

Covid-19: The virus, the vaccine and what next for the global economy?

Our new scenarios for the global economy are out this week. Download the full report, read the individual articles, watch the video with Carsten Brzeski and listen to the podcast with Chris Turner on the Fed's next moves and what they'll mean for stocks and the dollar. Oh, and remember Brexit?

In this bundle



September Economic Update: V for virus, vaccine, and a V-shaped recovery?

Three new scenarios for the global economy as the recovery heads for a turbulent winter

By Carsten Brzeski, Chris Turner and 5 others

Video

Carsten on the virus, the vaccine and any v-shaped recovery

Think we'll get a v-shaped recovery from the Covid-19 crisis? Think again. ING's Global Head of Macro Economics, Carsten Brzeski outlines what we...

By Carsten Brzeski



United States

Three new scenarios for the global recovery's next phase

With the economic rebound from Covid-19 now in full swing, we look at what could be a turbulent path to a full recovery. Our new-look scenarios map out...

By Carsten Brzeski and James Smith

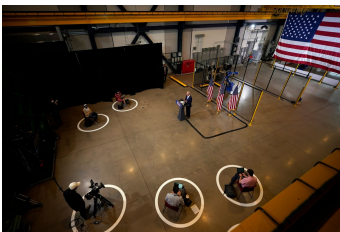


FX

Listen: The Fed, the dollar and the asset bubble

Federal Reserve member Lael Brainard admitted this week that the central bank's new policy framework, and consequent expectations that interest rates...

By Chris Turner and Rebecca Byrne



United States

US election: Biden's to lose?

Opinion polls suggest Joe Biden has a commanding lead over President Donald Trump, but with two months to go, there are plenty of things that could change...

By James Knightley



United States

US: The surge subsides

High-frequency data suggests that the post-reopening surge in activity began to moderate in July and this process continued throughout August. With the...

By James Knightley



Eurozone: Short-time work provides cushion to double-dip worries

Worries about a double-dip recession are increasing in the eurozone as disappointing survey data for August provides a reality check on the pace of...

By Carsten Brzeski and Bert Colijn



Eurozone: The rebound continues...for now

The eurozone is still on track to see a very strong third-quarter growth figure. However, recent indicators signal some deceleration. Inflation is...

By Peter Vanden Houte



United Kingdom

UK: What Brexit means for the economy in 2021

We think it's unrealistic to expect a sudden plunge in GDP once the transition period ends. But whether there's a deal or not, the change in UK-EU...

By James Smith



Central and Eastern Europe: No deflationary threat here

Growth in the CEE region is picking up in line with the eurozone, but in contrast, inflation remains above target. Central banks are unlikely to respond...

Report | 3 September 2020

September Economic Update: V for virus, vaccine, and a V-shaped recovery?

Three new scenarios for the global economy as the recovery heads for a turbulent winter



Source: Shutterstock

- **Three new scenarios for the global recovery's next phase**

With the economic rebound from Covid-19 now in full swing, we look at what could be a turbulent path to full recovery. Our new-look scenarios map out potential paths for the global economy depending on how the virus spreads over the winter, and how quickly a vaccine is certified and rolled out to the wider population

- **US: The surge subsides**

High-frequency data suggests that the post-reopening surge in activity began to moderate in July and this process continued throughout August. With the pandemic continuing to create many challenges, we doubt the economy will fully heal before 2022

- **US Politics: Biden's to lose?**

Opinion polls suggest Joe Biden has a commanding lead over President Donald Trump, but with two months to go, there are plenty of things that could change that situation. Whoever wins, the battle for the House and Senate will be critical to determining how many of their respective

promises can be delivered

- **Eurozone: The rebound continues... for now**

The eurozone is still on track to see a very strong third-quarter growth figure. However, recent indicators signal some deceleration. Meanwhile, inflation is undershooting expectations paving the way for an extension to the Pandemic Emergency Purchase Programme

- **Eurozone: Short-time work provides cushion to double dip worries**

Worries about a double-dip recession are increasing in the eurozone as disappointing survey data for August provides a reality check on the pace of recovery. Government support offers a significant tailwind for the economy though. While a double-dip is not unthinkable, it looks like growth can still continue albeit at a slower pace in the coming months.

- **UK: What Brexit means for the economy in 2021**

We think it's unrealistic to expect a sudden plunge in GDP once the transition period ends. But whether there's a deal or not, the change in UK-EU trade terms will push costs up for businesses in a range of sectors, potentially compounding the Covid-19 hit. That leaves the UK at risk of a slower and more turbulent recovery relative to its peers

- **Central and Eastern Europe: No deflationary threat here**

Growth in the CEE region is picking up in line with the eurozone, but in contrast, inflation remains above target. Central banks are unlikely to respond as they focus on the fragile post Covid-19 recovery, while local CPIs are set to fall. CEE FX has been benefiting from rising EUR/USD and should continue to do so.

- **China: Revising GDP and yuan forecasts**

China's recovery has started and looks sustainable because domestic demand has returned amid fewer Covid-19 cases. This leads us to revise our GDP forecast up to 2.5% YoY and yuan forecasts upward to 6.70, but the technology war is still the biggest risk to the economy

- **Asia (ex. China): Slow recovery**

Shinzo Abe's resignation as Japan's Prime Minister has grabbed the headlines this month. Elsewhere, recovery continues across the region, with North Asia outpacing the rest

- **FX: The dollar bear trend: It's only just begun**

US fiscal policy paralysis and a change in monetary policy strategy from the Federal Reserve make the case for the dollar bear trend extending well into next year. We revise up our end 2021 EUR/USD forecast to 1.25

- **Rates: Why we want a steeper curve**

We think the US yield curve can steepen further. We also hope it does. A steeper curve gels with a reflation theme and has wider benefits. It can lift Europe, and beyond. The Fed's move to average inflation targeting helps, but guarantees nothing. The curve is smart though; this time last year it was inverted, discounting a recession - we got one. Where next?

Assumptions	Economic impact	Forecasts
Scenario 1 (A) + (I) Local lockdowns used as vaccines rolled out during 1H21.	Our Nike swoosh scenario. Governments could decide to extend some of the stimulus measures until mid-2021. Somewhat stronger recovery in 2H21	2020 GDP US: -4.2% Eurozone: -8.0% Markets (end 2020): EUR/USD: 1.20 US 10-year: 0.75%
Scenario 2 (B) + (II) Restrictions tightened but full lockdown avoided. Some vaccines rolled out in 1H21.	A variation of our W-shaped scenario with the new dip lasting longer (4Q20-1Q21). Government stimulus extended. 2Q21/3Q21 still subdued.	2020 GDP US: -5.4% Eurozone: -9.3% Markets (end 2020): EUR/USD: 1.12 US 10-year: 0.25%
Scenario 3 (C) + (III) National lockdowns return, while vaccine development takes longer than hoped	Our L-shaped scenario but for even longer. Sharp drop in activity in 4Q20, more or less stagnation throughout 2021 and sharp rebound mid-2022	2020 GDP US: -5.7% Eurozone: -9.7% Markets (end 2020): EUR/USD: 1.10 US 10-year: 0.0%

