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ING Monthly: The world economy at half-time

After a volatile first half of the year, will the remainder of 2026 be any calmer?

Half-time huddle: after a challenging first half, the global economy regroups ahead of a crucial second-half push

Executive summary

Our key calls at half-time:

Oil prices: The quicker ramp-up in flows through the Strait of Hormuz has led us to revise our ICE Brent forecast lower for the remainder of the year. We're now expecting Brent to average $80/bbl in 3Q26 and $74/bbl in 4Q26. That assumes no meaningful disruptions to flows, which risks proving optimistic after the latest re-escalation in US-Iran tensions.

United States: Lower motor fuel prices are bringing relief for consumers, but it also means that inflation has likely peaked, barring a severe escalation in the Middle East. Slowing housing rents, weak wage growth and a waning influence from tariffs should more than offset concerns tied to tech-related inflation pressures. We expect the Fed to stay on hold until summer 2027.

Eurozone: We expect the ECB to sit out the July meeting to see how the situation in the Middle East evolves. But with higher core inflation, the central bank could hike once more in September if inflation risks still provide reason for concern.

China: We expect first-half 2026 growth to be around 4.8% YoY, though a further deterioration in data could increase pressure for greater policy support this year. We now expect the PBoC to cut rates in the third quarter on lower energy prices and potentially softer inflation.

United Kingdom: We think the Bank of England will keep rates on hold until next spring/early summer, when we're likely to see the resumption of gradual rate cuts. Inflation is unlikely to peak much above 3% this year on our revised energy price forecast.

Asia ex-China: Falling oil prices should ease inflation and external pressures across Asia, but second order inflation effects and FX vulnerabilities remain key constraints. Central banks are likely to maintain a tightening bias until price pressures and external balances improve.

FX: We're mildly dollar negative into year-end and into 2027, largely driven by our Fed view. EUR/USD and USD/JPY can end this year near 1.18 and 158, respectively.

Market rates: We expect the US yield curve to steepen from both ends. Front-end yields should get back below 4%, while the 10yr yield will have a tendency to hug the 4.5% area (and quite potentially test higher). The eurozone curve sees a similar tendency, as the front end calms on reduced rate hike pressure, and the back end holds steady, we think, with the 10yr holding broadly in the 3% area (Germany and Euribor).

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