THINK Ahead: Green shoots or just weeds? What this week's data signals

Spring may be approaching (even if the cold weather outside says otherwise). 'Green shoots' are once again poking through in the global economy. But which ones will flourish and which will turn to weeds? James Smith sorts optimism from overgrowth in the US jobs market, Germany, and even rainy Britain – all in your guide to the week ahead

Crocuses flowering in Berkshire bring a welcome sign that spring is on the way

Sorting the green shoots from the weeds

In case it had escaped your notice, we economists love a good cliché. True aficionados will tell you every cliché has its season: hot inflation summers, dark economic winters, and the ever-reliable sports metaphors. I'll spare you the comparison between US GDP and the luge doubles at the Winter Olympics (who came up with that, by the way?)

So it was a great delight to see the absolute classic-of-the-genre "green shoots" metaphor spring up in US commentary again this week. A little early, sure, but you know, global warming and all that...

True, an economy growing at 3-4% hardly screams "fragile seedlings". But the argument goes that this is now finally spilling into the long-embattled jobs market. Cue those other cliché bingo terms:

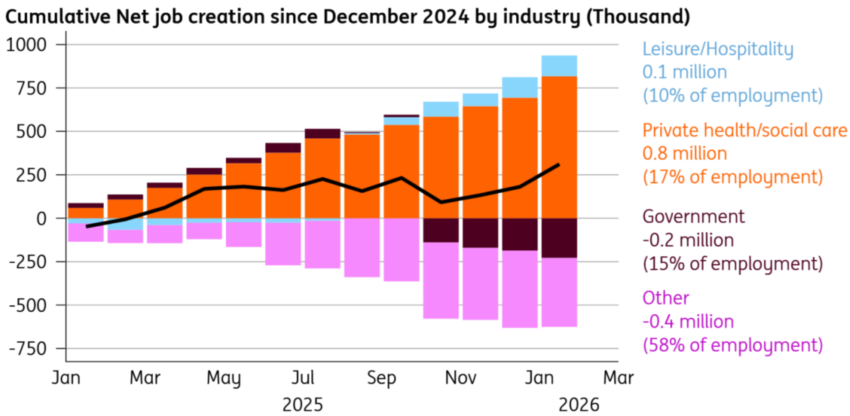
"turning a corner", "underlying momentum" and dare we even say, "robust fundamentals"?

Private payrolls growth surged last month. The six-month moving average of jobs growth is picking up, hinting that the worst of the hiring drought is behind us. The unemployment rate is down – red meat for the hawks that argue lower immigration is the driving force of the labour market right now.

Markets responded by pushing the next Fed cut back to July, and with inflation running a little hotter in January, expect more people to ask whether cuts are needed at all. "Soft landing" and all that...

We don't really buy it. I pointed out last week that nearly all the jobs in 2025 were created by private healthcare. Virtually all other sectors shed workers. That dispersion has only become more extreme after the latest revisions.

Healthcare and hospitality accounted for all the jobs growth in 2025



Source: Macrobond, ING

Sure, that light pink "other" bar has become a little less negative. But it's partly thanks to a construction worker boom in January, which probably has more to do with unseasonably warm weather than new "tailwinds". Remember: job openings are falling, layoff announcements are trending up, and consumers are still downbeat about their job prospects.

None of this means the US can't continue growing above-trend for now, dominated by AI capex and wealth effects. But we're sticking to our call for two Fed cuts this year – in June and September.

In Europe, there does appear to be genuine signs of metaphorical spring. Germany's fiscal story has been a rollercoaster; optimism 12 months ago quickly gave way to pessimism as it became clear that infrastructure doesn't get built overnight. Add in a hint of creative accounting to the budget, and it looked like more brown leaves than green shoots.

That seems to be changing. Defence spending, though below the government's target last year, came in some EUR10bn above 2024 levels – and more so if you include borrowing in the special funds. Much of that gap opened up very late in the year, shortly before the German parliament finally approved the budget for 2026 – an announcement that coincided with the approval of a raft of new defence contracts.

The real surprise, though, is that more of this defence spending is going to get spent locally; production capacity is ramping up quickly, it seems. Carsten Brzeski is getting more optimistic about the multiplier effect of defence spending – economist-speak for "this might actually do something to growth."

New orders are rising rapidly. Next week's purchasing managers indices (PMIs) should give us a better steer. The hope is that production will increasingly follow as we move through the year – and particularly in 2027. Carsten's 1.9% growth forecast for next year is above consensus.

None of that subtracts from the multitude of structural challenges Germany faces. But for now, it does seem the green shoots are genuine.

