

THINK Ahead: A Christmas pantomime

President Trump means higher growth in 2026 and beyond? Oh no he doesn't! And the UK doesn't need to raise taxes any further? Oh yes it will! Enter the auditorium of James Smith's economic pantomime and gear up for 2024's grand finale



Pantomime season is in full swing here in the UK, and we can't help but notice an all-too-familiar resemblance between Jack's adventure up the beanstalk and the global economy's recent battles with its own many giants

THINK Ahead: A Christmas pantomime

It's pantomime season here in the UK. And for our international readers who frankly thought they'd seen it all when it comes to bizarre British traditions, a pantomime is a family-friendly theatre show with lots of audience participation and questionable humour.

I know what you're thinking: that sounds just like the economic webinar we hosted earlier this week. [Listen back](#) via Rebecca Byrne's latest THINK Aloud podcast if you missed it.

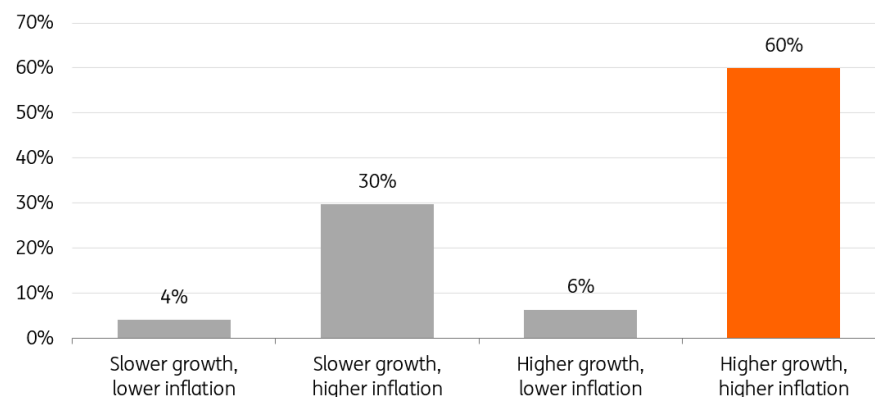
But what pantomime best describes the global economic outlook, I hear nobody ask. It's got to be Jack and the Beanstalk, hasn't it? or should I say "ECBeanstalk"? What was that about questionable jokes...

Anyway, it's the story of Jack, who trades his cow for magic beans that grow into a giant beanstalk, leading to an adventure with a fearsome giant. I'll let you be the judge of who's playing that particular character. And bad news, Jack: your cow is about to be hit with a 20% tariff. Boooo!

The good news for Jack is that his magic beans – US dollars, naturally – are likely to appreciate next year. Check our team's latest FX predictions [here](#).

Investors are bullish on what the incoming Trump presidency means for the economy. 60% of Monday's webinar audience said the US economy would grow faster and inflation end up higher 12-18 months into Trump's term in office.

What will Trump mean for the economy in 12-18 months?



Source: ING

Based on a live poll at our recent webinar. 222 responses

"Oh no it isn't!", chimes in James Knightley, entering from stage left. He's our pantomime dame... Sorry, I mean US economist. Yes, prices are going to rise, he says, particularly if Trump's tariff plans are as bold as promised on the campaign trail. And growth could rise in the short term. But timing is everything. If tariffs kick in early, and aren't compensated for by big tax cuts, there's going to be a [real squeeze on household spending power](#).

Adding to this, our Rates team explained in their [2025 Outlook](#) this week why Treasury yields could go above 5% next year as markets become more attuned to the fiscal black hole. Higher borrowing costs would be further drag on economic activity.

That gives the Federal Reserve – [which meets next week](#) – plenty to think about. But James K reckons there's enough in the recent data for the central bank to cut rates again with a clear conscience.

Back to our tale, and if you hadn't already gathered, Jack lives in the eurozone. And it looks like he's going to need a miracle. Enter our fairy godmother, Christine Lagarde, over at the European Central Bank.

She added a light sprinkling of fairy dust at the meeting this week, in the form of [another 25 basis point rate cut](#). More is undeniably coming. The message from Lagarde was clear, Carsten Brzeski reckons: rates are going back to neutral and maybe even below.

