

THINK Ahead: Trick or treat? Growth comes back from the dead

US growth looks undead. The eurozone economy might just be clawing back from the grave. Yet central banks keep whispering about cuts. Is this a real resurrection in economic growth or yet more smoke and mirrors? Read on as James Smith and the team lift the cobwebs on what could spook financial markets in the days ahead



Beware the walking debt...

The walking debt

Let me share one of my highest conviction views: I hate Halloween.

Yep, I'm that guy who turns off all the lights in the house to make it look like I'm out. Naturally, I still buy the treats, so I can eat them... I mean, just in case anyone does come knocking. And if they do, I'll just tell them I'm too busy watching Christine Lagarde's post-meeting press séance...

It's a bit of a lame excuse – even for a dull economist like me – because as Carsten says in [his preview](#) of Thursday's gathering, it's hardly looking like a thriller. The French fiscal horror show isn't spooking markets as much as it was. [Dutch elections](#) shouldn't change the story. And there's a lack

of 'new news' to lead the ECB away from its 'good place'. Rate cuts are off the menu, although they're not exactly dead and buried.

A stronger euro (our team [expects](#) EUR/USD to nudge 1.20 into year-end) or disappointments and delays with [German fiscal stimulus](#) could ultimately push the ECB towards another rate cut. France and the walking debt may well come back to haunt it, too. It's not our base case, though markets are still leaning in the direction of further easing; pricing suggests another 25 basis-point cut is a 50:50 call by next summer.

If we're all wrong, then maybe it's because the economy is stronger than we think. Recent 'hard' data hasn't been great, particularly in the ailing manufacturing sector. But recent news has been better. The eurozone services PMI is the [highest in nearly a year](#). It showed job creation is catching pace, too.

Trick or treat, this growth puzzle looks very familiar to what's happening across the pond. The latest Atlanta Fed estimates US third quarter GDP at 3.9% in annualised terms. It's hard to reconcile that apparent strength with the fragility in the jobs market, a dichotomy which Fed Governor and possible Powell successor Chris Waller emphasised in a recent [speech](#).

That mystery won't stop the Fed from cutting rates next week. Nor, it seems, will the near-complete absence of any economic data amidst America's never-ending government shutdown.

But this surprising growth resilience – if it continues – raises the question of whether the Fed needs to cut rates at all. Does it suggest that rates are actually not as restrictive as we all think they are right now – or to put it in posh economics terms, that the neutral rate is higher?

Financial conditions are certainly healthy. Stock markets are reasonably buoyant in the absence of any more skeletons emerging from the closet of private credit over the past week.

Or does it simply reflect AI? More than a few people have suggested that without AI-related spending, the US economy would be in recession. GDP data reveals that quarterly, real-terms investment in IT equipment rose by 34% over the first half of the year. That may be true, but this whole narrative conveniently glosses over the fact that most of this stuff is imported – accelerated by the race to dodge tariffs earlier this year.

Whatever the explanation, remember that the Fed itself doesn't see much need to keep cutting rates much further. September's 'dot plot' only pencilled in two further moves after October.

Markets disagree, and so does our own James Knightley. Inflation is proving more benign. But the real reason he expects at least one more cut than the Fed does is the weaker jobs market.

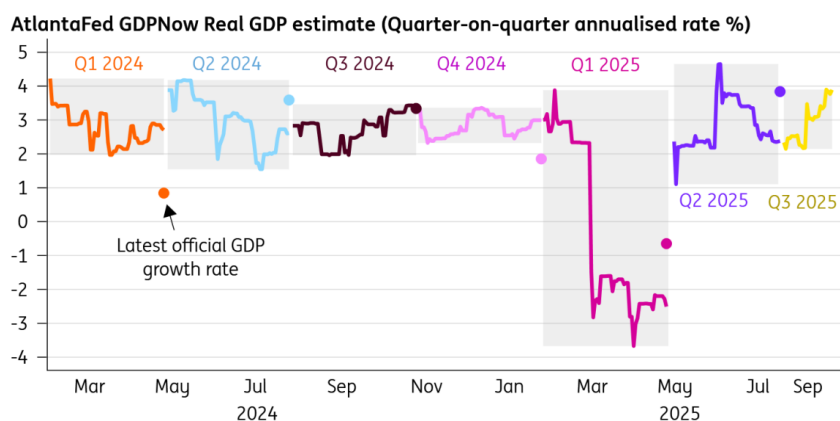
What little data we have had this month hasn't been great. ADP's gauge of private-sector employment fell. Again. And most consumers think unemployment is set to rise. In his own words, James K worries that the current 'low hire, low fire' jobs market could evolve into 'no hire, let's fire'.