Source: ING

ING global forecasts

	1Q20	2Q20	2020	4Q20	FY	1Q21	2Q21	3Q21	4Q21	FY	1Q22	2Q22	3Q22	4Q22	FY
United States															
GDP (% QoQ, ann)	-5.0	-31.7	26	5.5	-4.2	4.0	4.5	3.5	3.0	3.9	3.0	3.0	2.5	2.5	3.1
CPI headline (% YoY)	2.1	0.4	1.2	1.2	1.2	1.5	3.0	2.3	2.3	2.3	2.4	2.3	2.2	2.2	2.3
Federal funds (% eop)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3-month interest rate (% eop)	1.45	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
10-year interest rate (% eop)	0.75	0.65	0.75	0.75	0.75	1.00	1.00	1.00	1.25	1.25	1.25	1.25	1.50	1.50	1.50
Fiscal balance (% of GDP)					-20.2					-10.0					-5.6
Gross public debt / GDP					102.4					106.4					106.4
Eurozone															
GDP (% QoQ, ann)	-13.6	-40.3	41.2	6.1	-8.0	4.7	5.0	3.0	2.1	4.8	2.3	2.7	1.8	1.7	2.5
CPI headline (% YoY)	1.1	0.2	0.4	0.3	0.5	1.1	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.5	1.4
Refi minimum bid rate (% eop)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3-month interest rate (% eop)	-0.4	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.35	-0.3	-0.30
10-year interest rate (% eop)	-0.47	-0.45	-0.40	-0.30	-0.30	-0.25	-0.20	-0.20	-0.20	-0.20	-0.20	-0.15	-0.10	-0.10	-0.10
Fiscal balance (% of GDP)					-9.5					-4.6					-2.7
Gross public debt / GDP					104.5					102.8					101
Japan															
GDP (% QoQ, ann)	-2.5	-27.8	15.3	3.6	-5.7	2.3	2.9	4.3	3.1	2.2	1.6	1.4	1.5	1.4	2.2
CPI headline (% YoY)	0.5	0.1	0.2	-0.1	0.2	0.2	0.6	0.8	0.7	0.6	0.8	0.8	0.6	0.6	0.7
Interest Rate on Excess Reserves (%)	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
3-month interest rate (% eop)	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
10-year interest rate (% eop)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fiscal balance (% of GDP)					-17					-9.8					-8.9
Gross public debt / GDP					223.0					229.0					235.0
China															
GDP (% YoY)	-6.8	3.2	2.5	4.0	0.7	6.0	2.0	4.0	2	3.5	2.5	3.5	4.5	5	3.9
CPI headline (% YoY)	5.0	2.6	2.2	1.9	2.9	2.0	2.5	2.5	2.9	2.5	2.8	2.6	2.4	2.5	2.5
PBOC 7-day reverse repo rate (% eop)	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
3M SHIBOR (% eop)	1.90	2.00	2.80	3.00	3.00	3.00	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.70	3.70
10-year T-bond yield (% eop)	2.60	2.90	2.95	3.10	3.10	3.15	3.20	3.25	3.30	3.30	3.35	3.40	3.45	3.50	3.50
Fiscal balance (% of GDP)					-6.0					-6.0					-4.0
Public debt (% of GDP), incl. local govt.					110.0					115.0					118.0
UK															
GDP (% QoQ, ann)	-8.5	-59.8	93.2	9.4	-9.4	5.4	2.2	1.7	2.4	6.1	2.3	1.7	2.2	2.3	2.1
CPI headline (% YoY)	1.7	0.6	0.4	0.4	0.8	1	1.4	1.3	1.5	1.3	1	1.2	1.3	1.4	1.3
BoE official bank rate (% eop)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25
3-month interest rate (% eop)	0.60	0.20	0.10	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.30	0.40	0.40
10-year interest rate (% eop)	0.30	0.20	0.30	0.30	0.30	0.40	0.50	0.60	0.70	0.70	0.70	0.80	1.00	1.10	1.10
Fiscal balance (% of GDP)					-15.0					-7.0					-3.5
Gross public debt / GDP					112.0					110.5					110.5
EUR/USD (eop)	1.10	1.13	1.19	1.20	1.20	1.20	1.22	1.23	1.25	1.25	1.25	1.25	1.23	1.20	1.2
USD/JPY (eop)	107.0	107.0	105.0	102.0	102.0	102.0	102.0	102.0	102.0	102.0	102.0	103.0	104.0	105.0	105.0
USD/CNY (eop)	7.08	7.07	6.78	6.7	6.7	6.65	6.68	6.7	6.73	6.73	6.73	6.73	6.75	6.7	6.7
EUR/GBP (eop)	0.89	0.91	0.92	0.90	0.9	0.90	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88

Source: ING forecasts

Source: ING

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Carsten on the virus, the vaccine and any v-shaped recovery

Think we'll get a v-shaped recovery from the Covid-19 crisis? Think again. ING's Global Head of Macro Economics, Carsten Brzeski outlines what we think is going to happen over the coming months



The virus, the vaccine but no v-shaped recovery

The global economy is entering a very heated autumn season, with many Vs. V as in virus, V as in vaccine. And will there be a V-shaped recovery? We doubt it. Why? Because after this initial V-shaped rebound, we're seeing almost all economies losing steam now going into the fourth quarter. Watch as ING's Carsten Brzeski reveals our three scenarios for the rest of the year.

[Watch video](#)

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Three new scenarios for the global recovery's next phase

With the economic rebound from Covid-19 now in full swing, we look at what could be a turbulent path to a full recovery. Our new-look scenarios map out potential paths for the global economy depending on how the virus spreads over the winter, and how quickly a vaccine is certified and rolled out to the wider population



Source: Shutterstock

Summer is almost over and the global economy is preparing for an exciting autumn.

How strong will the mechanical rebound be in the third quarter? How strong will the permanent damage be to different economies? Will there be a second wave of Covid-19 and subsequent lockdowns? And, how will governments balance between public health and economic interests? Hopefully, we'll get answers to some of these questions in the coming weeks.

In this second stage, all economic forecasts are again highly dependent on two factors: the further development of the virus and the timing and distribution of any vaccine. To some extent, we are in a similar situation as we were towards the start of the crisis when the main drivers of all forecasts were outside the economic arena.

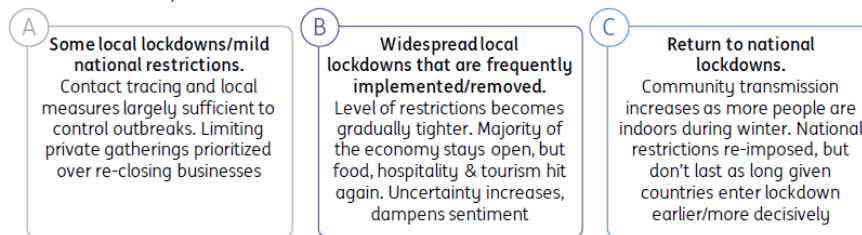
We haven't become virologists but looking at the number of new cases over the summer, it

appears that there is a wider discrepancy between infected people and death tolls. The mortality rate is currently much lower than it was from January to April. This can have several reasons: more testing, less social distancing and therefore younger age groups being infected (in Europe, the average age of new cases has come down by almost 20 years) and a weakening of the virus over time due to summer temperatures or mutation.