But what about those other magic tricks, like quantitative easing and yield curve control? In his bold call for 2025, [Carsten isn't ruling anything out](#) if bond yields were really to surge. Our webinar audience this week was less convinced. Only 22% said it was likely that the ECB would step up bond buying in 2025.

I digress! In our story, Jack has climbed his beanstalk and is now in negotiations with the giant up in the castle. And he's managed to get his cow tariffs watered down by promising to [buy some extra LNG and military equipment](#). Quite some farm you live on, Jack.

But as he comes back down the beanstalk with his treasure, there's someone here to meet him.

Unbeknownst to him, Jack has ended up in the UK. And Rachel Reeves, the Finance Minister, is here to tell him that most unfortunately, tax rises worth 1.5% of GDP came into effect while he was away. [Agricultural Property Relief](#) is getting restricted, don't you know. But don't worry, Reeves tells a thoroughly perplexed Jack: taxes won't be going up again next year...

"Oh yes they are!", says the audience. 69% of those polled on Monday said 2025 would see further modest tax rises in Britain. [And we agree](#). The Treasury met its fiscal goals by the slimmest of margins in November. And there are plenty of ways – not least further disappointing growth figures, [like those we saw this week](#) – that the Chancellor could be forced into raising more revenue.

And with that, the curtain falls. Before the children start crying and the parents begin demanding their money back, let me reassure you that they all lived happily ever after. Probably...

THINK Ahead in developed markets

United States (James Knightley)

- The Federal Reserve has cut rates 75bp over the past two FOMC meetings and is expected to cut by a further 25bp on 18 December. Inflation data has not been making any real progress towards target over the past few months, but the Fed's dual mandate means that it also has to pay close attention to what is happening in the jobs markets. Clear signs of cooling with payrolls growth slowing and unemployment shifting higher justifies the Fed moving policy closer towards neutral, but it is clear that the pace of rate cuts will slow in 2025. That is unless inflation starts to make more rapid progress towards the 2% target or the jobs market deteriorates markedly.
- At the moment we aren't expecting either of these scenarios to materialise, and we look for the Fed to signal the prospect of three 25bp rate cuts in 2025 in its forecast update, down from the four 25bp cuts it suggested in its September projections.
- In terms of the numbers, retail sales and industrial production reports are the focus. Retail sales is a nominal dollar figure and will be lifted by strong auto sales figures already published. However, chain store sales numbers suggest that non-auto related spending will be softer. Meanwhile, the improvement in the ISM manufacturing report offers hope of a modest increase in industrial output, but the overall trend of flat activity remains in place. The Fed's favoured measure of inflation, the core PCE deflator, should come in at around 0.2% based on the inputs we have already seen from the CPI and PPI reports.

United Kingdom (James Smith)

- **Jobs report (Tue):** The unemployment rate has been unhelpfully volatile, owing to well-publicised reliability issues. But there are broader signs that the jobs market is cooling. Payroll-based employment data, excluding government-heavy sectors, has shown a fall this year, while vacancies have fallen back more acutely relative to other countries. For now that's not translating into wage growth, which is likely to tick higher again next week on

unfavourable base effects.

- **Inflation (Wed):** Headline inflation is set to rise more noticeably than the Bank of England had forecasted, in part because of a slight uptick in services inflation. This latter measure, a key input for the BoE, is likely to stay around 5% through the winter. That's largely down to stickiness in components the Bank seems less bothered about, like travel and rents.
- **Bank of England (Thu):** The Bank seems content with cutting rates at every other meeting, and there's little in the recent data that's likely to change that assessment this month. Having cut rates in November, we don't expect another cut until February.

Sweden (James Smith)

- **Riksbank (Thu):** Sweden's interest rate-sensitive economy has necessitated more aggressive rate cuts so far from the Riksbank relative to elsewhere. Another 25bp cut to follow November's 50bp move is likely next week. Those rate cuts are bearing fruit in the form of improving sentiment and housing activity. But growth looks weak and the jobs market, though stabilising, remains vulnerable. We expect further cuts in the new year to take the policy rate to 2%, or perhaps even below.

