

## THINK Ahead: A song for Europe

Not many people are singing Europe's economic praises right now, but maybe it's time to start humming a different tune. The continent desperately needs some good news, and James Smith is searching for signs of optimism as he looks ahead to another busy week for markets



Looking for love in Europe, a bit like Nicole in the 1982 Eurovision Song Contest

### THINK Ahead: How it could go right for Europe

Let's face it: we economists aren't exactly known for our outgoing, outrageous personalities; no wonder my Instagram influencer dreams are still just dreams. Or why Jerome Powell hasn't been given his own late-night celebrity chat show. A shame, because *Powell Hour* has such a good ring to it, and best not to mention *A Hard Jay's Night*.

Anyway, for once, it's not just the economists who are struggling for anything good to say about Europe. Trump's decisive election victory has only added to the economic gloom that had already settled in this autumn. Virtually everyone agrees that the European Central Bank will slash rates much further than the Federal Reserve.

So this week, I'm trying to break the mould, and I'm reviving my [occasional hunt](#) for European optimism (*ooh, ahh, just a little bit*), like a diehard Eurovision fan cheering for the null-pointers. Where might investors be overdoing the doom?

Take tariffs. And we soon might have to. They're the source of so much pessimism right now. And

it doesn't take too much imagination to see what a 20% blanket tariff on European goods shipments into the US would mean for the continent's already struggling manufacturing sector. But what if we don't get them? That's the main upside risk, right? And it's no secret that European leaders are hoping a deal on LNG purchases or defence procurement can help Europe sidestep the worst of Trump's trade war.

How realistic is that, really? Well, it could take ages to know for a start. James Knightley reckons domestic priorities mean [tariffs won't spring up until next summer](#) at the earliest, and much of the initial focus may well be on China. Even then, a trade war that exclusively focusses on China is still an issue for Europe's export-led economic model.

Chatting to Carsten this week, he also reminds us that Europe is already a big buyer of American liquified gas and military equipment. How realistically that can be ramped up to facilitate a deal is less clear. He also reminds us that Trump needs the revenue from those higher tariffs, given America's already precarious fiscal position.

We're clutching at straws. So, make some noise for a little bit of European fiscal stimulus! A big step up in investment might just be the shot in the arm the European economy needs. And history tells us that a crisis is often what it takes for European policymakers to step up to the plate. [Mario Draghi's report](#) earlier this year gives a clear sense of what must be done.

I put this one to Carsten, too, and - whisper it - he's actually a bit more optimistic.

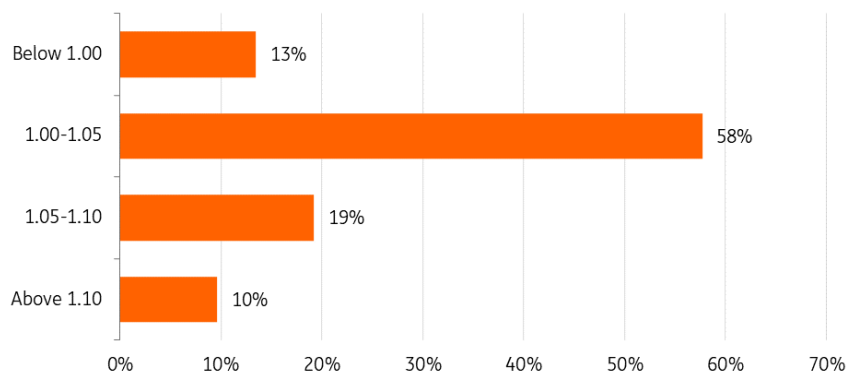
Of course, [Germany's snap February election](#) couldn't come at a worse time politically. And given public debt levels across Europe, Germany is realistically the only country in a position to go big on fiscal policy. Here, Carsten senses a subtle but important shift in views on the infamous debt brake, which heavily restricts the annual deficit. If that constraint is adjusted, then he sees scope for extra fiscal stimulus worth 1-2% of GDP over the coming years. That would be big news for Europe as a whole.