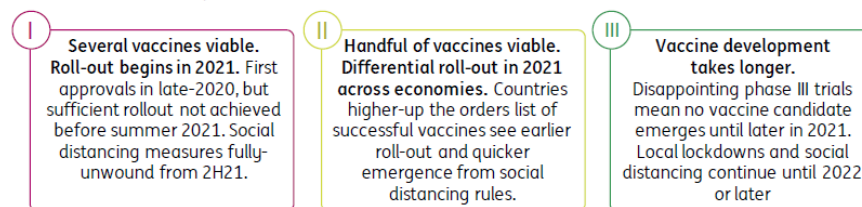
Unfortunately, the drop in mortality rate is neither an argument for 'the worst is over' nor for complacency.

Mapping the next phase of the recovery

Phase 1: Covid-19 spread before vaccine



Phase 2: Vaccine development and roll-out



Source: ING

Three new scenarios

Assumptions	Economic impact	Forecasts
ING base case Scenario 1 (A) + (I) Local lockdowns used as vaccines rolled out during 1H21.	Our Nike swoosh scenario. Governments could decide to extend some of the stimulus measures until mid-2021. Somewhat stronger recovery in 2H21	2020 GDP US: -4.2% Eurozone: -8.0% Markets (end 2020): EUR/USD: 1.20 US 10-year: 0.75%
Scenario 2 (B) + (II) Restrictions tightened but full lockdown avoided. Some vaccines rolled out in 1H21.	A variation of our W-shaped scenario with the new dip lasting longer (4Q20-1Q21). Government stimulus extended. 2Q21/3Q21 still subdued.	2020 GDP US: -5.4% Eurozone: -9.3% Markets (end 2020): EUR/USD: 1.12 US 10-year: 0.25%
Scenario 3 (C) + (III) National lockdowns return, while vaccine development takes longer than hoped	Our L-shaped scenario but for even longer. Sharp drop in activity in 4Q20, more or less stagnation throughout 2021 and sharp rebound mid-2022	2020 GDP US: -5.7% Eurozone: -9.7% Markets (end 2020): EUR/USD: 1.10 US 10-year: 0.0%

Source: ING

The economics of the vaccine

With a few vaccines now in third-stage trials, a scenario without any vaccine in the next 18 months looks highly unlikely. However, the effectiveness, as well as potential adverse side effects of any vaccine, remain uncertain. [A recent study](#) estimated a vaccine needs to be at least 70% effective if three-quarters of the population is inoculated, a tough task given the accelerated development timeline.

With the prospects of a vaccine increasing, the next question will be how to distribute it. We know that many vaccine producers have already started to produce millions of dosages in parallel to the final trial stages in order to be ready to distribute once their vaccine is allowed to enter the market. But how many doses will be available remains unclear. And even if there are enough doses available, distributing them will take time.

Also, it is likely that the distribution might not be equal across countries, possibly contributing to a new divergence between developed and developing economies.

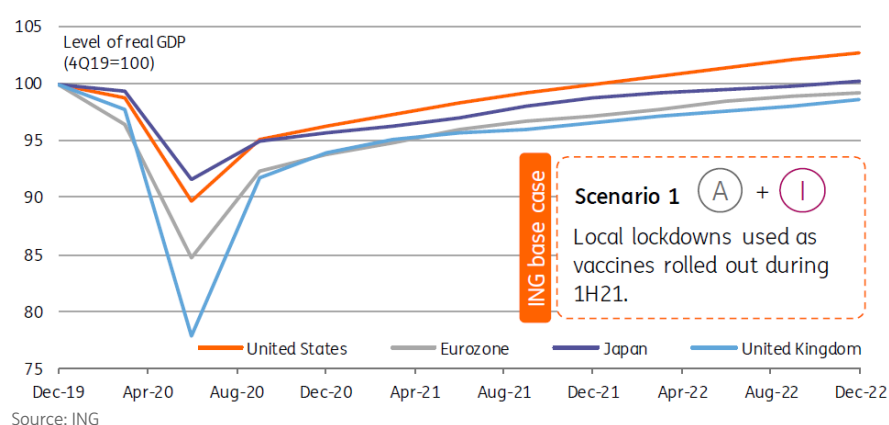
Our three main scenarios

Looking ahead, there are many ways in which the virus and possible lockdowns and the distribution of any vaccine can play out. We try to capture the most likely outcomes in our latest three scenarios.

Our base case scenario assumes no real flaring up of the virus in the autumn and only local lockdowns. Governments put more intense focus on restricting private gatherings, with limited direct economic impact. Ongoing working from home arrangements and sharply reduced travel mean the virus spread takes longer and is easier to control.

Rapidly developing knowledge of the virus and the best way to treat it in the hospital will also help. Businesses also become more innovative at operating within constraints. That said, we may see a higher rate of business closures in the heavily-affected sectors as firms concede a return to profitability won't be possible for the foreseeable future. Vaccines will be rolled out in the course of the first half of 2021. Social distancing will gradually be reduced in the course of the second half of the year.

Scenario 1: The path for real GDP

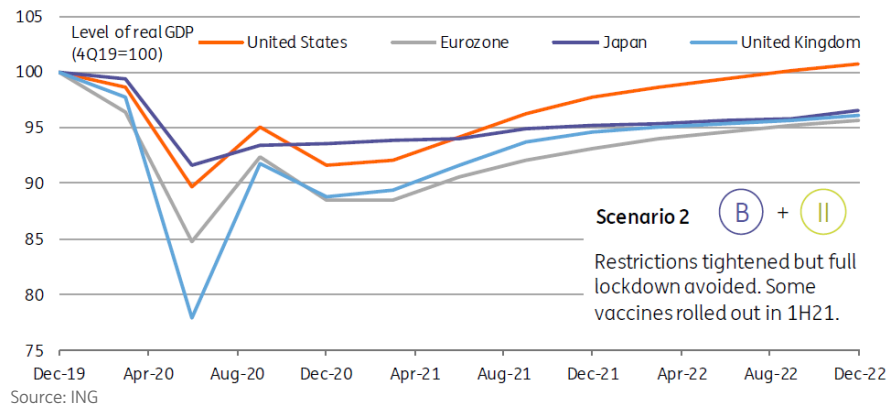


A not so unrealistic alternative scenario is our revised winter lockdown scenario (the W-shaped recovery). Here, the virus becomes more prevalent in the community throughout the winter months as people spend more time indoors. The level of restrictions becomes gradually tighter, potentially involving the re-closure of the food and accommodation sectors, as well as tourism.

Contrary to our previous assumptions, we would not see a return to full national lockdowns but rather a frequent on and off of local and regional lockdowns, substantially undermining business

and consumer confidence. Businesses that survived lockdown may not be able to make it through, although it depends how reactive government support becomes when local lockdowns occur. Some vaccines are rolled out in the first half of 2021.

Scenario 2: The path for real GDP

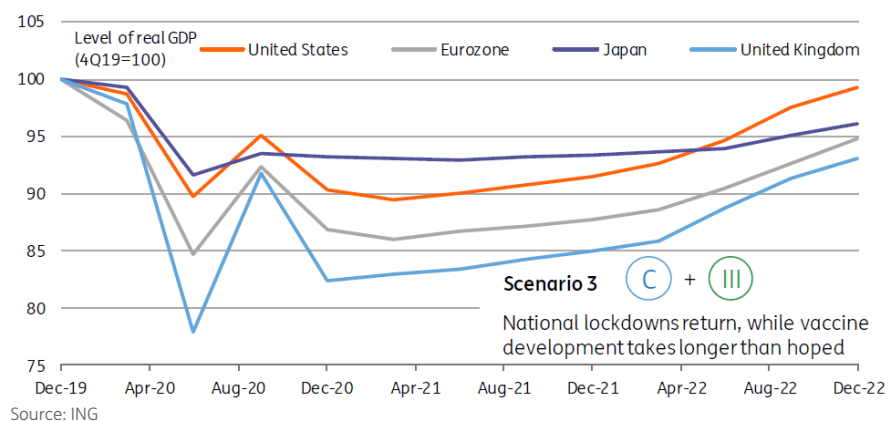


Our worst-case scenario (formerly the L-shaped recovery) remains one in which the virus mutates and spreads again during winter, with the death rate rising significantly.