Norway (James Smith)

- **Norges Bank (Thu):** Policymakers are hinting at the first rate cut in the new year, and we doubt that assessment will shift much next week. Oil prices and the trade-weighted krone are little changed since the last set of projections in September. Global market rates are higher, while core inflation was stickier in November too. That'll keep the central bank content with keeping rates on hold for now.

THINK Ahead in Central and Eastern Europe

Poland (Adam Antoniak)

- **Industrial output (Thu):** November industrial production data showed some encouraging signs, but external demand remains weak and November's PMI deteriorated again. On the top of that, November 2024 had two less working days than last year. We see industrial growth close to zero in annual terms. At the same time, PPI deflation probably eased slightly as prices started rising after months of stability.
- **Labour market (Thu):** We expect a slight cooling of the generally tight labour market in November. The decline in enterprise employment probably deepened, while wage growth likely declined to single-digit levels. In November 2023, energy producers paid bonuses, but in 2024, shrinking profit margins are making employers less generous. Still, the unemployment rate remains at all-time lows as supply-side factors (the shrinking working age population and less positive net migration) dominate weaker labour demand.
- **Retail trade (Fri):** After surprisingly weak September retail sales, October brought only a partial rebound and consumer demand remains subdued. Higher energy prices in the second half of this year and fears of further increases in the cost of living made consumers more cautious and frugal. We expect that growth in sales of goods was rather soft in November as well.

Hungary (Peter Virovacz)

- **Monetary policy (Tue):** We expect the National Bank of Hungary to leave the interest rate

complex unchanged once again. On the one hand, macroeconomic data would support a rate cut. Inflation data – especially underlying price pressures – look more subdued than expected in the September staff projections. Economic activity is also weaker, so the lack of demand-driven price pressures is likely to be at play. On the other hand, the Hungarian forint is 4-5% weaker against the euro since the end of September, and commodity prices (especially in agriculture) have also risen. Last but not least, the vulnerability of the forint remains a key factor, practically closing the door to any dovish action.

Czech Republic (David Havrlant)

- **PPI (Mon):** Producer prices likely picked up in November, supported by the domestic exchange rate weakening in October and November, especially against the greenback. However, the tough price competition fuelled by tepid demand from key European trading partners will keep price gains muted.
- **Interest rates (Thu):** The Czech National Bank will decide between pausing its current easing cycle and another 25bp rate cut at its upcoming meeting. We see the prospect of a pause as a safer bet – price stability is closer to policymakers' hearts as the country's recovery continues, albeit at a moderate pace. It makes sense to wait and gain insight into January's inflation structure before moving on with further rate cuts. That said, the dilemma between needing more growth support given the broader conditions across Europe and inflation flying above the target will remain the central theme for the central bank's next steps.

