

Opinion | 22 May 2026

THINK Ahead: Inflation's second wave – is history really repeating itself?

When inflation spikes, comparisons to the 1970s are never far away. The similarities are striking, but so are the differences, writes James Smith. And be warned! This article contains egregious chart crimes...

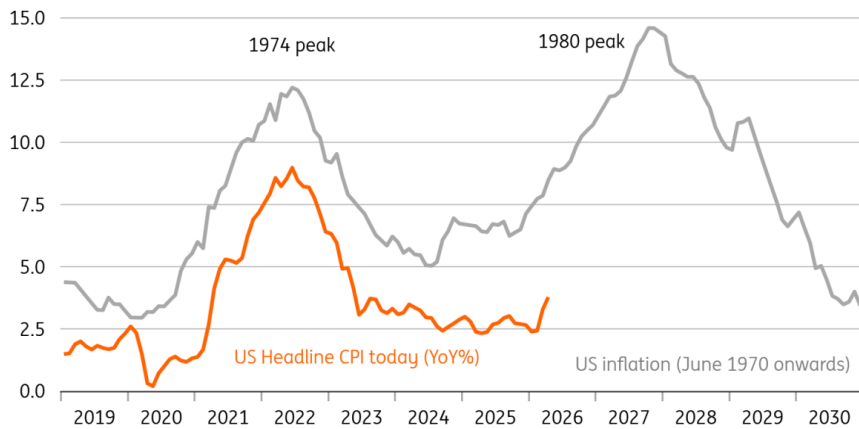


1970s America, when inflation peaked. But we're unconvinced we'll see a repeat of those days

If chart crime were an actual crime, this one would deserve a life sentence.

You've probably seen it: US inflation today overlaid against the 1970s, offering, ahem, *conclusive proof* that inflation is heading for double digits and an October 2027 peak. I wrote about it [three years ago](#). And it's back doing the rounds again among the LinkedIn influencer crowd, offering up a harbinger of doom.

Warning! This chart contains crimes against economics...



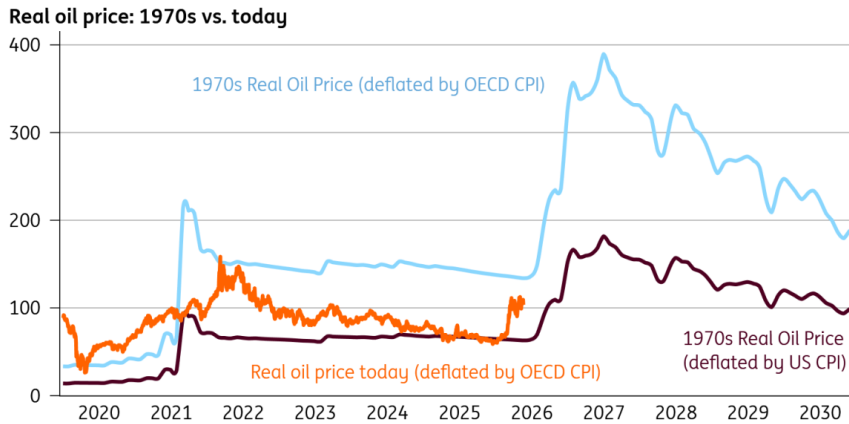
Source: Macrobond, ING

This is what happens when you lag US inflation by 571 months and overlay it against today...

And yes, the similarities are striking. Inflation has in many places failed to return fully to pre-Covid norms, just like after the 1973 spike. The gap between waves looks eerily familiar. Like the late 70s, Iran is once again at the epicentre.

But here's where the analogy starts to break down: First, the shock itself. Even at today's US\$110/bbl, oil prices in real terms are well below late-70s levels – particularly if you're adjusting for OECD prices over the past 50 years. Even [our escalation scenario](#) of US\$150/bbl doesn't look extreme.

