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THINK Ahead: The economy powers on. Economists, not so much...

To say a lot has already happened this year might be the understatement of the century. James Smith is wilting, unlike the global economy, which, against all odds, has held up remarkably well. Does this week's drama change that? And surely next week will be calmer? Here's what we expect



5% growth for the US economy? Trump says yes. The data says... not so fast

The economy powers on. Economists, not so much...

Newsflash: we're only 23 days into the new year. The Venezuela operation (remember that?), Iran, Greenland, a Japanese bond market meltdown, [French politics](#), Powell's bombshell [video](#): I already feel like I've aged by about five years in 2026, and it's not even February...

But for all my extra grey hairs, has anything really changed in the economic outlook? I'm not convinced it has.

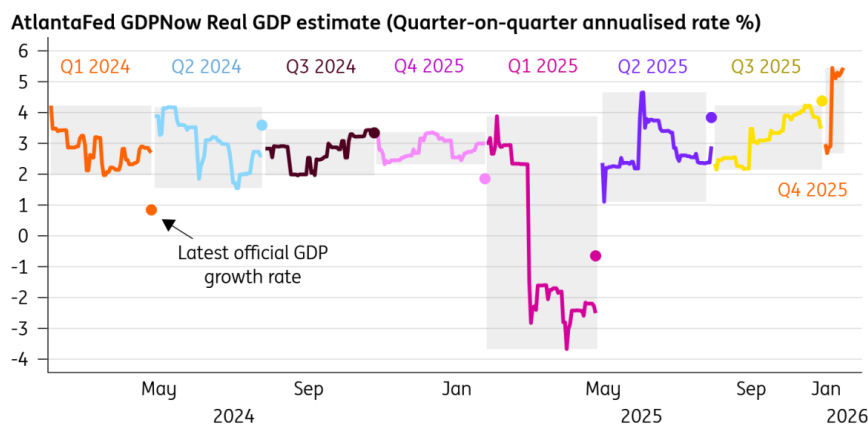
True, I'm sceptical that the US economy is growing at 5%, despite what many, including the President, claim. The Atlanta Fed's 'nowcast' of fourth quarter growth, which is where that number comes from, will very likely get pared back as more high-frequency data rolls in. The chart below shows how these estimates tend to bounce around. Still, it does hint that the

consensus of 1.8%, shaped heavily by the impact of the government shutdown, is too pessimistic. The truth probably lies somewhere in between.

Sure, that solid growth backdrop is concentrated. Most of it comes from high-income consumers and AI investment. But so long as the equity market – and tech in particular – stays supported, there's no reason that story is about to abruptly end. The S&P 500 is still up year-to-date, don't forget.

Bear in mind too that American consumers, particularly those on lower/middle incomes, will soon benefit from tax refunds on their tips and overtime from 2025. Refund payments tend to peak in late-February and speaking to James Knightley, our economist in New York, it sounds like they will be as much as a third higher than usual.

5% fourth-quarter growth feels unlikely, whatever the latest 'nowcasts' are saying



Source: Macrobond, ING

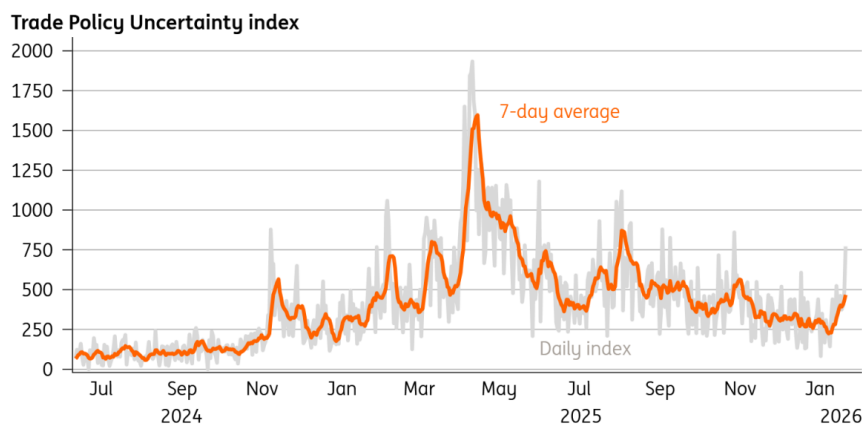
The major niggles are the jobs market. The Fed, which meets next week, is grappling with how job creation can be so weak when growth is apparently so strong. Labour demand is a concern. But it's hard to ignore the massive drop in net migration. Labour supply is falling too. And so long as the unemployment rate isn't rising dramatically – which right now it isn't – the Fed will probably take the greater steer from the more positive activity data.

