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THINK Ahead: We're eyeing up the Fed👁️_.'

Have you been wondering what emoji best describes this week's Fed meeting? James Smith is doing his best to win over Gen-Z again this week, as he looks back at a curious US interest rate decision and weighs up Europe's fiscal woes. All that and more in our guide to the week ahead



Let it not be said I don't address the important questions in these articles, so here's this week's: what emoji best describes this week's Fed meeting?

We could get carried away [*Ed: the aubergine is banned*], so perhaps we should go with the monocle emoji. You know, a bit sceptical, curious, and all a bit sophisticated. Because this week's decision was a bit... weird.

On the one hand, the Fed cut rates. It told us the precarious jobs market would probably justify back-to-back cuts this year, a bolder signal than many had expected.

Yet officials also upgraded their growth and nudged down their unemployment rate predictions. Powell repeated his now-familiar mantra that the jobs slowdown is primarily down to immigration – and fewer workers – rather than tariffs – and lower hiring demand. He said

the Fed needn't be in a rush when asked why officials didn't cut rates by 50bp this week.

The easiest way of squaring that rather peculiar circle, as James Knightley [explained in his reaction piece](#), is that the Fed thinks its rate cuts will be enough to keep the US economy humming along.

There's plenty to debate in all of that, but it is true that even without rate cuts, it's still not totally clear how weak the US economy really is right now. A quick glance at the PMIs, which we get next week, points to respectable growth. And real consumer spending growth – another of next week's key releases – has slowed, but not disastrously so. It's running at 2% on an annual basis, down from 3% in much of 2024.

But there are signs that could change. James K highlights the housing market, where prices have fallen for the past four months, having risen consistently since aggressive rate hikes prompted a modest correction through 2022. That has all the makings of a major headwind for consumer spending, in an economy where housing is the largest segment of household wealth.

Then there's the tariffs, where so far, revenue hasn't been as high as you might think. My spreadsheet is telling me the average tariff rate across all American imports is 18% right now. Yet the actual effective tariff, if you divide the tariff money coming into the Treasury's coffers by the value of imports, is considerably lower. There are a whole host of reasons as to why that could be, but most think it's only a matter of time before those revenues catch up.

For now, though, that might help explain why goods inflation, though rising, hasn't surged so far. Next week's core PCE deflator – the Fed's preferred measure of inflation – will probably look fairly benign. And it's why the pressure on the US economy could still continue to build: more inflation, but also more pressure on the demand side of the US jobs market.

A difficult backdrop, but one which suggests markets are right to be pricing a little more easing than the Fed's latest 'dot plot' intimated this week. We're predicting two more cuts this year, and two in 2026.

Over here in Europe, the growth data also looks surprisingly "OK." For all the tariff noise, the manufacturing PMI has climbed over the summer. The service sector is holding up. The unemployment rate is at an all-time low in the eurozone. It's why the ECB is in its happy place and why the bar for another rate cut is high (though as [Carsten writes](#), not unattainable).

A lot – maybe everything – rests on German fiscal stimulus shining through over the next twelve months, at a time when politics hangs over the outlook. My colleague Charlotte [reminded us](#) this week that the prospect of France reducing its deficit below 5% next year – let alone 3% later this decade – is rapidly diminishing. Remember, the French tax burden tops European league tables.

The opposite is true here in the UK, where tax/GDP is 38%, well below France at 52% (I'm using IMF figures here). It means that, faced with a large budget hole to fill this Autumn, revenue raisers are easier to identify, even if not exactly compatible with the government's wider growth ambitions.

The problem is that, by our maths, the government needs to find at least £30bn/year to retain the same fiscal 'headroom' it had in the spring. That's down to both forecast downgrades and spending pressures. It's going to be hard to raise that sort of cash without lifting one of the major taxes, like income tax or National Insurance. And politically, the real elephant in the room in Westminster is that the average worker is taxed much less than in most other OECD countries (including employer contributions).

The temptation to play around with the fiscal rules – thereby lifting borrowing yet avoiding tough decisions on tax – is something investors are closely monitoring. But assuming we do get big tax hikes, then that's a decent reason to think the [Bank of England](#) isn't quite done with rate cuts.

As for an emoji to describe Europe's fiscal woes? Well, I'll leave that up to your imagination...

