

## THINK Ahead: Play your inflation cards right!

Higher? Lower? It's game show time! Where's inflation heading? Will 2026 be your year, and how will central banks play their cards? Fingers on buzzers, teams, as we look ahead to a big week in financial markets



The King of British game shows, the late Bruce Forsyth

### Higher, lower, what's your bid?

It's ING's *Play Your Inflation Cards Right!* Higher? Lower? Inflation points win prizes... like higher borrowing costs. And don't forget the Sudden Death round - available to anyone willing to push their luck and gamble.

Speaking of luck, it's pretty remarkable that [eurozone inflation](#) has been within a whisker of the European Central Bank's target for more than a year now, isn't it? No wonder the ECB keeps telling us it's in its [happy place](#).

But luck tends to run out eventually, so in round one, we're asking: will eurozone inflation be higher or lower in twelve months' time? The winner nabs themselves a signed Christine Lagarde scarf.

It's a tricky one, though the downside pressures are clear. A stronger euro is one. Energy is

another; our team expects Brent crude prices to head consistently below 60 USD/bbl in 2026. The oil market is in surplus, and our expert Warren Patterson isn't convinced that US sanctions on Russia will change much.

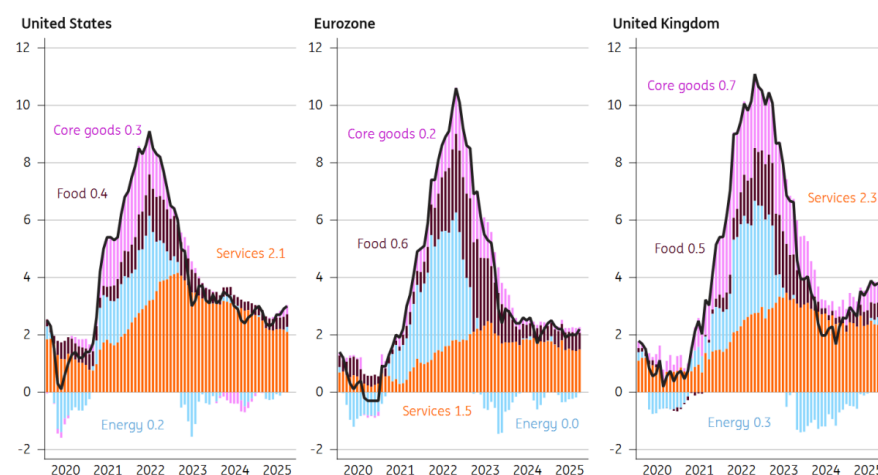
Food inflation is also coming lower. Meat remains an issue, but pressure from fresh produce is rapidly abating. Unprocessed food inflation was 5.5% in August; it was just 3.2% in October. Global input price pressures are easing off, judging by UN data.

The problem is services, as [Bert Colijn discusses](#) in his write-up of October's figures. This accounts for the bulk of eurozone inflation right now, and it actually picked up this month. Housing and recreation have been key areas of stickiness.

The good news is that selling price expectations among service-sector companies are falling. And the ECB suggests negotiated wage growth is plummeting. But for the time being, sticky services inflation is enough to keep eurozone inflation close to target, our team thinks. And [enough to prevent the ECB from cutting rates further](#) for the time being, too.

**The Answer is: *Slightly lower*** – inflation averages 1.9% in Q4 next year.

## Chart of the week: Contributions to headline inflation (YoY%)



Source: Macrobond, ING

## Place your bets...

On to round two, and let's ask the same question of the US. This one is easier; [inflation's at 3% now](#) and should be closer to 2% by late next year. The bigger question is how long it takes to get there.

So far, tariff revenue has undershot. The average tariff rate was roughly 10% through July and August, below the 18% you'd expect based on what has been announced and 2024 import data. That either hints at poor enforcement or that US companies are shifting towards lower-tariff countries. Either way, we expect tariff collection to increase and that will push up goods inflation into year-end.

Fed boss Jerome Powell presumably is thinking the same thing. It would explain his [pushback](#) against an automatic cut in December. Markets have pared back the implied probability of another cut this year to 60%.

The thing is, though, 'core goods' – the bit affected by tariffs – are only 20% of the inflation basket. And pressure elsewhere is downwards. Energy costs, slowing housing rental growth and a weaker jobs market all point to lower inflation next year. James Knightley's inflation forecast falls back to 2.2% late next year.

That's why inflation shouldn't be a barrier to further rate cuts. All the while, what little data we have on the jobs market remains a point of concern. Watch out for next week's ADP employment estimate, which has fallen in three of the past four months. We're not forecasting a fourth, though that would reinforce the rate cut story. So too, increasingly, does America's never-ending shutdown. Food stamp payments may not go through this weekend, something 13% of Americans receive. James K tells me that the \$8.3bn/month it pays out amounts to 1 in 10 dollars spent in grocery stores.