The real oil price is lower than in the late 1970s spike



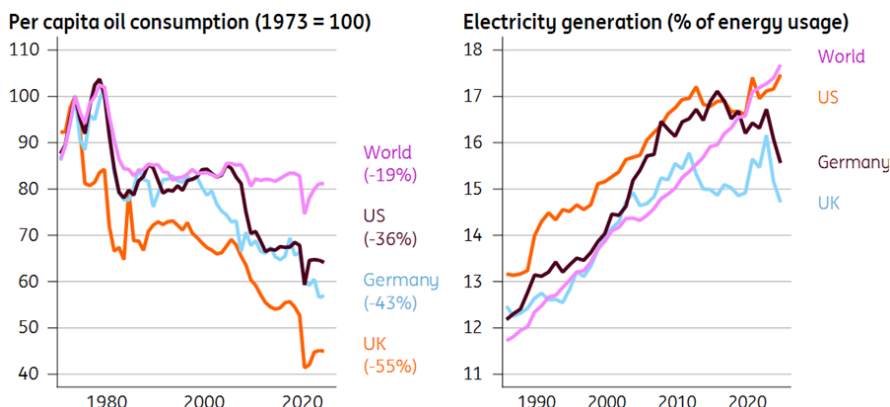
Source: Macrobond, ING

Oil prices use a long-term World Bank series, deflated by ING using OECD and US CPI. 1970s series is lagged by 571 months to overlay it with today's experience

More importantly, the West just isn't as hungry for oil as it was back then. Per capita consumption is down by a third in the US and over half in the UK, and energy intensity has fallen with it. Electricity generation, meanwhile, has become a bigger slice of energy usage.

All of that means Europe, in particular, has become more vulnerable to electricity crises than oil spikes, relatively speaking. And so far, this is not an electricity crisis. European natural gas prices are remarkably well-behaved. Even if they rise, as our commodities team warns they might, we're still unlikely to get anywhere near the scale of 2022.

Oil is less important these days relative to electricity



Source: Macrobond, ING

Data adjusted for population estimates by ING.

Then there's the labour market. The 1970s inflation problem wasn't just about energy – it was about persistence. Just like the last energy shock four years ago, it taught us that underlying economic conditions and structures need to be ripe for inflation to stay high.

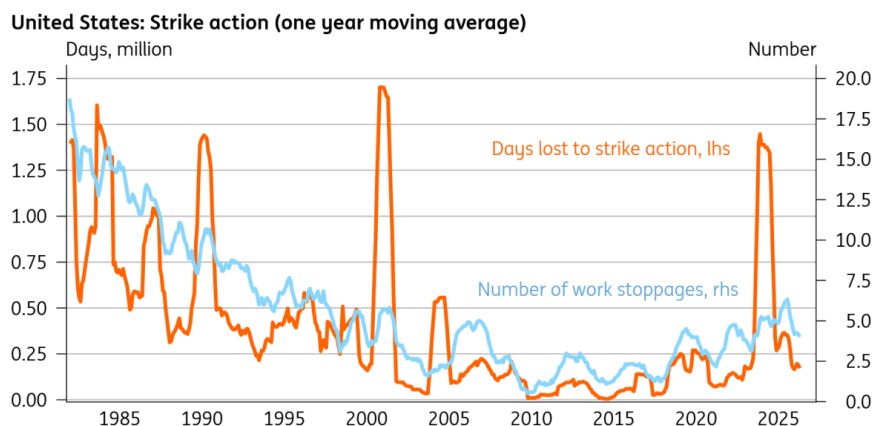
Things have changed a lot in 50 years. Unionisation has collapsed from 35% to 15% since 1980. Wage indexation is less common; the mechanism linking higher prices and higher pay has broken down. And strike action is much less prevalent, too. Interestingly, that latter trend has started to reverse since 2020. But remember that in 2022, energy shocks hit at a moment of exceptional labour tightness and worker shortages. That's not the backdrop now.

Central banks have also learnt their lesson. No one wants to be Arthur Burns, the infamous Fed Chair who kept policy too loose as inflation took off in the early 70s.

Policymakers today are as paranoid about repeating the mistakes of half a century ago as they are fanatical about learning from the success of Germany's Bundesbank, famed for doing a better job of keeping inflation controlled all those years ago.

It's why officials have a keen eye on inflation expectations. Fortunately, in financial markets at least, those expectations look contained. But if that changes, then policymakers have made it abundantly clear that they're ready to act. That's why we're expecting a rate hike from the ECB in June, even if the case for tighter policy is far from clear-cut.

