

## THINK Ahead: Play it again, Don - Trump's tariff tango

Deadlines, deals and delays: Is the 1 August tariff ultimatum really any different to what's come and gone before? Maybe not. But tariffs are still more likely to go up than down, argues James Smith, despite the flurry of trade deals in the works. It's a massive week for the US economy. This is how we think things will unfold



This image is entirely AI-generated, unlike James's brilliant words below

### Deal or delay? We've danced to this tune before

Hey ChatGPT, take the other 394 week ahead articles it feels like I've written on tariffs this year, move the words around, insert a few pithy jokes and replace any references to 9 July to 1 August. Nobody will ever know...

Sure, says ChatGPT, but in customary AI fashion, let me start by offering some grand-but-bland platitudes on the nobility of your recent articles, and allow me to provide my utmost but not-at-all genuine congratulations on presenting me with such a groundbreaking idea... (why does AI do this, by the way?)

Obviously, I didn't actually ask AI to write this (it would say that, though, wouldn't it?). But the point is that after three tariff delays, is there any doubt that we will get a fourth next Friday?

Granted, this time does look a little different. President Trump has begun to formalise deals with key trading partners. And at the time of writing, the key question is whether the EU can secure a deal along the lines of Japan's, where carmakers get a partial reprieve on the current 25% levy. AI told me the probability of that happening was 65% - make of that what you will.

But deal or delay, is there much difference? What these deals essentially do is formalise the existing status quo, albeit with a slightly higher baseline tariff. For the US, it bakes in the flow of tariff revenue, while keeping the threat of retaliation at bay. And its trading partners hope that by removing the rolling threat of escalation, it can provide its companies and consumers with a more stable economic environment.

How true that is depends on how long these deals last, and that's clearly debatable. And as the UK has discovered, the deals still leave many unanswered questions. Chiefly, what happens if (when?) the US imposes its [long-threatened pharmaceutical tariffs](#). Remember, for the EU, this is 20% of what it exports to America. If this happens, the risk of retaliation from American trading partners surely goes up. And with it, the risk of a further escalation from President Trump.

So the point I've been banging on about for weeks hasn't changed: tariffs are unlikely to go down and may well go up. And that's one of the central reasons we still think the European Central Bank will cut rates again in September.

True, [President Lagarde's press conference](#) wasn't exactly a glowing endorsement of that view. But the near-term risks on inflation and growth are downwards. And that probably merits a bit of extra easing. Further euro strength, if it comes, would only cement that view.

That's all a bit academic, though, isn't it? An extra rate cut here or there isn't moving the needle of history. What might, however, is when – and how far – the ECB is forced to hike rates. And Carsten Brzeski told our [live webinar](#) this week that this could potentially come before the end of 2026. That – unsurprisingly – is based on the view that Germany's defence and infrastructure spending would revitalise growth next year.

Bearing in mind that Carsten is just about the most cynical German I know, this caught me off guard. Speaking as an equally cynical Brit – from a place where capital projects tend to end up wildly behind schedule – surely the risk is that the economic impact comes much later than many currently think? His answer was no. And he even went as far as saying that Germany could outperform the wider European economy next year.

Back to tariffs, and perhaps part of the reason why the US administration feels emboldened to ratchet up tariffs next week, at least when it comes to copper, is that so far, the macro impact has been remarkably benign.

The jobs market looks solid, though the foundations are a little shakier when you dig beneath the

surface. And remember, we are gearing up for some chunky downward revisions to past payroll figures later this summer. Still, when we get new figures next week, there's unlikely to be much that screams a need for the Federal Reserve to start cutting rates again. And certainly nobody is expecting that to happen [next week](#).

Markets are still favouring the first 25 basis points in September, but as James Knightley writes below, this relies on this summer's inflation data remaining remarkably benign. And we don't think that will be the case, even if the broader story is looking better.

Don't forget that [June's core CPI](#) data did show further signs of tariff passthrough – you only need look at audio equipment and household appliances to see costs taking off. But that was masked by big falls in new and used cars, a trend that surely can't continue given the tariffs clouding the sector.

Bottom line – no Fed rate cut until December. But when the cuts do come, they could come thick and fast.

Before I go, a reminder that we're *conducting* an *electrifying* [webinar](#) on copper tariffs next week, your chance to stay up to date with the *current* developments. And hear jokes like "why did the copper wire refuse to pay the tariff? It didn't want to get charged twice!"

Ok, maybe AI did write that bit...

*James Smith*



### Watch back: Stress-testing our call for the ECB and market rates

In this live webinar, which came just a day before the ECB's July meeting, economist James Smith sat down with Carsten Brzeski and Michiel Tukker to chat through their key calls for the eurozone and euro market rates – and, crucially, the risks that could prove them wrong.