All reasons to expect another cut in December, and two more next year.

**The answer is: *Lower inflation through 2026.***

## Bonus question

Time for a Brucie Bonus! What about the UK? Well, the answer really depends on who you ask.

The hawks at the Bank of England – which meets next week – argue that inflation at 3.8% risks morphing into a much more persistent episode of price pressure. Rising food prices risk sparking inflation expectations and leading to a second round of price and wage rises.

We're more inclined to side with the doves, who say the weaker jobs market means wage growth is more likely to slow. That latest data hints at that, too. And it showed food inflation is actually slowing. For now, this is just one month's data. And one month's data won't settle this debate just yet. That's why we still think a pause is most likely next week.

But inflation should look better next year – and that's overwhelmingly down to services. The Bank's preferred measure of "core services" has already slipped below 4%. And together with slower wage growth, it should ease further in the new year – and particularly from April, where a lot of service-sector price hikes are concentrated.

That's why I'm still calling for three cuts from the Bank of England. Whether the next one comes in December or February depends largely on the budget. I'm now leaning more towards the former, though that's increasingly priced in now. Further downside to gilt yields looks limited, barring a more aggressive fiscal tightening. Check out our budget scenarios [here](#).

Get this right, you could get your rent paid for a year! (Sorry, Rachel Reeves).

**We think the Answer is: *Lower*** – headline CPI should fall to 2.5% in the Spring.

That's it for this week, but don't forget to sign up for our webinars next week on [pharma](#) (4 Nov) and all things [UK budget and Bank of England](#) (5 Nov).

As Brucie would say, it would be nice to see you – to see you nice!

## THINK Ahead in developed markets

### United States (James Knightley)

- With the government shutdown showing little sign of ending due to ongoing political intransigence, the data calendar will remain light. Nonetheless, we will get some key business surveys and consumer confidence readings, which will likely continue to show the economy cooling somewhat. The ISM manufacturing and service sector indicators are currently running at levels historically consistent with annual GDP growth in the region of 1-2%. This is respectable, but down from the 2-3% rates we have seen in recent years.
- Another survey gaining increasing relevance is the ADP employment change number. This has been a poor guide for non-farm payrolls growth in recent years, but given that the report isn't being published due to the shutdown, ADP is now of major market relevance. It has been reported that private sector payrolls have contracted for three of the past four months. They are now going to be releasing weekly updates in addition to the monthly figure we get on Wednesday and we look for an increase of around 40,000 given the lumpy nature of job changes. This certainly doesn't signal the start of a revival, especially in light of recent high-profile job loss announcements at the likes of Amazon and UPS.
- Rounding out the numbers will be the University of Michigan sentiment index. It indicates consumer confidence is weak, likely due to worries about tariff-induced price hikes and a cooling jobs market. A strong equity market performance may be supportive, but worries about inflation and jobs remain elevated and suggest that middle and lower-income household spending growth will continue to underperform that of higher-income households.

### United Kingdom (James Smith)

- **Bank of England (Thu):** Better inflation and wage data has revived the possibility of a November rate cut, though we still think it's unlikely. The vote could be close; a 5-4 vote in favour of keeping rates on hold, with some dissenters potentially voting for big, 50bp cuts. We don't expect the Bank to offer up much of a signal on whether the next cut will come in December, largely because it will want to see the contents of the late-November Autumn Budget first. But increasingly, we think a December cut is likely, and two more cuts in 2026 would likely follow.

## THINK Ahead in Central and Eastern Europe

### Hungary (Peter Virovacz)

- **Industry/Retail (Thu):** Following the weak flash estimate of Q3 GDP in Hungary, we expect another set of data confirming that consumption is the only driver of the Hungarian economy. Retail sales are showing small monthly growth and, with the help of the low base, the yearly figure will be impressive. Due to the impact of working days, the raw figures of industrial production will appear strong, but the 1.3% month-on-month increase is far from the revival we used to see after the summer shutdowns in manufacturing. Therefore, we would rather label this as another abysmal performance.

### Czech Republic (Frantisek Taborsky)

- The CNB is expected to keep rates unchanged at 3.50% in its penultimate meeting of the

year, with the spotlight on forward guidance and a new forecast. While headline inflation surprised to the downside, core inflation and wage growth remain elevated, reinforcing a hawkish bias. The August forecast is broadly on track, but wage dynamics and FX developments may prompt some upward revisions. Energy subsidies from the new government could ease headline inflation, but core pressures persist. Overall, the CNB is likely to maintain a restrictive stance and balanced guidance, keeping rate cuts or hikes off the table for now.

#### **Turkey** (Muhammet Mercan)

- We expect October inflation at 2.6% MoM, given continuing pricing pressures in food with adverse weather conditions, in addition to the ongoing stickiness in services, seasonality in clothing and hikes in cigarette prices, while risks are on the upside. Annual inflation, on the other hand, will slightly drop to 33% from 33.3% a month ago, thanks to a favourable base.

