

THINK Ahead: Are rate cuts pointless?

You may be familiar with the hit teatime game show *Pointless*. And it's got me thinking. After a surprise rate cut from Sweden's Riksbank and, as the Fed kicks off its own easing cycle, will any of it make a difference? It's complicated, of course, but hopefully entertaining. Fingers on buzzers as we look ahead to another jackpot week in financial markets



What? Interest rate cuts might be pointless? Let's see...

Are rate cuts pointless?

We asked a hundred people in a hundred seconds: Which economic indicators are pointless? Of course, we didn't. But if we did, and you want to win this quiz, perhaps the best answer might be rate cuts.

Take Sweden and Canada. Both economies slashed rates in 2024. Both have a high proportion of floating-rate or short-dated mortgage debt. And sure enough, homeowners have felt the benefits of rate cuts much more rapidly than elsewhere, where fixed-rate lending is the norm. The chart below shows how the average mortgage rate paid by existing homeowners has evolved since 2020.

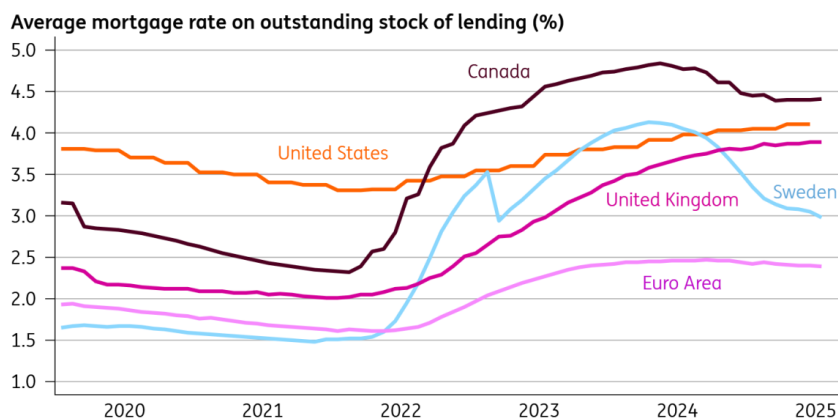
So, both Canada and Sweden should be outperforming this year, right? Wrong. Both led the league tables of consensus growth forecasts at the start of 2025. Yet in reality, unemployment has risen.

And both central banks were reluctantly forced to restart rate cuts this month.

I'm simplifying, obviously. There's the small matter of tariffs, which, who knows, might just explain more of Canada's woes than interest rates. And mortgages, though clearly important, aren't the only way interest rates affect the economy.

Still, as the Fed finally embarks on what is expected to be a series of cuts, it's worth questioning how useful they'll be. If Sweden hasn't succeeded in stimulating its economy with rate cuts, what chance does the US have, where 30-year mortgage rates are typical?

Chart of the week: Average mortgage rates paid by existing homeowners



Source: Macrobond, ING

We're certainly keeping a keen eye on America's housing market. House prices have fallen in each of the past four months. James Knightley expects next week's numbers to make it five.

Admittedly, the latest data also reveals a highly unusual, and frankly eyebrow-raising 20% rise in new home sales last month. But the number of properties sitting on the market is still historically high. Further downward price pressure looks more likely than not. Homebuilder sentiment is ultra-low.

Mortgage rates on new lending may have fallen this summer. But they're still over 6% - and given the average existing homeowner is paying 4%, there's little incentive to move up the ladder.

Further cracks in the housing market are a potential issue for the consumer story, which, as James is often quick to point out, has been propelled by wealthier Americans over recent years.

Rate cuts aren't a quick remedy to all of that, but equally, a better run of data this week - home sales, GDP upgrades, lower jobless claims - have raised the question of whether the Fed needs to cut rates at all.

At face value, next week's jobs numbers might back that up. You'd imagine most investors are braced for further weakness, as James K says below. Set against that, 75,000 net job creation - our own forecast - wouldn't seem so bad. And Chair Powell, don't forget, reckons the "breakeven rate" of payrolls - that is, hiring levels that would keep the unemployment rate stable - are probably

between zero and fifty thousand.

The broader jobs market still looks ominous, though. Not least, because consumers themselves are noticing that hiring conditions are deteriorating.

So, having cut rates once, we think there's a strong case for follow-ups in October and December. And my point that rate cuts will hit the economy more slowly than they used to only adds to the case for urgency.