Consequently, governments bring their economies into full lockdown again. The countries which reacted rather late in March and April are likely to react much faster this time. Therefore, the full lockdown could be shorter than it was this year. However, another wave of full lockdowns could push many businesses into bankruptcy and lead to a sharp increase in unemployment.

Some governments might react with another round of fiscal stimulus but not all will be able to afford it, adding to new tensions, particularly in the eurozone. The development of a vaccine experiences unexpected setbacks and takes until early 2022.

Scenario 3: The path for real GDP



In our new Economic Monthly, we present the outcomes of these three scenarios. It is possible that situations differ across countries.

For instance, while we think our scenario one best fits the current base case across the developed world, the growth path under scenario two is our new base case for China.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Listen: The Fed, the dollar and the asset bubble

Federal Reserve member Lael Brainard admitted this week that the central bank's new policy framework, and consequent expectations that interest rates will stay lower for longer, could entice investors to take more risk in the search for higher returns. In this podcast, ING's Chris Turner looks at what this means for stocks, and for the dollar



Is the Federal Reserve encouraging a stock market bubble? Critics say a recent change to the central bank's policy framework has undesirable side effects and puts the dollar at risk. [In this podcast](#), Chris Turner, ING's Global Head of Markets and Regional Head of Research for the UK & CEE, tells Senior Editor Rebecca Byrne how the new policy will impact markets in the US, and around the world.

Author

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

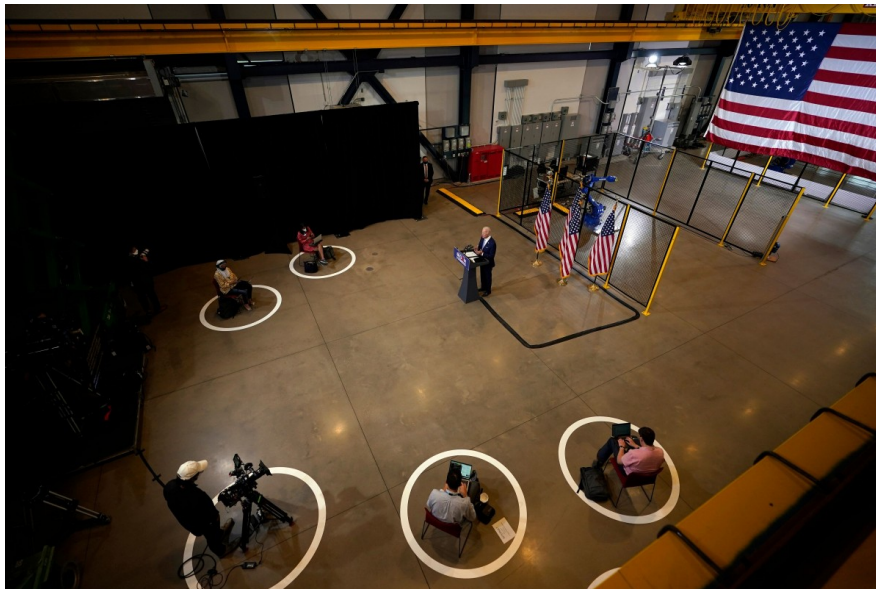
Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

US election: Biden's to lose?

Opinion polls suggest Joe Biden has a commanding lead over President Donald Trump, but with two months to go, there are plenty of things that could change that situation. Whoever wins, the battle for the House and Senate will be critical to determining how many of their respective promises can be delivered



Source: Shutterstock

Democratic presidential candidate, former Vice President Joe Biden speaks at a campaign event

Clear dividing lines

The Democrat and Republican conventions show the dividing lines for the 3 November election couldn't be clearer.

The electorate has a choice of re-electing president Donald Trump who is standing on a ticket of lower taxes, less regulation, less immigration and an "America First" worldview. Or, alternatively, it could opt for Democrat challenger Joe Biden, who represents a more internationalist agenda with more spending, more taxes and more regulation.

Major disagreements over the government's Covid-19 response, the economic support packages and the Black Lives Matter movement add further fire to what seems set to be one of the most divisive electoral battles in US history.

Biden in front

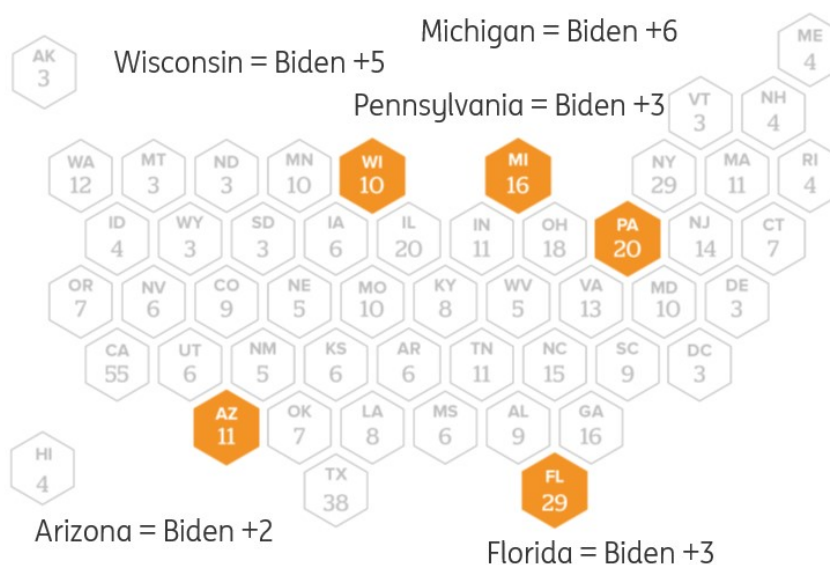
At present, opinion polls show Joe Biden has a seven-point lead nationally, which would equate to him winning around nine million more votes than Donald Trump.

However, the electoral college system means it is a state by state battle, but one which has failed to keep pace with population change. It gives greater weight to rural central states that tend to be more supportive of Trump and less weight to highly populous coastal states that tend to lean Democrat. This cost Hillary Clinton four years ago, having won 2.8 million more individual votes than Trump yet falling well short in the electoral college.

However, the polls currently show the key battleground states that will determine the outcome of the election are all favouring Biden. Polls also suggest that the Democrats will retain control of the House and there is a decent chance that they will make the required net gain of three Senate seats to make it a clean sweep.

The swing states are key and Biden leads in all 5

The numbers underneath each state refer to the number of electoral college votes awarded. To become president the victor needs at least 270 of the 538 available. Biden +5 represents his lead over Donald Trump in the latest state opinion poll



Source: ING, Real Clear Politics poll data

Tax and spend ahead?

