucial. The region's core strengths – proximity to Western markets, manufacturing capacity, and access to the EU single market – are most powerful when EU institutions are most deeply integrated. A two-speed Europe that places part of CEE in a secondary tier would undermine the investment story that makes the region attractive. A more integrated Europe that builds shared energy infrastructure and collective transition mechanisms enhances CEE's locational advantage.

EU funds breakdown for CEE sovereigns

Country	Cohesion Funds (2021-27)			RRF Grants (2021-26)			RRF Loans (2021-26)			Total EU Funds		
	Expected (€)	Expected % of GDP	Disbursed (€)	Expected (€)	Expected % of GDP	Disbursed (€)	Expected (€)	Expected % of GDP	Disbursed (€)	Expected (€)	Expected % of GDP	Disbursed (€)
Czech Republic	€21.1bn	6.6%	€6.5bn	€8.4bn	2.6%	€6.5bn	€0.8bn	0.3%	€0.2bn	€30.3bn	9.4%	€13.3bn
Hungary	€21.7bn	10.5%	€4.2bn	€6.5bn	3.2%	€0.1bn	€3.9bn	1.9%	€0.8bn	€32.2bn	15.6%	€5.1bn
Poland	€75.5bn	8.9%	€18.0bn	€25.3bn	3.0%	€9.5bn	€34.5bn	4.1%	€17.4bn	€135.3bn	15.9%	€44.9bn
Bulgaria	€10.9bn	10.4%	€2.1bn	€6.2bn	5.9%	€3.3bn	€0.0bn	0.0%	€0.0bn	€17.1bn	16.3%	€5.3bn
Croatia	€8.7bn	10.1%	€2.0bn	€5.8bn	6.7%	€4.9bn	€4.4bn	5.2%	€2.4bn	€18.9bn	22.0%	€9.3bn
Slovakia	€12.6bn	9.7%	€3.1bn	€6.4bn	4.9%	€4.0bn	€0.0bn	0.0%	€0.0bn	€19.0bn	14.6%	€7.1bn

Source: EC, Eurostat, Macrobond, ING

What we make of it

The current oil shock is less a test of geopolitics and more a referendum on policy quality. What separates the countries that emerge from this shock as stronger from those that merely survive it is not geography, not luck, and not the price of oil on any given Tuesday. It is the willingness to treat a crisis as a structural mandate to modernise and increase resilience rather than a temporary inconvenience to be managed into the next electoral cycle. Energy dependence of this magnitude is not a market failure; it is a policy choice, accumulated quietly over decades and now settled loudly in a single quarter. Countries that use EU instruments to invest in supply-side adjustment (renewable capacity, grid infrastructure, energy efficiency) will emerge structurally stronger. Those that reach for the familiar comfort of untargeted budget transfers, banking on markets looking away, are running a different kind of risk.

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