Worker power has diminished over the past half century



Source: Macrobond, ING

If there is one area where the 1970s parallel has some legs, it's fiscal policy. In the US in particular, government spending helped drive the first inflation wave in both episodes. Policy stayed supportive too – from social security indexation in 1972 to Europe's energy support and the US CHIPS and Inflation Reduction Act in 2022. And in both cases, there's been little success in restoring fiscal discipline between waves.

Time will tell how the analogy fares through this second wave. The constraints are certainly tighter. Higher yields limit Europe's scope for another big support package. And the appetite of Congress for another big tax package is questionable. The electoral maths post-November's midterms are likely to make it harder.

Then there's the genuinely new territory.

Ageing populations are combining with a sharp drop in immigration, which threatens fresh worker shortages in certain industries. Data this week showed UK net migration at a fifth of its 2023 peak. Central bankers from the US to the UK are starting to fret about the inflation implications; it's a trend with little precedent in the West. It's something we need to watch, but I'm yet to be convinced it's a story for 2026 and the current crisis.

And then there's AI, where the closest parallel may actually be the 1990s computer-driven productivity boom, which helped dampen inflation. This is certainly how incoming Fed Chair Kevin Warsh sees the impact of AI. But will this carry much weight in the middle of an energy shock? Recent hawkish Fed commentary suggests otherwise.

So where does that leave us?

Historical parallels are neat and often irresistible. But no period is a perfect match. And today, despite the aesthetic similarities, it just isn't the 1970s. Still, why let that get in the way of a good chart?

James Smith

THINK Ahead in developed markets

United States (James Knightley)

In a holiday-shortened week, the main macro story will be tied to the April personal income and spending report. Headline spending will be lifted by higher gasoline prices, but otherwise we are likely to see some weakness in an environment where consumer sentiment is so depressed. We already know that auto sales fell and retail sales in general were mixed. The softness in service sector surveys also hints at subdued spending.

The report also includes the Fed's favoured measure of inflation, the core PCE deflator. It is expected to show prices rising 0.3% MoM versus the 0.4% MoM increase seen in core CPI. That is because some of the components, such as airline fares and medical care costs, are more closely aligned with the PPI metrics for those components, while weaker stock markets will depress the portfolio fees component. This will do little to ease inflation concerns in an environment where freight costs are rising appreciably in response to higher motor fuel costs. There are several Fed speakers scheduled too, and they are likely to sound quite hawkish, which will keep the market leaning in the direction of possible rate hikes over the coming 18

months.

THINK Ahead in Central and Eastern Europe

Poland (Adam Antoniak)

- **Apr retail sales** (Mon): Retail sales growth is likely to be much softer than in March. A substantial share of Easter spending occurred in March this year, as the holidays fell at the beginning of April, whereas last year the majority took place in April. In addition to a higher base for food sales, fuel prices remain elevated, and consumer confidence surveys point to a reduced willingness to make large purchases. Uncertainty associated with developments in the Middle East is also weighing on confidence.
- **May flash CPI** (Fri): We forecast that inflation increased further in May, driven by a low base of comparison in fuels and core inflation from May 2025. Gasoline prices continued to rise month-on-month despite lower taxes and a price cap, on top of increasing wholesale prices, while core inflation momentum was higher than in the corresponding period of 2025. We expect inflation to remain above the upper bound of the acceptable deviation band around the central bank's 2.5% target, i.e. 3.5%. At the May press conference, NBP Governor Adam Glapiński cited this as a condition for potential monetary tightening, assuming inflation remains above this level over the medium term.

Hungary (Peter Virovacz)

- **Base rate** (Tue): There is clearly growing excitement regarding the National Bank of Hungary's next step. However, we would like to dampen expectations of a rate cut for now. We have heard too many times that the updated staff projection will set the path for the short term, with the new forecasts (Inflation Report) being revealed alongside the June rate-setting meeting. We expect the central bank to be happy with inflation's resistance to energy price shocks so far. It will welcome HUF strength and stability but warn about the ever-changing geopolitical landscape. The bottom line is that the timing just feels wrong for any kind of change right now, but maybe the June decision will spice up our summer lull.