As we outline in our recent [note](#), in such an event, we would likely see big infrastructure spending plans coming through next year with subsequent corporation, capital gains and income tax hikes for the wealthy over following years to try to bring the deficit under control.

The dollar and equities may not initially like it but should better-balanced growth emerge and the budgetary position improve, as it did under Clinton in the late 90s, Biden could ultimately prove to be a dollar positive.

No guarantees

Biden cannot rest on his laurels though.

Covid-19 means we are likely to see more people than ever before opting for mail-in (postal) voting, yet there is concern that the US Postal Service may be unable to deal with the potential scale. This could pose problems for Biden with an NBC News/Wall Street Journal poll suggesting only 11% of Trump supporters plan to vote by mail versus 47% for Biden supporters.

We also have to remember there are another two months to go, with debates still to come. How the economy and the unemployment situation develops between now and then will be critical, as will, of course, the number of Covid-19 cases and a potential vaccine.

Nothing can be ruled out yet.

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

US: The surge subsides

High-frequency data suggests that the post-reopening surge in activity began to moderate in July and this process continued throughout August. With the pandemic continuing to create many challenges, we doubt the economy will fully heal before 2022



Source: Shutterstock

Signs of plateauing

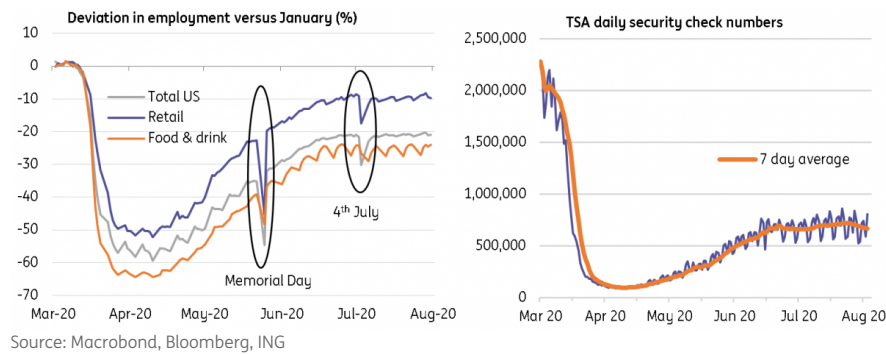
The US economy has rebounded vigorously in the wake of the reopenings that started in May and we have revised up our growth forecast for 3Q20 in response to the stronger tone from the data. Consumer spending is nearly back to where it was pre-pandemic and manufacturing output is bouncing strongly. Meanwhile, equity markets are at new all-time highs on optimism that the US is firmly on the road to recovery.

However, we continue to believe that equity markets are pricing in too positive an assessment over the medium term.

Firstly, consumer confidence has fallen back to cycle lows on the back of health anxieties in response to a recent acceleration in Covid-19 cases. In turn, this has prompted back-tracking from several states, resulting in the reintroduction of containment measures that have had a detrimental impact on many businesses and employment prospects.

Then there is the impact of the reduction in the additional Federal unemployment benefit payment from \$600 to a notional \$400 per week.

Homebase employment data & TSA security airport check numbers



Political and structural risks set to weigh

High-frequency labour market indicators already suggest a plateauing in job creation and the same can be said for credit and debit card transaction numbers. Likewise, there has been a levelling off in passenger flights and hotel bookings. It looks as though the recovery is losing some momentum with 4Q GDP growth likely to be substantially lower than the 26% annualised figure we expect for 3Q.

Given the short, medium and long term issues, we continue to think it will be mid-2022 before all of the 1H20 lost output is fully recovered

A divisive presidential election campaign could take further steam out of the recovery especially if protests and violence spread to more US cities.

Concern over whether the postal system can cope with a surge of mail-in voting is also a major issue. It could mean that it could be days or even weeks (if there are legal challenges) before we know who has won, which would add an extra layer of uncertainty that could be economically disruptive.

Uncertainties over the timing and efficacy of a vaccine coupled with the threat of a renewed spike in Covid-19 cases in the latter part of the year mean the strains facing the travel, hospitality and entertainment industries will continue. Given these sectors are relatively large in the US this adds to our wariness on getting too excited about the speed of recovery. Then there are the structural effects of a more permanent work from home attitude from workers and what this means for metropolitan centres when there is less consumer footfall.

Given these short, medium and long term issues, we continue to think it will be mid-2022 before all of the 1H20 lost output is fully recovered.

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

Article | 3 September 2020

Eurozone: Short-time work provides cushion to double-dip worries

Worries about a double-dip recession are increasing in the eurozone as disappointing survey data for August provides a reality check on the pace of recovery. Government support offers a significant tailwind for the economy though. While a double-dip is not unthinkable, it looks like growth can still continue albeit at a slower pace in the coming months



Source: Shutterstock

As quick as it came, it went away again: optimism about the eurozone recovery.

After stellar recovery signs in May and July, August survey data indicates that the speed of the recovery has dropped significantly. The PMI even fell back to a reading just above 50, which indicates stagnation of output growth compared to July. This sudden reversal begs the question, is a double-dip recession in the making? To put the recent weaker survey indicators into perspective, it is important to keep in mind what is happening in the economy at the moment.

The rebound effect is wearing off

After the unprecedented period of lockdowns, the eurozone economy has reopened, which has caused many parts of output to recover. This means that compared to the bottom in activity which occurred in April, we see a strong bounce back, which happens almost mechanically as businesses reopen from a mandatory shutdown. As a consequence, the eurozone economy will experience strong growth in the third quarter even if economic activity were to freeze at its end of June level. However, this rebound effect is wearing off. And unless all Covid-19-related restrictions are dropped, growth should slow significantly in the fourth quarter. This raises questions about whether a slowdown could even result in another decline in output.

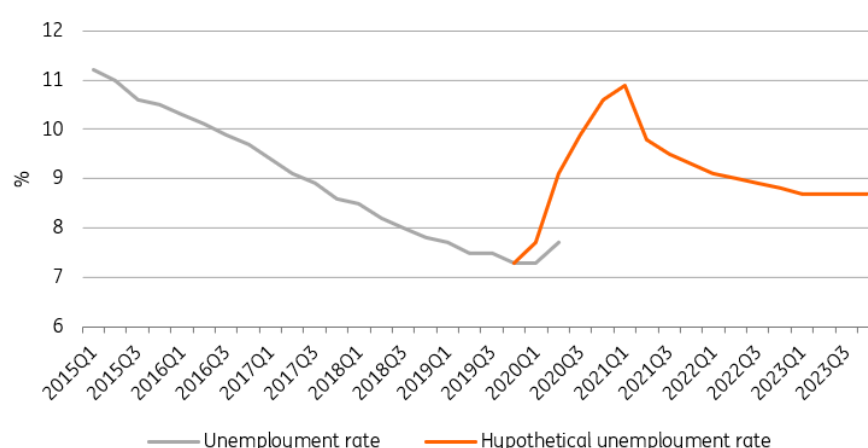
Short-time work schemes to the rescue

In our view, the risk of a double-dip is increased by the so-called 'cliff' effect, i.e. the ending of government support schemes, particularly at a time when the risk of a second lockdown is still possible. One of the most effective government support programmes, without doubt, has been the short-time work scheme. While the unemployment rate has risen markedly in the US, it has only gone up in the eurozone from 7.1% in February to 7.9% in July. Amid an unprecedented decline in economic activity, short-time work programmes have ensured continued income for the large majority of eurozone consumers.

