

Our latest macro and market forecast updates

As former ECB president Mario Draghi aptly put it: "In a dark room, you move with tiny steps. You don't run, but you do move." We're adopting this approach to adjusting our [macro and market forecasts](#) as major policy shifts unfold across Europe



Our new forecasts factor in a slightly more optimistic growth scenario for the eurozone, somewhat heightened inflationary pressures and an ECB that will stop cutting rates at a deposit rate of 2.25% this summer

As former European Central Bank president Mario Draghi once said: "In a dark room, you move with tiny steps. You don't run, but you do move." Recent events over the last few weeks have reminded us of these famous words. The never-ending back and forth on tariffs, renewed geopolitical tensions and Europe's seismic shift in defence spending, as well as Germany's fiscal 'Zeitenwende', have led to significant moves in financial markets. The problem, however, with these kinds of announced policy shifts is that it's not always clear when – or even if – they'll actually be implemented. As a result, the impact on the real economy and central banks is not always so straightforward.

Take Europe for example. Yes, the German parliament yesterday agreed on [changes to the fiscal debt brake](#) and a large fiscal package on infrastructure and defence spending. Still, the details aren't totally clear yet. We know that the multiplier for infrastructure spending is around one. But we're also keeping in mind that – as important as it is for European security – defence spending

will be something of a slow burner for growth across Europe. Production capacities need to be increased to get the best possible real economic impact from higher defence spending. And this will take time. Will the ECB then react to the potentially inflationary impact of higher infrastructure and defence spending, or will it respond to the more imminently looming US tariffs?

We received many questions on what the significant policy shifts in Europe mean for our macro and market forecasts. Here is our answer: we have updated our main forecasts, with a slightly more optimistic growth scenario for the eurozone, somewhat heightened inflationary pressures and an ECB that will stop cutting rates at a deposit rate of 2.25% this summer. At the same time, huge fiscal changes in Europe, led by Germany, will continue pushing up government bond yields over the next quarters, seeing German 10y bond yields breaching the 3% level.

You've heard it before, but we won't get tired of repeating that we're now living in times of unprecedented uncertainty, with a wide range of possible macroeconomic outcomes. This is the dark room Mario Draghi talked about. We could do nothing and just wait until someone turns on the light again. Or we could do it like European policymakers should, and follow Draghi's example: moving with tiny steps, presenting our updated forecasts, still knowing that it's unlikely to be the final revision made this year.

For all of our latest updates, you can find our [full forecasts page here](#).

Our key forecast updates

	2025					2026					
	1Q25F	2Q25F	3Q25F	4Q25F	2025F	1Q26F	2Q26F	3Q26F	4Q26F	2026F	
United States											
GDP (% QoQ, ann)	1.5	2.4	1.6	1.4	2.1	1.6	1.7	1.8	1.8	1.6	
CPI headline (% YoY, avg)	2.8	2.8	2.9	3.4	3.0	3.0	3.0	2.6	2.3	2.7	
Federal funds (% eop)	4.50	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.75	3.75	
3-month SOFR rate (% eop)	4.50	4.30	4.00	4.00	4.00	3.75	3.75	3.75	3.75	3.75	
10-year interest rate (% eop)	4.50	4.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
Fiscal balance (% of GDP)						-6.7					-6.4
Gross public debt / GDP						101.1					103.3
Eurozone											
GDP (% QoQ, ann)	0.5	0.8	1.0	1.1	0.7	1.4	1.6	1.8	2.1	1.4	
CPI headline (% YoY, avg)	2.5	2.4	2.3	2.3	2.4	2.2	2.2	2.2	2.2	2.2	
ECB Deposit Rate (% eop)	2.50	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	
3-month interest rate (% eop)	2.40	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.40	2.40	
10-year interest rate (% eop)	2.80	2.80	2.90	3.00	3.00	3.10	3.15	3.20	3.25	3.25	
Fiscal balance (% of GDP)						-3.3					-3.2
Gross public debt/GDP						89.8					89.6
EUR/USD (eop)	1.07	1.05	1.07	1.08	1.08	1.09	1.09	1.10	1.10	1.10	
USD/JPY (eop)	150	152	155	155	155	155	153	150	150	150	
USD/CNY (eop)	7.28	7.35	7.31	7.35	7.35	7.30	7.30	7.25	7.25	7.25	
EUR/GBP (eop)	0.83	0.83	0.84	0.84	0.84	0.84	0.85	0.85	0.85	0.85	
ICE Brent - US\$/bbl (average)	75	74	75	71	74	67	69	73	70	70	
Dutch TTF - EUR/MWh (average)	47	45	42	44	45	37	30	30	34	33	

Source: ING Forecasts

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