But even if it happens, it's a story for 2025 or, more realistically, 2026. For now, the mood at the ECB still reflects ever-increasing concern about growth. Keep an eye on next week's purchasing managers indices (PMIs). A weak batch in October was ultimately what locked in that [25bp rate cut last month](#). And these next numbers will decide whether the ECB doubles down on a 50bp cut in December.

So there you have it, not much optimism, after all. But hey, what did you expect from an economist? Just wait until I give festive 'hope and cheer' a whirl in December...

## Chart of the week: Where will EUR/USD be at the end of 2025?

We asked an audience of ING clients and colleagues this week where they saw EUR/USD going next year. It's not scientific, but the mood is clear: the dollar is only going to get stronger.



Source: ING

Based on a live poll of roughly 100 responses during an ING webinar

## THINK Ahead in developed markets

### United States (James Knightley)

- It's a quiet week for US data, leaving markets guessing on what the Federal Reserve will do at the December FOMC meeting. As of Tuesday last week, 20bp of a 25bp cut was priced, but with Chair Powell suggesting that the “economy is not sending signals that we need to be in a hurry to lower rates”, this has moved back to just 15bp.
- Housing numbers will be the key theme, but with mortgage rates at elevated levels and set to move even higher due to the bearish steepening of the Treasury yield curve they will remain at historically weak readings given the general lack of affordability. The leading index will also be published, but that has been an awful guide to overall economic growth. This means the next big release will be the core personal consumer expenditure deflator and then the all-important November jobs report in two and three weeks' time, respectively.
- Fed speakers are scheduled, but with no meaningful data, the market will continue to be more swayed by Powell's relatively hawkish line indicating a slower and more gradual path of policy easing is in prospect over coming quarters.

### United Kingdom (James Smith)

- **Inflation (Wed):** Household energy bills rose by roughly 10% at the start of October and that means headline inflation is likely to inch above 2% again. But for the Bank of England, it's services inflation that matters. We see scope for that to move fractionally higher to 5.0%, though when we strip out categories the Bank has told us it cares less about (like rents, hotels), then our own measure of so-called 'core services' inflation is set to move dramatically lower from 4.8% to 4.3%. That nuance probably won't be enough to bring a December rate cut back into play, but it's exactly this sort of trend that makes us think the BoE will cut rates more aggressively than the 2-3 rate cuts priced into markets over the next couple of years.

## THINK Ahead for Central and Eastern Europe

### Poland (Adam Antoniak)

- **Core CPI (Mon):** Official NBP data should show that core inflation, excluding food and energy prices, moderated slightly in October, but momentum remained high. Elevated core inflation is one of the reasons the NBP is keeping interest rates high and central bank projections point to persistently high core price growth in the coming quarters.
- **Construction output (Thu):** Polish construction remains in recession amid high interest rates and delays in EU money spending (both RRF and structural funds). A slightly slower annual decline compared with September is expected, mainly reflecting more favourable calendar effects.

### Hungary (Peter Virovacz)

- **Base rate (Tue):** The upcoming rate-setting meeting of the National Bank of Hungary will be a must-watch. There is a lot of mixed data, new information and renewed market instability. Putting everything on the table, we expect rates to remain unchanged. However, the tone and forward guidance will be closely watched. While some may expect an open conversation about rate hikes in case of an emergency, such an admission in itself could turn out to be a self-fulfilling prophecy. We therefore expect the central bank to keep a balanced message: hawkish, but without going the extra mile just yet.

### Czech Republic (David Havrlant)

- **PPI (Mon):** Producer prices inflation likely picked up in October, which is in line with our assumption that Czech industry has put the worst behind and is about to gradually bottom out. Higher Brent crude prices in October and weaker Koruna acted as a cost-push factor in the same month. Renewed increases in global prices of agricultural commodities have also put upward pressure on pricing in food production, while the rebound in the residential segment fostered prices in the construction sector.

### Turkey (Muhammet Mercan)

- **Interest rate (Thu):** In the latest inflation assessment, while acknowledging slower-than-expected disinflation so far, the CBT pointed out a deceleration in underlying inflation last month, driven by lower core goods inflation in addition to a more pronounced loss of momentum in services excluding rent. We think that the Bank will wait to see further inflation data and keep rates on hold at the November MPC meeting. However, given the dovish signals contained within the latest inflation report release, chances of a December cut have increased, in our view.