Czech Republic (David Havrlant)

- **1Q GDP** (Fri): As the turmoil in the Middle East propelled crude oil and natural gas prices higher and fostered uncertainty for a third consecutive month in May, we see the whole situation putting pressure on both consumer and business sentiment in the same month. The Statistical Office will likely confirm the soft 1Q26 GDP main figure, while we see some scope for a marginal upward revision. We are interested in whether fixed investment took a break at the start of the year, or whether we will instead observe extensive changes in inventories.

Key events in developed markets

Country	Time	Data/event	ING	Prev.
Tuesday 26 May				
US	1400	Mar Case-Shiller 20 (MoM%/YoY%)	0.1/1.0	-0.1/0.9
	1500	May Consumer Confidence	92	92.8
Wednesday 27 May				
France	0745	May Consumer Confidence	-	84
Italy	0900	Mar Industrial Sales	-/-	0.6/0.5
Thursday 28 May				
US	1330	Initial Jobless Claims (000s)	215	209
	1330	Apr Personal Income (MoM%)	0.4	0.6
	1330	Apr Personal Consumption Real (MoM%)	0.5	0.2
	1330	Apr Consumption, Adjusted (MoM%)	0.1	0.9
	1330	Apr Core PCE Price Index (MoM%)	0.3	0.3
	1330	Apr Durable Goods	2.2	0.8
	1330	Q1 GDP 2nd Estimate (QoQ ann %)	2	2
	1330	Q1 GDP Deflator (Prelim)	3.6	3.6
	1330	Q1 Core PCE Prices (YoY%)	4.3	4.3
	1500	Apr New Home Sales (mn)	0.66	0.682
Eurozone	1000	May Industrial Sentiment	-	-0.28
	1000	May Economic Sentiment	-	93
	1000	May Consumer Confidence Final	-	-20.6
Italy	0900	May Consumer Confidence	-	90.8
Spain	0800	Apr Retail Sales (YoY%)	-	4.1
Norway	0700	Q1 GDP Growth	-	-0.3
Friday 29 May				
US	1330	Apr advanced goods trade balance (\$bn)	-82.5	-87.4
	1445	May Chicago PMI	48.7	49.2
Germany	0855	May Unemployment Rate SA	6.5	6.4
	1300	May CPI (MoM%/YoY%)	0.7/3.4	0.6/2.9
France	0745	Q1 GDP Final (QoQ%/YoY%)	-/-	0/1.1
	0745	May CPI Prelim (MoM%/YoY%)	-	1/2.2
Italy	0900	Apr Unemployment Rate	-	5.2
	1000	May CPI Prelim (MoM%/YoY%)	-/-	1.1/2.7
	1100	Q1 GDP Final (QoQ%/YoY%)	-/-	0.2/0.7
Spain	0800	May CPI Flash (MoM%/YoY%)	-	0.4/3.2
Canada	1330	Q1 GDP (Annualized)	-	-0.6

Source: Refinitiv, ING

Key events in Central and Eastern Europe

Country	Time (BST)	Data/event	ING	Prev.
Monday 25 May				
Poland	0830	Apr Retail Sales (YoY%)	2.8	8.7
	1300	Apr M3 Money Supply (YoY%)	-	11.5
Czech Rep	0800	May Consumer confidence	103.8	106.0
	0800	May Business confidence	99.2	100.4
	0800	May Composite confidence	99.9	101.3
Tuesday 26 May				
Poland	0830	Apr Unemployment Rate	6	6.1
Hungary	1300	May Hungary Base Rate	6.25	6.25
Wednesday 27 May				
Russia	1700	Apr Industrial Output	1.5	2.3
Thursday 28 May				
Hungary	0730	Apr Unemployment Rate	4.6	4.7
Croatia	1000	Q1 GDP (YoY%)	-	3.6
Friday 29 May				
Poland	0830	May Inflation (MoM%/YoY%)	0.3/3.7	0.6/3.2
Czech Rep	0800	Q1 Final GDP (YoY%)	2.1	2.1
	0800	Q1 Final GDP (QoQ%)	0.2	0.2
Hungary	0730	Apr Trade Balance Final (EUR mn)	924	924

Source: Refinitiv, ING

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