Our concern is that if – and it is still an if - the jobs market cools further and it turns out the Fed is really behind the curve, there's perhaps not a great deal it'll be able to do about it in short order.

This cautionary tale could equally be applied over here in Europe, and Sweden's surprise cut begs the question of whether the ECB really is done with rate cuts.

We think it is, but our team has [highlighted](#) the risk of further easing – whether due to a rapid strengthening of the euro or fresh tariff uncertainty. On that, President Trump's threat of tariffs on branded drugs will be an early test of America's promise to cap any pharma tariffs at 15%.

Germany's stimulus splurge is also facing fresh questions. Only a couple of months ago, Carsten was flirting with the possibility that Germany could be one of Europe's outperformers in 2026. That's still possible, but I detect a renewed note of caution in our team's thinking this week.

The risk, [as Carsten says](#), is that talk of austerity, combined with a bit of creative accounting – prior investments potentially shifting into the special infrastructure funds – could temper the boost to growth over the next year or two. Sentiment data out of Germany was certainly mixed this week.

The lesson, which was already eminently clear after the Covid pandemic and the subsequent energy price shock in Europe, is that fiscal policy – and tariff policy for that matter - is generally much more decisive in driving the economic outlook than the central banks.

France is another key example of this, while the UK's November budget will be a driving force in determining how much further the Bank of England cuts rates into 2026.

So, back to the question at the beginning: are rate cuts pointless? Far from it.

But are they the solution to everything the major economies are up against right now? Almost certainly not.

THINK Ahead in developed markets

United States (James Knightley)

- **PMIs & House Prices:** Recent US activity data have beaten expectations, and we may see business surveys improve to reflect this situation. Nonetheless, risks remain, most notably from a weakening housing market and a cooling jobs market. House prices have fallen for four consecutive months as the supply of homes for sale starts to increase while demand remains constrained by a lack of affordability. We expect to see a fifth straight monthly drop in house prices next week, which will do nothing to support already fragile consumer confidence.
- **Labour Market & Confidence:** Households are concerned about tariffs lifting prices and

squeezing spending power, but they are also becoming more worried about the jobs market. Payrolls growth has slowed sharply and recent benchmark revisions have suggested the recent softening is coming from a far weaker position than previously thought. We are looking for a temporary mini revival to 75k next week, but this is a low conviction call with the market in general positioned for another soft outcome. Inflation remains above target, but due to the Fed's dual mandate that targets both price stability and maximum employment, we expect the central bank to cut rates 25bp at both the October and the December FOMC meetings.

THINK Ahead in Central and Eastern Europe

Poland (Adam Antoniak)

- **Flash CPI** (Tue): Headline inflation likely edged higher in September YoY, driven by a shallower decline in gasoline prices compared to August. Core inflation is estimated to have eased further, while food and energy inflation remained broadly stable. More pronounced declines in headline inflation are expected in November and December.

Czech Republic (David Havrlant)

- **PMI** (Wed): Industrial performance is stabilising, and the PMI is likely to have marginally improved in September. More convincing gains are, however, put at bay by still hesitant demand from the main European trading partners such as Germany and France. The Statistical Office is about to confirm its GDP estimate for the second quarter.

Turkey (Muhammet Mercan)

- **CPI** (Fri): We expect September inflation at 2.4% MoM, while risks are on the upside given continuing pricing pressures in food with adverse weather conditions and the start of the school season pushing education inflation higher. Annual inflation, on the other hand, will maintain its downtrend with a decline to 32.2% from 33% a month ago, thanks to a favourable base.