These programmes follow the successful model of Germany in the 2008 crisis when it implemented its own version called Kurzarbeit. Back then, the programme helped Germany recover from the recession quite quickly and this has served as a policy model for other countries. The EU encourages the policy by providing cheap loans to fund the programmes, which can be costly. While it is difficult to estimate the precise effect of these schemes on the unemployment rate, we can estimate a counterfactual unemployment rate to see how far the rate would have run up without short-time work during this unprecedented economic shock.

Cyclical factors would cause unemployment to top out around 11%, but the curve is being flattened

Macrobond, ING Research



Our estimates – as you can see in the chart above – suggest that unemployment would have been around 10% without the programmes and that unemployment would run up to around 11% in the first quarter of 2021 before starting to decline again, in a scenario without a new round of

widespread lockdowns. That would already be a lower peak than the 12.1% reached in 2013 at the height of the euro crisis, but as short-time work schemes flatten the curve, it is likely that the peak will be somewhat lower. At the same time, it is also likely that the peak in unemployment will be reached at a later point in time than it would have done without the short-time work schemes.

Lower unemployment rate provides a comfortable cushion for domestic demand

This lower unemployment rate provides a comfortable cushion for domestic demand in the recovery phase but, of course, the schemes will end at some point. Worries about a 'cliff-edge' scenario when schemes end and layoffs follow seem legitimate and also concern the European Central Bank, as this was mentioned in the minutes of the last ECB meeting. As many schemes are set to end around the turn of the year, expectations of increased unemployment are realistic, which increases the risk of a double-dip recession.

The good news is that policymakers are aware of this risk and the European Commission is offering financial assistance to member states through its borrowing programme (SURE), as mentioned above. The take-up for this programme is already substantial, with Italy, for example, requesting €28 billion from the fund thus far. This allows extensions of the programmes, which have been seen in quite a few large countries. France and Germany have extended into 2022 while the Netherlands has extended in a less generous form until mid-2021, lowering the chances of a cliff-edge scenario on the labour market around the turn of the year.

Don't rule out a double dip altogether, it's not an unlikely scenario

Still, while eurozone governments are determined to do everything they can to avoid a real double-dip recession, a small or more technical double-dip is not unthinkable.

Our current expectations for third-quarter growth are around 10% quarter-on-quarter, which is caused by the reopening of the economy and in part fuelled by catch-up spending. For some products, the drop in spending through the months of April and May could be recovered fully in the first months of reopening. But once that effect is over, a dip could be in the making as the bounce in spending is unsustainably high. That would not reflect the start of the next recession but merely bring the recovery back to its original trend. Alternatively, in a scenario with new lockdowns, a double-dip would probably be the least of the eurozone's worries.

So while government support, especially in the labour market, is boosting the economy even as the recovery slows, [the chances of a double-dip are still very real](#). For now, it looks like it may be enough to return the economy back to the level of output seen prior to the crisis, albeit at a slower pace than in the first few months.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Article | 3 September 2020

Eurozone: The rebound continues...for now

The eurozone is still on track to see a very strong third-quarter growth figure. However, recent indicators signal some deceleration. Inflation is undershooting expectations, paving the way for an extension to the Pandemic Emergency Purchase Programme



Source: Shutterstock

ECB President Christine Lagarde (R) attends a press conference at the ECB headquarters in Frankfurt, Germany

Beyond the third quarter

We've pointed it out already many times: when production rises from nearly nothing to something, you've got strong growth. That is what is happening now in the third quarter, as the easing of the lockdown measures and the reopening of businesses creates this effect. The fourth consecutive strong increase of the European Commission's economic sentiment indicator in August clearly points towards robust third-quarter growth, potentially double-digit growth figures.

When production rises from nearly nothing to something, you've got strong growth

At the same time, you shouldn't be blinded by the strong 3Q figures because we believe things will become a bit more difficult after the initial strong rebound. Some indicators actually already signal a deceleration in the growth pace. As such the flash composite PMI fell in August and also the Eurocoin indicator lost further momentum last month. Of course, a flareup in the number of Covid-19 infections over the summer has made it very clear that as long as there is no effective vaccine, growth will be handicapped.

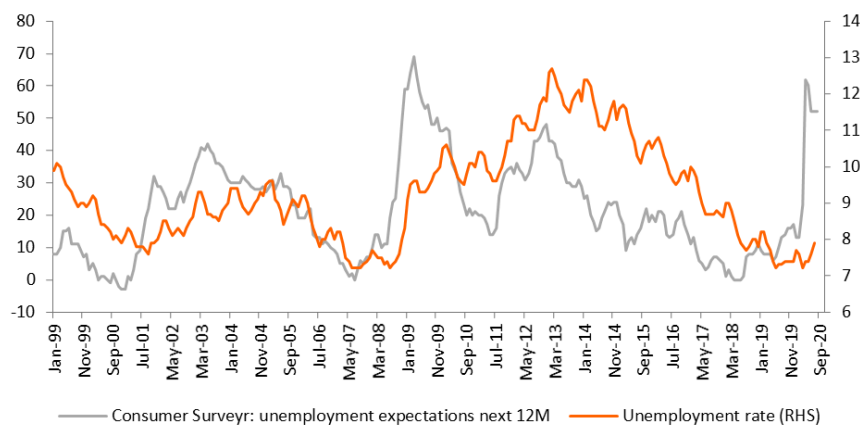
Spain seems to be the unfortunate example of this phenomenon, as the tourist season has been a major disappointment in the wake of a second Covid-19 wave. But France, too, has seen any improvement lose steam recently. In both countries, the manufacturing PMI actually fell below the 50 point threshold in August.

Second round effects

There is also the fear of negative second-round effects once the current recession starts to be reflected in a swelling number of unemployed (the unemployment rate already rose to 7.9% in July). Fortunately, most countries have decided to prolong the temporary unemployment schemes – in Germany even to 24 months – to limit the negative shock to disposable income.

But even then, we cannot exclude higher precautionary savings dampening consumption. We stand by our 8.0% GDP contraction this year and pencil in a 4.8% rebound in 2021, albeit on the assumption that a vaccine will be widely available in the first half of next year. So there is clearly a downward risk to this forecast.

Unemployment fears



Source: Refinitiv Datastream

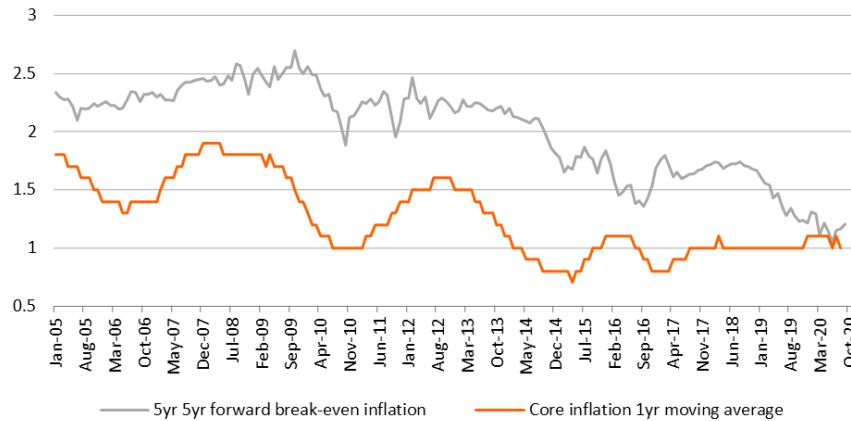
Inflation jitters

July and August inflation figures were distorted by the VAT cut in Germany and a fragmented sales season. By just taking the average of both months it seems clear that underlying inflation remains anchored around 1%. To be sure, if the German VAT cut is reversed in January next year as planned – though this is not a done deal yet in an election year – inflation would be pushed upwards. But even then eurozone inflation is unlikely to top 1.5%.