### **Key events in developed markets next week**

Country	Time Data/event	ING	Prev.
<b>Monday 3 November</b>			
US	1500 Oct ISM Manufacturing PMI	49.5	49.1
	1500 Oct ISM Manufacturing Prices	60	61.9
Eurozone	0900 Oct HCOB Manufacturing PMI Final	-	50
Germany	0855 Oct HCOB Manufacturing PMI Final	49.6	49.6
France	0645 Sep Industrial Output (MoM%)	-	-0.7
UK	0930 Oct S&P Global/CIPS Manufacturing PMI Final	49.6	49.6
Italy	0845 Oct S&P Global/IHS Manufacturing PMI	49.7	49
Switzerland	0730 Oct CPI (MoM%/YoY%)	-/-	-0.2/0.2
<b>Tuesday 4 November</b>			
Canada	1330 Sep Trade Balance (CAD bn)	-	-6.32
<b>Wednesday 5 November</b>			
US	1315 Oct ADP National Employment	40	-32
	1400 Oct ISM Non-Manufacturing PMI	51.5	50
Eurozone	0900 Oct HCOB Services PMI Final	-	52.6
	0900 Oct HCOB Composite PMI Final	-	52.2
Germany	0700 Sep Industrial Orders (MoM%)	0.6	-0.8
	0855 Oct HCOB Services PMI Final	54.5	54.5
	0855 Oct HCOB Composite PMI Final	53.8	53.8
France	0850 Oct HCOB Composite PMI	46.8	46.8
UK	0930 Oct S&P Services PMI Final	51.1	51.1
	0930 Oct S&P Composite PMI Final	51.1	51.1
Italy	0845 Oct Composite PMI	52	51.7
Spain	0815 Oct Services PMI	-	54.3
Sweden	0830 Riksbank Rate	-	1.75
<b>Thursday 6 November</b>			
Eurozone	1000 Sep Retail Sales (MoM%/YoY%)	-/-	0.1/1
Germany	0700 Sep Industrial Output (MoM%/YoY%)	3,5/-2,0	-4.3/-4.2
UK	1200 BoE Bank Rate	4.00	4.00
Norway	0900 Rate Decision	4.00	4.00
Switzerland	0800 Oct Unemployment Rate Adjusted	-	3
Canada	1500 Oct Ivey PMI	52.5	59.8
<b>Friday 7 November</b>			
US	1500 Nov Michigan Sentiment Flash	54.8	53.6
	1500 Nov Michigan Conditions Flash	60	58.6
	1500 Nov Michigan Expectations Flash	50.5	50.3
	2000 Sep Consumer Credit	8.0	0.36
Germany	0700 Sep Exports	0.5	-0.5
	0700 Sep Imports	0.5	-1.3
	0700 Sep Trade Balance (ERU bn)	18	17.2
France	0745 Oct Reserve Assets Total (EUR bn)	-	330
	0745 Sep Trade Balance (EUR bn)	-	-5.5
Canada	1330 Oct Unemployment Rate	7.1	7.1
	1330 Oct net chnge in employment (000s)	15	60.4

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
<b>Monday 3 November</b>				
Turkey	0700	Oct CPI (MoM%/YoY%)	2.6/33.0	3.2/33.3
	0700	Oct Manufacturing PMI	-	46.7
Poland	0800	Oct S&P Global Manufacturing PMI	48.6	48
Czech Rep	0830	Oct S&P Global Manufacturing PMI	49.8	49.2
Hungary	0800	Oct Manufacturing PMI	49.2	51.5
Kazakhstan	-	Oct CPI (MoM%/YoY%)	0.9/13.1	1.1/12.9
<b>Tuesday 4 November</b>				
Turkey	-	Trade Balance (USD bn)	-	-6.9
<b>Wednesday 5 November</b>				
Russia	0600	Oct S&P Global Manufacturing PMI	-	48.2
	-	Oct Budget Fulfilment	-	-1.7
Poland	1300	Nov NBP Base Rate	4.25	4.50
Czech Rep	0800	Oct Inflation Rate (MoM%/YoY%)	0.5/2.4	-0.6/2.3
<b>Thursday 6 November</b>				
Turkey	1130	Gross FX Reserves (USD bn)	-	87.3
Czech Rep	0800	Sep Industrial Output (YoY%)	-0.6	-1.3
	0800	Sep Trade Balance (CZK bn)	21.6	5.6
	1330	CNB Repo Rate	3.50	3.50
Hungary	0730	Sep Industrial Output (MoM%/YoY%)	1.3/0.9	-7.3
	0730	Sep Retail Sales (YoY%)	3.4	2.4
<b>Friday 7 November</b>				
Russia	0600	Oct S&P Global Services PMI	-	47
Czech Rep	0800	Sep Retail Sales (YoY%)	4.1	3.5
Hungary	1900	Oct Budget Balance (HUF bn)	-22	-303.2

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