There are other issues, too. Yes, financial conditions are loose, yet prices in the haunted house market have fallen for five straight months. Data next week will show whether it's a sixth. That's before we talk tariff turbulence, which I did in [more detail last week](#). Or the government shutdown, which, the longer it wears on, risks denting sentiment and causing a more permanent hit to economic activity.

So as we tiptoe towards year-end, the question lingers: *is this growth revival a genuine resurrection or just another ghost story?* Either way, best keep those lights on. Terrifying tariffs? Credit corpses? The next scare might just be lurking in the shadows...

James Smith

Chart of the week: US economy set for bumper third quarter growth



THINK Ahead in developed markets

United States (James Knightley)

- The Federal Reserve is widely expected to follow up September's 25bp interest rate cut with a further 25bp cut coming on October 29. The economy looks in decent shape and inflation is above target, but the risks to their dual mandate of price stability and maximum employment are starting to shift. Tariff-induced price hikes are not coming through as forcefully as feared, and this is giving more time for disinflationary factors, such as lower energy costs, weakening wage inflation and slowing housing rents, to provide some mitigation. At the same time, the jobs market is looking more worrying, with a broad range of indicators suggesting the risk of job losses is mounting. This runs the risk of both weaker growth and lower inflation pressures over the medium to longer term. As such, moving monetary policy closer to a neutral setting makes sense.
- In terms of data, 3Q GDP is scheduled, but given the ongoing government shutdown, this looks highly unlikely to be published this week.

Eurozone (Bert Colijn)

- **GDP (Thu):** Next week's ECB meeting should be a non-event, as we mentioned in our [article earlier this week](#). Since September, eurozone data has been mixed: PMIs and sentiment improved slightly, but August hard data disappointed. September inflation briefly exceeded 2%, yet no fresh figures arrive before Thursday. Key releases, such as Q3 GDP and October inflation, land on the day of the meeting. Political risks have eased, French spreads remain contained, and officials signal no urgency, with both doves and hawks deferring decisions to December. While another cut then is possible if downside risks hit, next week's meeting will

likely reaffirm the “good place” stance.

- **CPI (Fri):** Expect inflation to remain around 2% on Friday. While inflation ticked up in September, this was mainly due to base effects. The underlying picture remains fairly stable for the short run. For GDP growth in 3Q, also out on Thursday, muted growth seems to be the story as we expect it to come in at 0.1% quarter-on-quarter. It's no recession despite global turmoil, but it's far from a rebound either. So all in all, don't expect the ECB to be looking at these data points with too much interest, as expectations are that they'll just confirm the current cruising speed.

Canada (James Knightley)

- **Rate Decision (Wed):** The Bank of Canada is expected to cut interest rates by a further 25bp this week despite recent firmer jobs and inflation data than anticipated. Canada's economy has been rocked by the tariffs imposed by the US, with three-quarters of its exports heading south of the border. At the same time, consumers are heavily indebted, and we expect the central bank to try and provide more support for the economy.

THINK Ahead in EMEA

Poland (Adam Antoniak)

- **October Flash CPI (Fri):** Our preliminary estimates suggest that CPI inflation increased slightly in October, mostly on energy prices. The annual decline in petrol prices was smaller than in the previous month. We also see a substantial increase in central heating prices since October, which marks the beginning of the heating season. Central heating prices were administratively frozen until July this year. Core inflation excluding food and energy prices was broadly unchanged

Hungary (Peter Virovacz)

- **GDP (Thu):** The most significant event next week is the release of Q3 GDP growth data in Hungary. Our nowcast paints a rather gloomy picture compared to our structural models. Based on the third-quarter data, it's possible the rollercoaster ride will continue. After moderate quarterly growth in Q2, we'll likely see a negative performance in Q3. However, the low base will have a positive impact, lifting the year-on-year figure to 0.6%. Except for the services sector, we see all other sectors to negatively impact economic performance.

Czech Republic (David Havrlant)

- The Czech economy likely maintained solid annual real growth in 3Q25, with household consumption remaining the main driver of expansion. The novelty might be the flipping of the fixed investment dynamics into positive territory after six quarters of continued annual declines. That said, we will receive only the headline figure in the preliminary estimate, along with an indication of the breakdown as a comment.