That could change – and even now the data is sending [mixed messages](#) – which is why we've been calling for the next Fed rate cut in March. But unless we see a couple of very weak jobs reports before then, Knightley sees a growing risk that gets pushed back.

It's a similar story here in Europe. Yes, the return of tariff threats – even if postponed – is far from welcome. Last year's trade deal with the US was not exactly perfect from the EU's perspective, to put it politely. But leaders signed up to it because it would at least end the

uncertainty and allow businesses to move on. That was only ever going to last so long – and though Europe will dodge extra 10% tariffs next month after Trump dropped his plans to punish the EU unless it agreed with his Greenland takeover, it's a reminder that the threat hasn't gone away. An index of trade policy uncertainty spiked this week, not that you need a graph to tell you that...

You don't need to be Sherlock Holmes to know trade uncertainty is rising...



Source: Macrobond, ING

That all said, the bar to further ECB easing remains high. This week's [minutes](#) reminded us that it would take a lot to nudge it out of its "good place". The latest [Purchasing Managers' Indices \(PMIs\)](#) look reasonable. And even if we do end up with higher tariffs, the more weeks we have like the one that's just passed, the more likely it is that European leaders double down on investment in the continent's defence industry – just as we saw this time last year with Germany's historic shift in fiscal policy. More tariffs but more investment? It wouldn't necessarily be a clear-cut case for lower interest rates.

Neither is the recent rise in natural gas prices. The spike is eye-catching – though a drop in the ocean compared to what we saw in 2022. It traces back to cold temperatures in Europe, which are bearing down on storage levels which had already entered the latest heating season lower than usual. Fortunately, as Warren Patterson, ING's Head of Commodities Strategy, told me during [our webinar](#) this week, there's plenty of LNG supply coming online to cap the upside in prices over the coming months.

Still, it's something we have to watch, particularly here in the UK, where the Bank of England is particularly sensitive to price shocks that could morph into more persistent bouts of inflation.

But so long as gas prices stay relatively well-behaved, I still think there's a decent chance of a rate cut in March, which markets are only pricing with a 20% probability. This [week's data](#) was

a reminder that the jobs market is fragile and wage growth is coming down fast. If that continues – and I think it will – the need to cut rates that bit further will only grow.

Big picture though, if 2025 taught us anything, it's that the global economy can withstand a lot. And unless something seriously changes, the same is probably true in 2026.

As for humble economists like me, I'm not so sure... (cue the world's tiniest violin)

THINK Ahead in developed markets

United States (James Knightley)

- **Rate Decision** (Wed): Wednesday's Federal Reserve FOMC meeting will see monetary policy left unchanged after 75bp of interest rate cuts spread over the previous three meetings. The fact that growth is strong, unemployment is low, equity markets are close to all-time highs, and inflation is above target all argue for a pause. Fed Chair Jerome Powell's robust defence of the central bank's independence on 11 January, in response to ongoing pressure from the President to lower rates, confirms it. There will be dissent, but it will likely be restricted to arch-dove Stephen Miran and Chris Waller, who remains in the mix as the prospective next Fed Chair.
- **Durable goods** (Mon): In terms of data, we expect a sharp reversal in trade after the US recorded the narrowest trade deficit in October since 2009, which was likely tied to delays in shipping related to anticipated tariff reductions since the initial 'Liberation Day' shock. Durable goods orders should be very firm, boosted by a strong set of numbers from Boeing, while house prices should show more evidence of stabilising. However, consumer confidence will remain under pressure, and we will also keep an eye on the weekly ADP private hiring data.