Key events in developed markets next week

Country	Time Data/event	ING	Prev.
Monday 16 December			
US	1445 Dec S&P Global Manufacturing PMI Flash	49.5	49.7
	1445 Dec S&P Global Services PMI Flash	55.7	56.1
	1445 Dec S&P Global Composite PMI Flash	54.6	54.9
Germany	0830 Dec HCOB Manufacturing PMI Flash	42.5	43.0
	0830 Dec HCOB Service PMI Flash	49	49.3
	0830 Dec HCOB Composite PMI Flash	47	47.2
France	0815 Dec HCOB Composite PMI Flash	-	45.9
UK	0930 Dec S&P Global Composite PMI Flash	-	50.5
	0930 Dec S&P Global Manufacturing PMI Flash	-	48.0
	0930 Dec S&P Global Services PMI Flash	-	50.8
Italy	1000 Nov CPI Final (MoM%/YoY%)	0/1.4	0/0.9
Eurozone	0730 ECB Lagarde Speech	-	-
	0900 Dec HCOB Manufacturing PMI Flash	-	45.2
	0900 Dec HCOB Services PMI Flash	-	49.5
	0900 Dec HCOB Composite PMI Flash	-	48.3
Tuesday 17 December			
US	1330 Nov Retail Sales (MoM%)	0.6	0.4
	1415 Nov Industrial Production (MoM%)	0.3	-0.3
Germany	0900 Dec Ifo Business Climate	85	85.7
	0900 Dec Ifo Current Conditions	84	84.3
	0900 Dec Ifo Expectations	86.5	87.2
	1000 Dec ZEW Economic Sentiment Index	8	7.4
UK	0700 Oct Unemployment Rate	4.3	4.3
	0700 Oct Employment Change	-40	220
	0700 Oct Weekly Earnings (ex bonus, 3M/YoY%)	4.9	4.8
Italy	0900 Oct Trade Balance (EUR bn)	-	2.58
Canada	1330 Nov CPI (MoM%/YoY%)	0.1/2.0	0.4/2.0
Eurozone	1000 Oct Trade Balance (EUR bn)	-	12.5
	1000 Dec ZEW Economic Sentiment Index	-	12.5
Wednesday 18 December			
US	1330 Nov Building Permits (mn)	1.43	1.42
	1330 Nov Housing Start (mn)	1.35	1.30
	1900 Fed Funds Rate (Upper Bound)	4.50	4.75
	1930 Fed Press Conference	-	-
UK	0700 Nov CPI (MoM%/YoY%)	0.2/2.7	0.6/2.3
	0700 Nov Core CPI (YoY%)	3.7	3.3
	0700 Nov Services CPI (YoY%)	5.1	5.0
Eurozone	0900 ECB Lane Speech	-	-
	1000 Nov CPI Final (MoM%/YoY%)	-/-	0.3/2.7
Thursday 19 December			
US	1330 Q3 GDP Final (QoQ%)	2.8	2.8
Germany	0700 Jan GfK Consumer Confidence	-22.5	-23.3
UK	1200 BoE Bank Rate	4.75	4.75
Norway	0900 Norges Bank Interest Rate	4.50	4.50
Sweden	0830 Riksbank Interest Rate	2.50	2.75
Eurozone	0900 Oct Current Account (EUR bn, SA)	-	37
Friday 20 December			
US	1330 Nov Core PCE (MoM%)	0.2	0.3
	1330 Nov Personal Income (MoM%)	0.4	0.6
	1330 Nov Personal Consumption (MoM%)	0.5	0.4
UK	0700 Nov Retail Sales (MoM%/YoY%)	-/-	-0.7/2.4
Italy	0900 Dec Consumer Confidence	97	96.6
Canada	1330 Oct Retail Sales (MoM%)	0.5	0.4
Eurozone	1500 Dec Consumer Confidence Flash	-	-13.7

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time Data/event	ING	Prev.
Monday 16 December			
Turkey	0800 Nov Budget Balance (TRY bn)	-	-186.3
Poland	1300 Nov Core CPI (YoY%)	4.1	4.1
Czech Rep	0800 Nov PPI (MoM%/YoY%)	0.2/1.5	0.1/0.8
Ukraine	- Q3 GDP (QoQ%/YoY%)	-/-	0.2/3.7
Bulgaria	0800 Nov CPI (MoM%/YoY%)	0.6/2.1	1.1/1.8
Tuesday 17 December			
Hungary	1300 NBH Interest Rate	6.50	6.50
Wednesday 18 December			
Russia	1600 Nov PPI (MoM%/YoY%)	-/-	-0.6/2.7
Kazakhstan	0900 Nov Industrial Production (YoY%)	-	-2
Thursday 19 December			
Poland	0900 Nov Employment Growth (YoY%)	-0.6	-0.5
	0900 Nov Industrial Output (YoY%)	0.1	4.7
	0900 Nov PPI (YoY%)	-3.7	-5.2
	0900 Nov Wages (YoY%)	9.9	10.2
Czech Rep	1330 CNB Interest Rate	4.00	4.00
Friday 20 December			
Russia	1030 Interest Rate Decision	25.00	21.00
Turkey	0700 Dec Consumer Confidence	-	79.8
Hungary	0830 Average Gross Wages (YoY%)	12.4	12.5
Poland	0900 Nov Retail Sales (YoY%)	1	1.3

Source: Refinitiv, ING

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