Key events next week in developed markets

Country	Time	Data/event	ING	Prev.
Monday 27 October				
US	1330	Sep Durable Goods (MoM%)	-	2.9
Eurozone	1000	Sep Money Supply Annual Growth	-	2.9
Germany	1000	Oct Ifo Business Climate	87.4	87.7
	1000	Oct Ifo Current Conditions	85.4	85.7
	1000	Oct Ifo Expectations	89.4	89.7
Tuesday 28 October				
US	1400	Aug Case-Shiller 20 (MoM%/YoY%)	-0.1	-0.1/1.8
	1500	Oct Consumer Confidence	95	94.2
Germany	0800	Nov Consumer Sentiment	-22.4	-22.3
Italy	0900	Oct Consumer Confidence	96	96.8
Wednesday 29 October				
US	1900	Fed Rate Decision	4.00	4.25
Spain	0900	Sep Retail Sales (YoY%)	-	4.5
Canada	1445	BoC Rate Decision	2.25	2.5
Sweden	0800	Q3 GDP (QoQ%/YoY%)	-/-	0.5/1.4
Thursday 30 October				
US	1330	3Q GDP (QoQ% ann)	2.8	3.8
	1330	Initial Jobless Claims (000s)	-	-
Eurozone	1100	Q3 GDP Flash Prelim (QoQ%/YoY%)	0.1/1.1	0.1/1.5
	1100	Oct Business Climate	-	-0.76
	1100	Oct Economic Sentiment	-	95.5
	1100	Oct Consumer Confidence Final	-	-14.9
	1100	Sep Unemployment Rate	6.3	6.3
	1415	Oct ECB Refinancing Rate	2.15	2.15
	1415	Oct ECB Deposit Rate	2.00	2.00
Germany	0955	Oct Unemployment Rate SA	6.4	6.3
	1000	Q3 GDP Flash SA (QoQ%/YoY%)	0.1/0.4	-0.3/-0.2
	1400	Oct CPI (MoM%/YoY%)	0.1/2.2	0.2/2.4
France	0730	Q3 GDP Preliminary (QoQ%/YoY%)	-/-	0.3/0.8
Italy	0900	Q3 GDP Preliminary (QoQ%/YoY%)	0.1/0.5	-0.1/0.4
	1000	Sep Unemployment Rate	-	6
Spain	0900	Oct CPI Flash NSA (MoM%/YoY%)	-/-	-0.3/3
Friday 31 October				
US	1330	Sep Personal Income (MoM%)	0.4	0.4
	1330	Sep Consumption, Adjusted (MoM%)	0.4	0.6
	1330	Sep Core PCE Price Index (MoM%)	0.3	0.2
	1445	Oct Chicago PMI	45	40.6
Eurozone	1100	Oct CPI Flash (YoY%)	2	2.2
	1100	Oct Core CPI Flash (YoY%)	2.3	2.4
Germany	0800	Sep Retail Sales Real (MoM%/YoY%)	0.1/1.6	-0.2/1.8
France	0845	Oct CPI Prelim (YoY%)	-	1.1
	0845	Oct CPI (EU Norm) Prelim (MoM%)	-	-1.1
Italy	1100	Oct CPI Prelim (MoM%/YoY%)	0.2/1.7	1.3/1.8
Canada	1330	Aug GDP (MoM%)	-	0.2
Portugal	1200	Oct CPI Flash (YoY%)	-	2.4

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
Monday 27 October				
Turkey	0800	Sep Unemployment Rate	-	8.5
	0800	Oct Business Confidence	-	100.2
	0800	Oct Capacity Utilization Rate	-	74
Wednesday 29 October				
Russia	1700	Sep Retail Sales (YoY%)	2.8	2.8
	1700	Sep Unemployment Rate	2.2	2.1
	1700	Sep GDP (YoY%) Monthly	0.4	0.4
Hungary	0830	Sep Trade Balance (EUR mn)	1166	557
Thursday 30 October				
Turkey	0800	Oct Economic Confidence	-	98
Czech Rep	0900	Q3 Preliminary GDP (QoQ%/YoY%)	0.6/2.6	0.5/2.6
Hungary	0830	Q3 GDP Prelim (QoQ%/YoY%)	-0.2/0.6	0.5/0.1
Friday 31 October				
Turkey	0800	Sep Trade Balance (USD bn)	-	-4.2
Poland	1000	CPI Preliminary (MoM%/YoY%)	0.5/3.1	0/2.9

Source: Refinitiv, ING

Author

James Smith

Developed Markets Economist, UK

james.smith@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an

investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.