## Key events in developed markets next week

Country	Time Data/event	ING	Prev.
<b>Monday 18 November</b>			
Eurozone	1000 Sep Trade Balance (EUR bn)	-	11
	1300 ECB Lane Speech	-	-
<b>Tuesday 19 November</b>			
US	1330 Oct Building Permits (000)	1400	1.425
	1330 Oct Housing Starts (000)	1320	1.354
Canada	1330 Oct CPI (MoM%/YoY%)	-/-	-0.4/1.6
	1330 Oct Core CPI (MoM%/YoY%)	-/-	0/1.6
Eurozone	0900 Sep Current Account (EUR bn, SA)	-	31.49
	1000 Oct CPI Final (YoY%)	-	2.0
<b>Wednesday 20 November</b>			
UK	0700 Oct Core CPI (YoY%)	3.2	3.2
	0700 Oct CPI (MoM%/YoY%)	0.5/2.2	0.0/1.7
	0700 Oct Services CPI (YoY%)	5.0	4.9
	1600 BoE Ramsden Speech	-	-
Eurozone	0900 ECB Financial Stability Review	-	-
<b>Thursday 21 November</b>			
US	1500 Oct Existing Home Sales (mn)	3.9	3.84
Norway	0700 Q3 GDP Growth Mainland (QoQ%)	-	0.1
Eurozone	1500 Nov Consumer Confidence Flash	-	-12.5
<b>Friday 22 November</b>			
US	1445 Nov S&P Global Manufacturing PMI Flash	-	48.5
	1445 Nov S&P Global Services PMI Flash	-	55
	1445 Nov S&P Global Composite PMI Flash	-	54.1
	1500 Nov Michigan Sentiment Final	-	73
Germany	0700 Q3 GDP Detailed (QoQ%/YoY%)	0.2/0.2	0.2/0.2
	0830 Nov S&P Global Manufacturing PMI Flash	41	43
	0830 Nov S&P Global Service PMI Flash	51	51.6
	0830 Nov S&P Global Composite PMI Flash	47	48.6
France	0815 Nov S&P Global Composite PMI Flash	-	48.1
UK	0700 Oct Retail Sales (MoM%/YoY%)	-0.2/3.5	0.3/3.9
	0700 Oct Retail Sales ex fuel (MoM%/YoY%)	-0.2/3.5	0.3/4.1
	0930 Nov S&P Global Composite PMI Flash	51.8	51.8
	0930 Nov S&P Global Manufacturing PMI Flash	50.0	49.9
	0930 Nov S&P Global Services PMI Flash	52	52
Canada	1330 Sep Retail Sales (MoM%)	-	0.4
Eurozone	0830 ECB Lagarde Speech	-	-
	0900 Nov S&P Global Manufacturing PMI Flash	46.2	46.0
	0900 Nov S&P Global Services PMI Flash	51.8	51.6
	0900 Nov S&P Global Composite PMI Flash	50.2	50.0

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time Data/event	ING	Prev.
<b>Monday 18 November</b>			
Poland	1300 Oct Core CPI (YoY%)	-	4.3
Czech Rep	0800 Oct PPI (MoM%/YoY%)	0.2/0.9	-0.2/0.6
<b>Tuesday 19 November</b>			
Hungary	1300 Nov Hungary Base Rate	6.50	6.50
<b>Wednesday 20 November</b>			
Russia	1600 Oct PPI (MoM%/YoY%)	-/-	0.5/5.6
<b>Thursday 21 November</b>			
Turkey	0700 Nov Consumer Confidence	-	80.6
	1100 Nov CBT Weekly Repo Rate	50	50
	1100 Nov Overnight Lending Rate	53	53
	1100 Nov Overnight Borrowing Rate	47	47
Poland	0900 Oct Construction Output (YoY%)	-6.2	-9.0
<b>Friday 22 November</b>			
Hungary	0730 Sep Gross Wages (YoY%)	13.0	13.1

Source: Refinitiv, ING

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