THINK Ahead in developed markets

United States (James Knightley)

- **Speeches:** Over the coming week, we will be hearing from numerous Fed officials after the recent decision to resume rate cuts. We will get more information on how each individual FOMC member is seeing the risks to the economy after signalling their central projection is for two further 25bp rate cuts this year and one more next year.
- **PCE (Fri):** In terms of the data the highlight will be the core personal consumer expenditure deflator – the Fed's favoured measure of inflation. Core CPI rose a relatively hot 0.3%MoM, but the core PCE is likely to be a more benign 0.2%MoM/2.9%YoY outcome given the lower housing weighting and PPI inputs of airline fares and health costs. This should give the green light to further Federal Reserve rate cuts in October and December. In terms of activity, the housing numbers will be in focus as rising supply meets weak demand, generating downside risks to home prices.

Eurozone (Bert Colijn)

- **Purchasing Managers Indices (PMI, Tue):** PMIs were very upbeat in August, mainly thanks to a jump in manufacturing. The European Commission's survey nuanced this view as potentially being a one-off, as expectations for the sector were actually not noticeably strong. For September, this means that the question is whether summer optimism persists or whether this turns out to have been more of a one-off. We consider the latter very possible, given the current sluggishness of the economy.

THINK Ahead in Central and Eastern Europe

Poland (Adam Antoniak)

- **Aug retail sales** (Thu): We expect slightly softer retail sales for August on statistical effects, but it should be more than compensated in September and 3Q25 overall is likely to be strong for private consumption. August this year had a lower number of trading days than in 2024 and an outright long weekend (non-working day on Friday, August 15th), which probably trimmed demand for goods, but supported purchases of services (hotels and restaurants). The general trend remains positive. Demand for durable goods is rising and consumer confidence keeps improving. Private consumption should be the main driver of GDP growth in 3Q25.
- **Unemployment rate** (Thu): Domestic gauge of unemployment (registered unemployment) increased more than expected in recent months, but that was mostly linked to administrative changes that slowed the pace of withdrawal from the list of unemployed since June. Labour Force Survey (LFS) data should provide more reliable picture of unemployment developments in 3Q25. In 2Q25, the number of unemployed declined by more than 100K persons, and the unemployment rate in Poland remains among the lowest in the European Union (EU).

Hungary (Peter Virovacz)

- **NBH rate decision** (Tue): The main event in Hungary next week is going to be the September rate-setting meeting. However, we don't expect any fireworks. Not much has changed since the previous meeting. The only meaningful change has been the strengthening of the forint, while economic activity data and inflation figures were all broadly in line with the central bank's projections in June. Against this backdrop, we expect only minor changes to the staff projections in the September update, which won't alter the overall outlook. Despite the strength of the forint, we don't think the NBH will move away from its hawkish stance, since the stronger currency will improve both the inflation outlook and the debt trajectory.

Czech Republic (David Havrlant)

- **Confidence** (Wed): Both the consumer and business confidence likely improved in September. The rock tour of the ever-stronger koruna over the recent months makes all imports cheaper, being beneficial to household budgets and input costs of firms. At the same time, households are supported by continued robust wage growth, while the Czech industry is bottoming out, observing more optimistic order books.
- **Rate Decision** (Wed): The inflationary risks associated with buoyant wage growth in conditions of an improved economic outlook, potential reflation in the service sector, and the approaching effect of ETS2 on consumer prices will drive the CNB's caution, with an unchanged base rate representing the optimal positioning at this stage.

Key events in developed markets next week

Country	Time	Data/event	ING	Prev.
		Monday 22 September		
		Tuesday 23 September		
		Wednesday 24 September		
		Thursday 25 September		
		Friday 26 September		

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
Monday 22 September				
Poland	0900	Retail Sales (YoY%)	3.6	4.8
	1300	Money Supply (YoY%)	11.1	10.8
Turkey	0800	Consumer Confidence	-	100.6
Tuesday 23 September				
Poland	0900	Unemployment Rate	5.5	5.4
Hungary	1300	Rate Decision	6.50	6.50
Wednesday 24 September				
Turkey	0800	Capacity Utilization Rate	-	73.5
Russia	1700	Industrial Output (YoY%)	0.4	0.7
Czech Rep	800	Consumer Confidence	99.9	99
	800	Business Confidence	101.6	101.5
	800	Composite Confidence	101.3	101.1
	1330	Rate Decision	3.50	3.50
Thursday 25 September				
Hungary	0730	Current Account Balance (QoQ, EUR bn)	0.8	1.1
	0730	Unemployment Rate	4.4	4.3
Turkey	1230	FX Reserves (USD tn)	-	89.2

Source: Refinitiv, ING

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