Britain, rain-sodden as ever, also shows flickers of optimism. Not on growth, which rounded out 2025 weaker than expected. Nor politics, which is a major banana skin for markets. But on inflation, there's a growing sense that the Bank of England could go further with its cutting cycle than previously thought. That's the message from various investors I've seen in London this week.

We agree that inflation is set to drop dramatically over the next few months, even if the January data is unlikely to drastically change next week. The jobs market has cooled a lot and hiring surveys are still getting worse. Private sector wage growth is falling like a stone.

But the Bank itself is cautious, albeit divided. Staunch resistance from the hawks is the main reason we're reluctant to pencil more than two rate cuts in for this year, even if there's a decent economic case to be made for more.

So yes, the green shoots are there if you want to find them. And if they turn out to be weeds, fear not – economists are always ready with the next seasonal metaphor. Easter bunny, prepare for battle...

THINK Ahead in developed markets

United States (James Knightley)

- **Labour Market**: Financial markets continue to favour two 25bp Federal Reserve interest rate cuts this year and we agree. While the jobs numbers look OK the details are more concerning, showing zero employment growth in three years outside of government, leisure & hospitality and private education & healthcare services.
- **PCE** (Fri): The weekly ADP numbers this coming week will tell a similar story with a clear slowdown in hiring shown in the data. Durable goods orders will be depressed by a swing downwards in Boeing aircraft orders, while the trade balance will see more elevated deficits as the pre-tariff inventory build is exhausted. The key data point will likely be the Fed's favoured measure of inflation – the core PCE deflator – which we expect to post a 0.3% increase, limiting any further near-term momentum behind the Fed being more aggressive on policy easing.

Eurozone (Bert Colijn)

- **Industrial production** (Mon): The eurozone has seen a cautious increase in industrial production in the autumn of last year and December is likely to pour some cold water on imminent rebound hopes. Germany and Italy saw a tick down in production, making an overall increase less likely. Mind you, optimism is returning to manufacturing due to improving domestic demand, and we do expect a more sustained increase in 2026.

- **PMI** (Fri): The January sentiment data by the European Commission was very upbeat. Across countries and across sectors, a jump was noted. This leaves us intrigued for February survey data. The PMI had not been exuberant in January, although still reflecting decent output growth. A sign of acceleration here may give more weight to the rosy EC survey of last month.

United Kingdom (James Smith)

- **Inflation** (Wed): Headline inflation is set to dip back on airfare noise, lower food price pressure and the fading of last year's private school tax hike. But we aren't expecting any drastic changes in "core services" inflation, the Bank of England's main preoccupation. The bigger fall in inflation will come in April, when we expect headline CPI to dip back to 1.8%.
- **Jobs report** (Tue): Expect further signs of cooling in the UK jobs market and a further drop in annual wage growth. Assuming those trends continue into the next round of data in March, we expect a rate cut at next month's Bank of England meeting.

THINK Ahead in Central and Eastern Europe

Poland (Adam Antoniak)

- **Industrial output** (Thu): December's industrial production reading was well above market expectations, but this performance is unlikely to be repeated in January. External demand remains lacklustre, the calendar effect is negative (with one fewer working day compared with January 2025), and weather conditions were harsh. Average temperatures in January 2026 were below the multi year average, with severe frosts particularly in the eastern part of the country, which could potentially disrupt transport and cause delays to delivery times, with adverse consequences for production plans. Producers' prices continue to decline, and deflation in PPI persists as manufacturers face competition from cheap imported goods from China.
- **Labour market** (Thu): Wage growth in enterprises surprised to the upside in late 2025, but the stronger figures were largely attributable to annual bonus payments in certain sectors, predominantly mining. We believe that the downward trend in wage dynamics resumed in January and is likely to continue over the coming months. The minimum wage was increased by 3% at the start of 2026, compared with a 9.2% rise in 2025.
- As for employment, we forecast a 0.6% YoY decline. Employment levels in enterprises fell throughout 2025, so we expect a negative statistical effect from the update of the statistical sample (the data cover businesses employing 10 or more people). However, its magnitude should be similar to that observed in January 2025. An insufficient supply of labour remains a key challenge for enterprises in several sectors of the economy.