THINK Ahead in EMEA

Poland (Adam Antoniak)

- **Dec Retail sales** (Mon): We expect a solid retail sales reading and consumer demand remains a factor supporting economic growth. Propensity to save remains elevated, but it does not negatively impact spending as income growth is strong amid lower inflation. Demand for durable goods remains solid, and we expect households to tap their previous stockpile of savings in 2026 when we project real disposable income growth to ease. Recent consumer confidence data also indicate that households are more open to bigger purchases.
- **Dec Unemployment** (Tue): We expect a typical seasonal uptick in registered employment in December. The increase in the number of unemployed in 2H25 was higher than previously expected, but mainly as a result of changes in the functioning of labour offices that made it easier to keep the status of unemployed and slowed removal

from unemployed registers.

- **2025 GDP** (Fri): At the end of January, the StatOffice usually releases the first estimate of annual growth in the previous year. According to our estimates, GDP growth was close to 3.6%. December data from industry and construction were much better than expected, and 4Q25 GDP growth was probably close to 4%YoY. In 2025, private consumption remained the main driver of economic growth, while fixed investment recovered somewhat after a decline in 2024.

Hungary (Peter Virovacz)

- **Base rate** (Tue): At its previous meeting, the National Bank of Hungary opened the door to rate cuts. The data-driven approach means that the January meeting is still a possibility, although we think the chances of a rate cut next week are pretty much non-existent. The recent inflation figures and their composition came as an unpleasant surprise to the central bank. Geopolitical upheaval and market aversion also do not bode well for a rate cut. As the market has already priced in two rate cuts for the first quarter, the central bank can afford to wait. If the January inflation figures are favourable, they will be in a stronger position to begin the easing cycle. To be fair, we still see a slim chance of a cut if the Monetary Council believes it is better to start earlier than risk missing the window due to further escalation in external developments.
- **GDP** (Fri): The Statistical Office is going to reveal the figures on economic performance in the fourth quarter of 2025. As we still lack data from the sectors for December, and given that October was good and November was rather bad, it is hard to guess what the figures will show. However, given the improving consumer and business confidence, and the fact that more and more government measures are affecting the real economy over time, we are optimistic about a strong December. Therefore, we predict that GDP will grow by 0.7% on a quarterly basis, driven mostly by services and with some support from agriculture and industry.

Czech Republic (David Havrlant)

- **Confidence & GDP** (Mon & Fri): Business confidence is likely to have improved in January, driven by lower energy prices and solid demand for Czech exports overseas. Exporters may consider that things are starting to shift in Germany, where energy subsidies were also implemented, as the acknowledgement that German industry is between a rock and a hard place of expensive energy and overregulation gains traction. Consumers likely noticed the softening inflation in the food segment along with lower energy bills, which also likely improved their mood at the start of the year. That said, the Czech economy is in a good place, and we assume the economic rebound has continued in the final quarter of the year, though at a slightly milder pace than in the strong third quarter. The rebound in investment likely induced a bit more import activity, curtailing the net export contribution.

Uzbekistan (Dmitry Dolgin)

- **Rate decision** (Wed): We expect the Central Bank of Uzbekistan to cut the policy rate by 50bp to 13.50% on 28 January, reflecting the continued improvement in headline CPI and inflation expectations. Although economic activity is strengthening and the USZ appreciation trend has moderated, several leading indicators of inflation – such as global food prices and producer price developments – suggest that CPI is still likely to slow from 7.3% YoY in December 2025 toward the expected 6-7% range in 2026. At the same time, with CPI still above the long-term 5% target, monetary policy decisions and communication are likely to remain cautious.