[Watch video](#)

## THINK Ahead in developed markets

### United States (James Knightley)

- **Core PCE deflator (Thur):** The Fed's favoured measure of inflation – the core PCE deflator – is likely to come in a little hotter at 0.3%MoM than the 0.2% increase recorded by CPI due primarily to the weightings of key components. Nonetheless, we expect to hear Fed Chair Jerome Powell leaving the door open for cuts later in the year.
- **2Q GDP (Wed):** This could come in hotter than the market is expecting (3.3% versus the consensus 2.5%) due to a strong contribution from net trade, given the collapse in imports post and a decent investment performance. This merely reverses the 1Q surge in imports as firms tried to bring in as much stock as possible from overseas ahead of the April 2 Liberation Day tariff announcements. As such, it is probably best to take an average of Q1 and Q2 headline GDP numbers when interpreting the figures, but also watch the consumer spending numbers. These have been the growth engine for the US economy since the pandemic, but they have stalled since late 2024 as caution over tariffs, jobs, and sharp swings in equity-related wealth deterred households from spending so aggressively.
- **Jobs report (Fri):** This is likely to show that the economy is still adding jobs, albeit in relatively modest numbers of around 100-120k, with the unemployment likely to tick up to 4.2% after the surprise dip to 4.1% in June.
- **Employment Cost Index (Thur):** The cooling in hiring is helping to dampen wage pressures, which is likely to be highlighted by the Employment Cost Index, yet another key metric the Fed follows. It is expected to slow to 0.8%QoQ from 0.9%. We also have the ISM index and the JOLTS report.
- **Federal Reserve decision (Wed):** Putting that altogether and we expect the story to be one whereby the US economy is cooling but not collapsing and, with lingering uncertainty over the inflationary impact from tariffs, the Fed won't feel comfortable cutting rates despite political pressure. The market is tentatively favouring a September cut (16bp of a 25bp cut is currently priced), but we are not so sure given the July and August inflation data will still be running pretty hot from tariffs. However, come the early fourth quarter, we think the inflation situation will be better. We forecast a 50bp cut in December as the first and only Fed move of 2025. [Read more in our full Fed preview](#)

### Eurozone (Bert Colijn)

- **Flash GDP 2Q (Wed):** While European offices are clearing out for summer, a big week for eurozone data is still coming up. GDP is likely to face a reality check after a strong 1Q figure on the back of US front-loading. April data showed a dip in production and exports, although that was followed by another surge in – especially pharmaceuticals – production in May. Overall though, the impact of US developments on eurozone GDP will likely have been negative compared to the first quarter. The service sector also seemingly had a few weak months, judging from survey data, which may add to the weakness.
- **Inflation (Fri):** Lagarde emphasised a ton of times that they are in a good place at the moment. Inflation under control, the economy growing, what's not to like outside of all the uncertainties and risks? The benign inflation environment is likely to be reflected in the July reading, but for the ECB, it will be far more relevant what will happen to the US-EU trade relationship as the 1 August deadline approaches.

## THINK Ahead in Central and Eastern Europe

### Poland (Adam Antoniak)

- **Flash CPI (Thu):** Markets will be closely watching the July flash CPI release, which is expected to reinforce expectations of further rate cuts by the National Bank of Poland (NBP). We estimate that headline inflation in July eased slightly to just below 3% year-on-year, down from 4.1% in the previous month. In July 2024, household energy prices were partially unfrozen, which had boosted annual CPI growth over the past 12 months. With this base effect now dropping out of the annual comparison, inflation should decline significantly. Although the electricity capacity fee has been reinstated this July, the energy regulator has approved new natural gas tariffs that are expected to reduce the average gas bill by around 10%. Overall, we anticipate CPI inflation will remain close to the NBP's target of 2.5% year-on-year ( $\pm 1$  percentage point) in the coming months. This provides policymakers with ample room to continue easing. We forecast a 50-basis point rate cut in September, followed by an additional 25-basis point cut, on top of the 50bp delivered in May and 25bp in July.

### Hungary (Peter Virovacz)

- **GDP (Wed):** The main event for Hungary is the preliminary release of second-quarter economic performance data. With both the Ministry for National Economy and the National Bank of Hungary having shared their nowcasts, which show stagnation for Q2, we don't need to make wild guesses. We agree with this assessment, meaning that Hungary will probably avoid another technical recession, albeit narrowly. However, due to the working day effect, the raw year-on-year figure will be negative and the seasonally adjusted figure will show stagnation (something between  $\pm 0.1\%$ ). The economy was held back by industry and agriculture due to global demand and local weather issues, respectively. However, services and construction will counterbalance these negatives, resulting in flat economic performance.

### Czech Republic (David Havrlant)

- **PMI (Fri):** The economy likely carried on in a solid growth mode in 2Q25, supported by vivid consumer spending, booming construction, and a gradual bottoming out of the industry. The import and export part might be tricky due to the tariff-induced wave of front-loading. We expect the industrial PMI to remain in the expansionary territory, yet not far from the 50-point borderline, suggesting a gradual recovery in manufacturing.