Key events in developed markets next week

Country	Time	Data/event	ING	Prev.
		Monday 16 February		
Eurozone	1000	Dec Industrial Production (MoM%/YoY%)	-0.2/2.4	0.7/2.5
Sweden	0700	Jan Unemployment Rate	-	8.3
		Tuesday 17 February		
US	1315	Jan 31 ADP weekly employment change (000s)	5.0	6.5
Germany	0700	Jan CPI Final (MoM%/YoY%)	0.1/2.1	0.1/2.1
UK	0700	Dec ILO Unemployment Rate	5.1	5.1
	0700	Dec Employment Change	105	82
	0700	Dec Average Weekly Earnings (3M YoY%)	4.6	4.7
	0700	Dec Average Weekly Earnings ex Bonus (3M YoY%)	4.2	4.5
Canada	1330	Jan CPI (MoM%/YoY%)	-/-	-0.2/2.4
	1330	Jan Core CPI (MoM%/YoY%)	-/-	-0.4/2.8
Italy	0900	Dec Global Trade Balance	-	5.078
		Wednesday 18 February		
US	1300	Dec Durable Goods	-2.0	5.3
	1415	Jan Industrial Production (MoM%)	0.3	0.4
	1900	FOMC Minutes		
France	0745	Feb CPI (MoM%YoY%)	-/-	-0.3/0.3
UK	0700	Jan Core CPI (YoY%)	3.0	3.2
	0700	Jan CPI (MoM%/YoY%)	-0.5/3.0	0.4/3.4
	0700	Jan Services CPI (YoY%)	4.2	4.5
		Thursday 19 February		
US	1330	Dec International Trade (USD bn)	-88	-84.7
	1330	Initial Jobless Claims (000s)	225	227
Eurozone	0900	Dec Current Account SA (EUR, bn)	-	8.6
	1500	Feb Consumer Confidence Flash	-	-12.4
Canada	1330	Dec Trade Balance (CAD bn)	-	-2.2
		Friday 20 February		
US	1330	Dec Personal Income (MoM%)	0.3	0.3
	1330	Dec Consumption, Adjusted (MoM%)	0.3	0.5
	1330	Dec Core PCE Price Index (MoM%)	0.3	0.2
	1445	Feb S&P Global Manufacturing PMI Flash	-	52.4
	1445	Feb S&P Global Services PMI Flash	-	52.7
	1445	Feb S&P Global Composite PMI Flash	-	53
	1500	Feb Michigan Sentiment Final	-	57.3
	1500	Dec New Home Sales (mn)	0.71	0.737
Eurozone	0900	Feb HCOB Manufacturing PMI Flash	49.9	49.5
	0900	Feb HCOB Services PMI Flash	51.6	51.6
	0900	Feb HCOB Composite PMI Flash	51.5	51.3
Germany	0830	Feb HCOB Manufacturing PMI Flash	49.5	49.1
	0830	Feb HCOB Service PMI Flash	52.2	52.4
	0830	Feb HCOB Composite PMI Flash	52.3	52.1
France	0815	Feb HCOB Composite PMI Flash	-	49.1
UK	0700	Jan Retail Sales (MoM%/YoY%)	-0.5/2.1	0.4/2.5
	0700	Jan Retail Sales ex fuel (MoM%/YoY%)	-0.5/2.8	0.3/3.1
	0930	Feb S&P Global Composite PMI Flash	53.3	53.7
	0930	Feb S&P Global Manufacturing PMI Flash	51.5	51.8
	0930	Feb S&P Global Services PMI Flash	53.5	54
Canada	1330	Dec Retail Sales (MoM%)	-	1.3
Sweden	0700	Jan CPI (MoM%/YoY%)	-/-	0.1/0.4
	0700	Jan CPIF (MoM%/YoY%)	-/-	0.2/2

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
		Monday 16 February		
Turkey	0800	Jan Budget Balance (TRY bn)	-	-528.1
Romania	0700	Jan CPI (YoY%)	9.4	9.7
Kazakhstan	0800	Q4 GDP (YoY%)	-	6.3
	0800	Jan Industrial Production (YoY%)	-	8.1
		Tuesday 17 February		
Romania	1300	Policy Rate Decision	6.50	6.50
Kazakhstan	0000	Jan Industrial Production (MoM%)	-	10.4
		Wednesday 18 February		
Russia	1600	Jan PPI (MoM%/YoY%)	-/-	-1.6/-3.3
Poland	0900	Consumer Confidence	-	-9.9
		Thursday 19 February		
Poland	0900	Jan Employment Growth (YoY%)	-0.6	-0.7
	0900	Jan Industrial Output (YoY%)	1.7	7.3
	0900	Jan PPI (YoY%)	-2.2	-2.5
	0900	Jan Wages (YoY%)	6.3	8.6
Turkey	0700	Feb Consumer Confidence	-	83.7
	1130	Feb FX Reserves (USD bn)	-	84.4
Serbia	1100	Jan CPI (MoM%/YoY%)	0.5/2.6	0.1/2.7
		Friday 20 February		
Hungary	0730	Dec Gross Wages (YoY%)	9.1	8.9

Source: Refinitiv, ING

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