Moreover, the strong euro is likely to temper any upward price pressure. Indeed, in the August survey from the European Commission, selling price expectations already softened somewhat both

in industry and services, a potential consequence of the loss of competitiveness on international markets. According to [ECB research](#), a 10% change in the euro exchange rate (which we are close to), results in a 0.4 percentage point change in inflation.

Inflation expectations anchored at 1%?



Source: Refinitiv Datastream

ECB cannot lean back

With financial market tensions having abated on the back of the forceful actions of central banks worldwide, the European Central Bank is becoming a bit more relaxed. This led several members of the governing council to suggest that the amount available in the PEPP should not necessarily be spent entirely.

Some PEPP extension is still possible

However, Chief Economist Philip Lane made it clear in his Jackson Hole address that “*an intense temporary phase of additional monetary accommodation*” was necessary to get inflation back on track.

With the euro strengthening, this task will be further complicated. Therefore we believe not only that the PEPP envelope will be spent entirely, but on top of that, some extension is still possible. However, a decision on this matter will most probably have to wait at least until December.

Author

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

UK: What Brexit means for the economy in 2021

We think it's unrealistic to expect a sudden plunge in GDP once the transition period ends. But whether there's a deal or not, the change in UK-EU trade terms will push costs up for businesses in a range of sectors, potentially compounding the Covid-19 hit. That leaves the UK at risk of a slower and more turbulent recovery relative to its peers



Source: Shutterstock

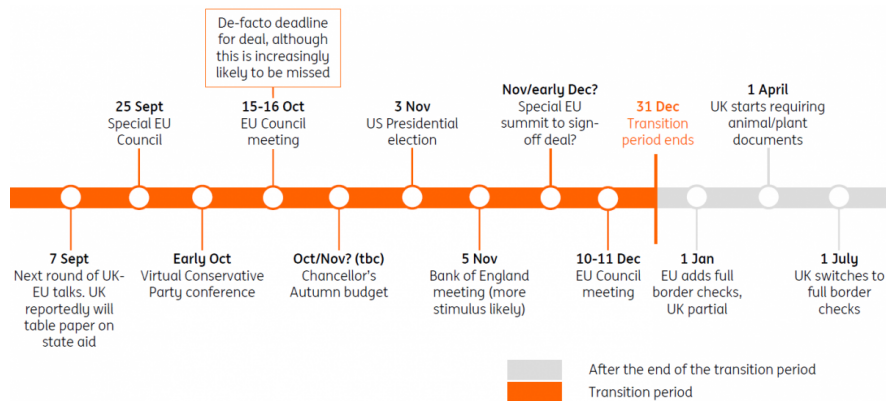
Britain's prime minister Boris Johnson, left, elbow bumps Lead Nurse Marina Marquis, during a visit to Tollgate Medical Centre in Beckton, East London

Time is running out on trade talks

There are now less than four months to go until the end of the post-Brexit transition period, and with negotiations stuck in deadlock, there are renewed fears that there won't be a trade agreement in place to replace it. The de-facto October deadline for negotiations to be wrapped up looks increasingly likely to be missed.

But what does all of this mean in practice for the economic outlook in 2021?

The latest Brexit timeline



Source: ING

A sudden plunge in GDP next year seems unlikely

A common hypothesis is that we should expect a sharp and sudden drop in GDP in early 2021. After all, even with a free-trade agreement (FTA) in place, the change in UK-EU trade terms will be significant.

For that to happen though, we'd need to see a plunge in consumer spending, which makes up almost two-thirds of the UK economy. This currently seems unlikely. Evidence from the Brexit deadlines in 2019 suggested consumers were unfazed by the prospect of 'no-deal', and unlike businesses, there wasn't much evidence of stockpiling. Toilet rolls remained in plentiful supply, anyway.

Instead, the path for spending over the winter will be much more heavily determined by developments in the jobs market, and of course how the government's support package evolves once the furlough scheme ends in October.

Costs will go up for businesses, and that'll keep the brakes on the recovery

That's not to say there will be no impact once the transition period ends, and we don't think it's true to say that the enormity of the Covid-19 hit will make the Brexit effect indiscernible.

Firms will see their costs rise once the transition period ends, and this has the potential to compound the damage already done by the pandemic. These new costs are not necessarily the same as those already being incurred as a result of Covid-19.

Take the car industry, where production fell by 70% during the second quarter. Cars make up 7% of UK exports to the EU and would face a 10% tariff if there's no free-trade agreement in place this year. Even if there is a deal, it seems reasonable to expect some initial disruption at the ports, and that's likely to raise transport costs and slow down production. Companies could raise stockpiles again to compensate, but with cashflows already under heavy pressure as a result of the pandemic, and warehousing space increasingly occupied ahead of Christmas, this is likely to be a very unattractive option.

The switch to new UK-EU trade terms will also hit several sectors that have been among the least

affected by Covid-19. Agricultural production slipped by less than 5% during the second quarter, but is the most vulnerable sector to tariffs, often in excess of 30%. The sector will also be among the most impacted by new border-related bureaucracy, with spot checks disproportionately focused on animal and plant certification.

A deal would reduce some, but not all, of the burden

The agreement of a trade deal would admittedly ease (but not eliminate) some of these new frictions. And despite the current standstill in negotiations, we think that a basic FTA is still narrowly the most likely scenario this autumn.

If that's the case, tariffs would be avoided (although firms would still need to prove the origin of the product to qualify). Both sides might also agree to reduce the frequency of health checks on animal/plant products at the border, and could also look at introducing trusted-trader schemes, all of which could help reduce some of the pressure on the ports.

Despite the current standstill in negotiations, we think that a basic FTA is still narrowly the most likely scenario this autumn

And while a trade deal won't do much for services, it probably raises the chance of an EU decision on financial equivalence and data sharing.

There's also still a lingering chance that a deal would unlock some form of additional, bare-bones transition period to help businesses adapt. This would be much more basic than the current environment and would be more legally-complex and time-consuming to agree. But an agreement to, say, allow the UK to remain in a customs union for an extended period, in exchange for budget payments, would potentially ease some of the initial bureaucratic burdens on firms. This could be particularly beneficial for UK traders sending goods to the EU (the UK government is already planning some unilateral steps to stagger the initial changes for importers).

How likely is some form of additional transition, or 'off-ramp' as some are calling it? The jury's still out on that one.

[For more info on ways both sides could facilitate and extended, but more limited, transition period, we'd recommend reading this paper by the Institute for Government](#)

Expect more stimulus from the Bank of England

Still, the key point is that, with or without a deal, the bureaucratic and cost burden on firms will be materially higher next year.

So while we're unlikely to see a sudden hit to GDP from Brexit in the early stages of next year, the additional strain on firms will inevitably put the brakes on the overall post-Covid recovery. The consequence may be that the spike in unemployment we're likely to see (potentially 8-9% by year-end) persists for longer, and broadens out to a wider range of sectors than might have otherwise been the case.