## Key events in developed markets next week

Country	Time	Data/event	ING	Prev.
<b>Tuesday 29 July</b>				
US	1400	May Case-Shiller 20 (MoM%/YoY%)	-0.3/3	-0.3/3.4
	1500	Jul Consumer Confidence	96.5	93
Spain	0800	Jun Retail Sales (MoM%/YoY%)	-/-	0.2/4.8
Sweden	0700	Q2 GDP (QoQ%/YoY%)	-/-	-0.2/0.9
<b>Wednesday 30 July</b>				
US	1315	Jul ADP National Employment (000s)	75	-33
	1330	Q2 GDP growth (QoQ% ann)	3.3	-0.5
	1900	Fed Funds Target Rate (Upper Bound)	4.50	4.50
	1900	Fed Interest On Excess Reserves	4.40	4.40
Eurozone	0900	ECB Wage Tracker	-	-
	1000	Q2 GDP Flash Prelim (QoQ%/YoY%)	-0.1/1.2	0.6/1.5
	1000	Jul Business Climate	-0.7	-0.8
Germany	1000	Jul Economic Sentiment	94.5	94
	0700	Jun Retail Sales Real (MoM%/YoY%)	1.0/1.8	-1.6/1.6
	0900	Q2 GDP Flash SA (QoQ%/YoY%)	-0.2/0.1	0.4/0
France	0630	Q2 GDP Preliminary (QoQ%/YoY%)	-/-	0.1/0.6
Italy	0900	Q2 GDP Prelim (QoQ%/YoY%)	0.1/0.6	0.3/0.7
Spain	0800	Jul CPI Flash (MoM%/YoY%)	-/-	0.7/2.3
Canada	1445	3 BoC Rate Decision	-	2.75
Netherlands	0830	Q2 GDP Prelim (YoY%)	-	2.2
<b>Thursday 31 July</b>				
US	1330	Jun Personal Income (MoM%)	0.2	-0.4
	1330	Jun Personal Consumption Real (MoM%)	0.1	-0.3
	1330	Jun Consumption, Adjusted (MoM%)	0.3	-0.1
	1330	Jun Core PCE Price Index (MoM%)	0.3	0.2
	1330	Initial Jobless Claims (000s)	225	217
	1330	Q2 employment cost index (QoQ%)	0.8	0.9
	1445	Jul Chicago PMI	43.5	40.4
Eurozone	1000	Jun Unemployment Rate	6.3	6.3
Germany	0855	Jul Unemployment Rate SA	6.3	6.3
	1300	Jul CPI (MoM%/YoY%)	0.3/1.8	0/2
France	0745	Jul CPI Prelim (MoM%/YoY%)	-	0.4/0.9
Italy	0900	Jun Unemployment Rate	6.3	6.5
	1000	Jul CPI Prelim (MoM%/YoY%)	-1/1.7	0.2/1.8
Canada	1330	May GDP (MoM%)	0.1	-0.1
Portugal	1100	Jul CPI Flash (MoM%/YoY%)	-/-	0.1/2.4
<b>Friday 1 August</b>				
US	1330	Jul Non-Farm Payrolls	115	147
	1330	Jul Private Payrolls	100	74
	1330	Jul Unemployment Rate	4.2	4.1
	1500	Jul ISM Manufacturing PMI	49.5	49
	1500	Jul ISM Manufacturing Prices Paid	70	69.7
	1500	Jul Michigan Sentiment Final	61.8	61.8
Eurozone	1000	Jul CPI Flash (MoM%/YoY%)	1.9	0.3/2
	1000	Jul Core CPI Flash (YoY%)	2.2	2.3
Germany	0855	Jul HCOB Manufacturing PMI Final	49.2	49
UK	0930	Jul S&P Global/CIPS Manufacturing PMI Final	-	47.7
Italy	0845	Jul S&P Global/IHS Manufacturing PMI	-	48.4

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
<b>Wednesday 30 July</b>				
Russia	1700	Jun Retail Sales (YoY%)	2.6	1.8
	1700	Jun Unemployment Rate	2.2	2.2
Czech Rep	0800	Q2 Preliminary GDP (QoQ%/YoY%)	0.4/2.5	0.7/2.4
Hungary	0730	Q2 GDP Prelim (QoQ%/YoY%)	0.1/-0.3	-0.2/0.0
	0730	Jun Trade balance (EUR mn)	697	739.0
<b>Thursday 31 July</b>				
Turkey	0800	Jun Trade Balance (USD bn)	-8.2	-6.7
Russia	-	Jun GDP (YoY%)	1.5	1.2
Poland	0900	Jul Flash CPI (MoM%/YoY%)	0.1/2.8	0.1/4.1
Kazakhstan	1430	GDP Growth Rate (YoY%)	5.5	5.6
<b>Friday 1 August</b>				
Russia	0700	Jul S&P Global Manufacturing PMI	-	47.5
Turkey	0800	Jul Manufacturing PMI	-	46.7
Poland	0800	Jul S&P Global Manufacturing PMI	45.5	44.8
Czech Rep	0830	Jul S&P Global PMI	50.4	50.2
	1300	Jul Budget Balance (CZK bn)	-140.2	-152.4
Hungary	0800	Jul Manufacturing PMI	47.9	48.9
Kazakhstan	-	Jul CPI (MoM%/YoY%)	0.8/11.9	0.8/11.8

Source: Refinitiv, ING

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