Key events in developed markets next week

Country	Time Data/event	ING	Prev.
Monday 29 September			
Eurozone	1000 Sep Business Climate	-	-0.72
	1000 Sep Economic Sentiment	-	95.2
	1000 Sep Consumer Confidence Final	-	-14.9
Spain	0800 CPI Flash NSA (MoM%/YoY%)	-/-	0/4.7
Tuesday 30 September			
US	1400 Jul Case-Shiller 20 (MoM%/YoY%)	-0.2	-0.3/2.1
	1445 Sep Chicago PMI	45	41.5
	1500 Sep Consumer Confidence	98	97.4
Germany	0700 Aug Retail Sales Real (MoM%/YoY%)	0.5/2.1	-1.5/1.9
	0855 Sep Unemployment Rate SA	6.3	6.3
	1300 Sep CPI Prelim (YoY%)	0.2/2.2	
France	0745 Sep CPI (EU Norm) Prelim (MoM%)	-/-	0.4/0.9
UK	0700 Q2 GDP (QoQ%/YoY%)	0.3/1.2	0.3/1.2
	0700 Q2 Current Account GBP	-	-23.5
Italy	1000 Sep CPI Prelim (MoM%/YoY%)	-/-	0.1/1.6
Portugal	1100 Sep CPI Flash (YoY%)	-	2.8
Wednesday 1 October			
US	1315 Sep ADP National Employment	50	54
	1500 Sep ISM Manufacturing PMI	49.5	48.7
	1500 Sep ISM Manufacturing Prices Paid	61	63.7
Eurozone	0900 Sep HCOB Manufacturing PMI Final	-	50.7
	1000 Sep CPI Flash (YoY%)	2.2	2
	1000 Sep Core CPI Flash (YoY%)	2.3	2.3
Germany	0855 Sep HCOB Manufacturing PMI Final	49.8	49.8
UK	0930 Sep S&P Global/CIPS Manufacturing PMI Final	-	47
Italy	0845 Sep S&P Global/IHS Manufacturing PMI	-	50.4
Thursday 2 October			
US	1330 Initial Jobless Claims (000s)	220	211
	1500 Aug Factory Orders (MoM%)	2.5	-1.3
Eurozone	1000 Aug Unemployment Rate	6.2	6.2
Italy	0900 Aug Unemployment Rate	-	6
Switzerland	0730 Sep CPI (MoM%/YoY%)	-/-	-0.1/0.2
Friday 3 October			
US	1330 Sep Non-Farm Payrolls	75	22
	1330 Sep Private Payrolls	75	38
	1330 Sep Unemployment Rate	4.3	4.3
	1445 Sep S&P Global Composite PMI Final	-	54.6
	1445 Sep S&P Global Services PMI Final	-	52
	1500 Sep ISM Non-Manufacturing PMI	52.5	52
Eurozone	0900 Sep HCOB Services PMI Final	-	50.5
	0900 Sep HCOB Composite PMI Final	-	51
Germany	0855 Sep HCOB Services PMI Final	49.3	49.3
	0855 Sep HCOB Composite PMI Final	50	50
France	0845 Aug Industrial Output (MoM%)	-	-1.1
	0850 Sep HCOB Composite PMI	-	49.8
UK	0930 Sep S&P Global/CIPS Serv PMI Final	-	54.2
	0930 Sep S&P Global Composite PMI Final	-	53.5
Italy	0845 Sep Composite PMI	-	51.7
Spain	0815 Sep Services PMI	-	53.2

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
Tuesday 30 September				
Turkey	0800	Aug Trade Balance	-4.2	-6.4
Czech Rep	0800	Q2 Revised GDP (QoQ%/YoY%)	0.5/2.6	0.5/2.6
Hungary	0730	Aug Trade Balance (EUR mn)	800	578
Poland	0800	Sep flash CPI (MoM%/YoY%)	0.2/3.0	0.0/2.9
Wednesday 1 October				
Russia	0700	Sep S&P Global Manufacturing PMI	-	48.7
	1700	Aug Retail Sales (YoY%)	3.1	2
	1700	Aug Unemployment Rate	2.2	2.2
		- Aug GDP (YoY%) Monthly	1.3	0.4
Turkey	0800	Sep Manufacturing PMI	-	47.3
Poland	0800	Sep S&P Global Manufacturing PMI	47	46.6
Czech Rep	0830	Sep S&P Global PMI	49.6	49.4
	1300	Sep Budget Balance (CZK bn)	-	-165.4
Hungary	0800	Sep Manufacturing PMI	47.9	48.9
Kazakhstan		- Sep CPI (MoM%/YoY%)	0.7/12.6	1/12.2
Thursday 2 October				
Turkey	1230	FX Reserves (USD bn)	-	84.5
Friday 3 October				
Russia	0700	Sep S&P Global Services PMI	-	50
Turkey	0800	Sep CPI (MoM%/YoY%)	2.4/32.2	2/33

Source: Refinitiv, ING

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