Key events in developed markets next week

Country	Time	Data/event	ING	Prev.
Monday 26 January				
US	1330	Nov Durable Goods	4.0	-2.2
Germany	0900	Jan Ifo Business Climate	87.3	87.6
	0900	Jan Ifo Current Conditions	86	85.6
	0900	Jan Ifo Expectations	88.5	89.7
Tuesday 27 January				
US	1400	Nov Case-Shiller 20 (MoM%/YoY%)	0.1/1.1	0.3/1.3
	1500	Jan Consumer Confidence	91	89.1
Wednesday 28 January				
US	1900	Fed Funds Target Rate (Upper Bound)	3.75	3.75
Germany	0700	Feb GfK Consumer Confidence	-27.6	-26.9
Italy	0900	Jan Consumer Confidence	97	96.6
Canada	1445	BoC Rate Decision	-	2.25
Thursday 29 January				
US	1330	Nov Balance of Trade (USD bn)	-52.5	-29.4
	1500	Nov Factory Orders (MoM%)	2.1	-1.3
	1330	Initial Jobless Claims (000s)	205	200
Eurozone	0900	Dec M3 Money Supply (YoY%)	2.9	3
	0000	Jan Economic Sentiment	96.2	96.7
Spain	0800	Dec Retail Sales (YoY%)	-	6
Sweden	0600	Q4 GDP (QoQ%/YoY%)	-/-	1.1/2.6
	0830	Riksbank Rate	-	1.75
Friday 30 January				
US	1330	Dec PPI (MoM%/YoY%)	0.3/2.9	0.2/3
Eurozone	1000	Q4 GDP Flash Prelim (QoQ%/YoY%)	0.2	0.3/1.4
	1000	Dec Unemployment Rate	6.3	6.3
Germany	0855	Jan Unemployment Rate SA	6.3	6.3
	0900	Q4 GDP Flash SA (QoQ%/YoY%)	0.2/0.3	0/0.3
	1300	Jan CPI (MoM%/YoY%)	-0.25	0/1.8
France	0630	Q4 GDP Preliminary (QoQ%/YoY%)	-/-	0.5/0.9
Italy	0900	Q4 GDP Prelim (QoQ%/YoY%)	0.2/0.6	0.1/0.6
	1000	Dec Unemployment Rate	5.8	5.7
Spain	0800	Jan CPI Flash NSA (MoM%/YoY%)	-	0.3/2.9
Canada	1330	Nov GDP (MoM%)	-	-0.3
Netherlands	0830	Q4 GDP SA (QoQ%/YoY%)	-/-	0.5/1.8
Portugal	1100	Jan CPI Flash (YoY%)	-	2.2

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
Monday 26 January				
Poland	0900	Dec Retail Sales (YoY%)	5.1	3.1
	1300	Dec M3 Money Supply (YoY%)	10.8	10.6
Czech Rep.	800	Jan Consumer Confidence	111.4	111.1
	800	Jan Business Confidence	98.8	98.0
	800	Jan Composite Confidence	100.9	100.2
Tuesday 27 January				
Poland	0900	Dec Unemployment Rate	5.7	5.6
Hungary	1300	Jan Hungary Base Rate	6.50	6.50
Wednesday 28 January				
Russia	1600	Dec PPI (MoM%/YoY%)	-/-	-0.9/-1.1
Uzbekistan		Jan Uzbekistan policy rate	13.50	14.00
Thursday 29 January				
Turkey	0700	Dec Unemployment Rate	-	8.6
	1130	Gross FX Reserves (USD bn)	-	79.4
Hungary	0730	Dec Trade Balance (EUR mn)	110	-121
Ukraine	0000	Rate Decision	-	15.50
Friday 30 January				
Turkey	0700	Dec Trade Balance (USD bn)	-9.4	-8.0
Poland	0900	Full Year GDP Growth	3.6	2.9
	0900	Dec Unemployment Rate	-	5.6
Czech Rep.	0800	Q4 Prelim GDP (QoQ%/YoY%)	0.6/2.5	0.8/2.8
Hungary	0730	Q4 GDP Prelim (QoQ%/YoY%)	0.7/1.0	0/0.6

Source: Refinitiv, ING

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