For the Bank of England, this is just another reason to expect a further round of stimulus in November. We suspect this will involve more quantitative easing, but the jury is still out on negative rates. We think policymakers might initially be more inclined to adjust the interest rate on the term-funding scheme (designed to encourage lending to small businesses) as a first step.

Author

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Article | 3 September 2020

Central and Eastern Europe: No deflationary threat here

Growth in the CEE region is picking up in line with the eurozone, but in contrast, inflation remains above target. Central banks are unlikely to respond as they focus on the fragile post Covid-19 recovery, while local CPIs are set to fall. CEE FX has been benefiting from rising EUR/USD and should continue to do so



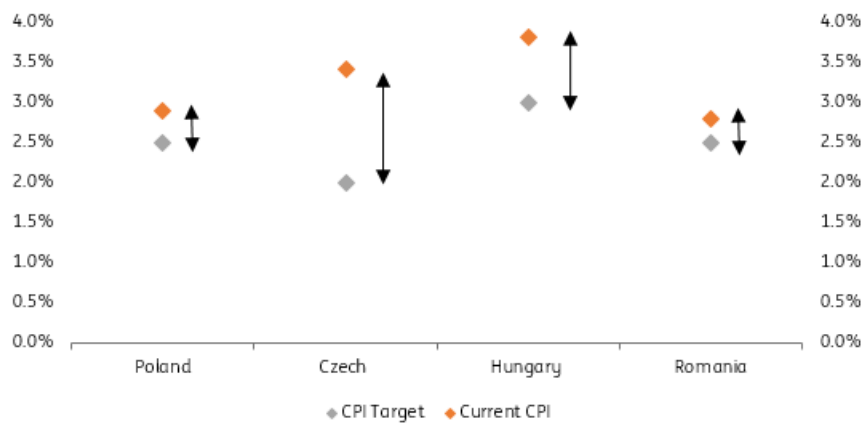
Source: Shutterstock

Growth on a recovery path (a bit like the eurozone)

The post Covid-19 recovery in central and eastern Europe continues, in line with the general eurozone trend.

The worst is behind us and in contrast to the first two quarters, the third and fourth quarters should see positive growth, with activity rebounding particularly strongly in the third quarter. Indeed, the latest bout of [CEE August Manufacturing PMIs](#) continues to point towards optimism in the manufacturing sector in the second half.

Figure 1: CEE inflation readings remain above target



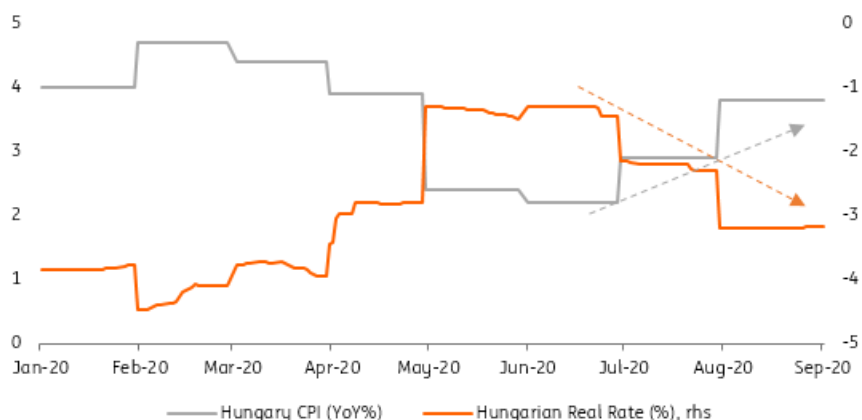
Source: ING

Inflation remains rather high, unlike in the eurozone

While the CEE economic recovery is following the trend of the eurozone, this is not the case for inflation. The eurozone CPI remains subdued and the August reading dipped into negative territory, but the CEE region has for some time faced the opposite problem – above target CPIs, as you can see in the chart above, with price pressures being particularly high in the Czech Republic and Hungary, when compared to their target.

Such a meaningful divergence vs their main trading block seems to be caused by factors such as a tight labour market and associated strong wage growth (due to retention schemes, we have not seen a meaningful rise in unemployment yet, with CEE unemployment rates remaining low) or possibly quicker and higher FX pass-through (note the meaningful depreciation, though temporary, in CE3 FX during the peak of the Covid 19 crisis).

Figure 2: HUF real rate deteriorated recently



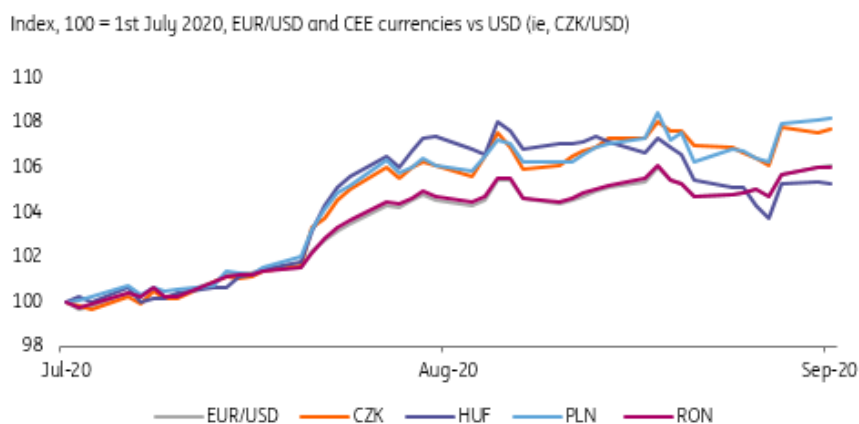
Source: ING, Bloomberg

Limited response from CEE central banks, with easing bias firmly in place

Despite the above target CPI, we don't expect local central banks to respond with tighter monetary policy, with a larger weight likely put on supporting domestic economies. Local inflation is expected to decelerate anyway into the year end (this is already underway in Poland). If anything, the easing bias of CEE central banks should remain in place.

The National Bank of Hungary increased the pace of its weekly quantitative easing purchases from HUF 15 billion to 40 billion last month and we still expect the National Bank of Poland to extend its QE into 2021. The Czech National Bank should remain firmly on hold, with unconventional easing (as has been the case in Poland and Hungary) currently being an ultra-low probability event.

Figure 3: CEE FX boosted by the rising EUR/USD



CEE FX reaping the benefits of the surging EUR/USD

Although the recent period of above-target CPI meant fairly negative real rates in the CEE region, this has not been overly negative for local FX (with the exception of HUF where we witnessed a sharp jump in CPI and fall in the real rate recently - Figure 2). As the CEE currencies are the only emerging market region benefiting from the rising EUR/USD (Figure 3), the fiscally stable CEE FX remains attractive as an EM FX overlay to bullish EUR/USD positions.

The Czech koruna remains our top pick. The gradually improving PLN real rate means there is less scope for Poland's zloty to underperform within the region. As for Hungary's forint, we expect the recent underperformance to fade as inflation has likely peaked and should move towards the 3% target by year-end. But as the real rate is now the most negative within the region, the scope for the forint to outperform its peers, as was the case in early summer, has narrowed considerably.

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland
mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist
alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific
Deepali.Bhargava@ing.com

Ruben Dewitte

Economist
+32495364780
ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee
kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands
marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@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.