

ING Monthly

June 2024

All eyes on Europe



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All eyes on Europe

Europe might be losing international competitiveness, but in the coming days it will return to the global centre stage with three major events: the ECB's rate cut decisions, European elections and, of course, the European Football Championship

Christine kicks it all off

Europe is back in the global spotlight, if only for the summer. Off the pitch, the most remarkable action is clearly the ECB's rate cut decision. The European Central Bank rarely starts an easing or tightening cycle before the US Fed. And the latest cut is even more remarkable as it comes despite accelerating inflation and wage growth amid a cyclical rebound in the eurozone economy.

If it hadn't banged on about it so much over the last couple of months, the June rate cut would hardly have been needed. In the past, rate cut cycles were always triggered by either a recession or a severe crisis; fortunately, we don't have either right now so this is another unprecedented event. After pandemic, lockdowns, war and an energy crisis, maybe such unprecedented action is realistically 'normal' and hopefully won't turn out to be a policy mistake within a couple of months.

And the rate cut decision demonstrates a shift within the ECB itself. It's regained confidence in its own forecasting skills and takes enough comfort from the benign inflation forecast from the second half of 2025 onwards to justify cutting rates. It's like Asterix and his magic potion. All of a sudden, the forecasts debunked and questioned by the ECB itself over the past few years have become powerful and influential again. There's nothing wrong with that, and the rate cut decision also marks an attempt to become a real forward-looking central bank again. Better perhaps than an uncertain institution preoccupied with backwards-looking data. It's certainly an interesting experiment, and it won't just be markets but other central banks who'll be watching closely.

Electoral dysfunction

The European elections have already started and will continue to resonate well beyond the result declarations. Anti-European parties will, no doubt, grab the initial headlines. Far more interesting in the longer term, however, will be the makeup of the European Parliament and its institutions and whether it and the European Commission will be able to foster more growth-orientated initiatives and plough on with further integration. The elections will also have repercussions for national politics, too, should national governing parties lose too much support. I'm thinking notably of France and Germany here.

That said, don't expect any immediate economic impact from the elections. As is so often the case with Europe, any change is gradual and becomes more visible through the rear-view mirror rather than the windscreen.

Lagarde up front

And, if that weren't exciting enough, we have Euro2024, the European Football Championship. It kicks off in Germany, where there's some hope that something like 'soccernomics' does actually exist, lifting the economy out of stagnation and magically making the need for investments and structural changes disappear. Fat chance, I'm afraid. As much as I sympathise with the notion, the economic research released in the run-up to international sporting events is always more optimistic than the reality afterwards.

But hey, even if there's no long-lasting economic impact, let's enjoy some interesting decisions, results and matches, with Christine Lagarde playing up front.

carsten.brzeski@ing.de

Watch: All eyes on Europe



carsten.brzeski@ing.de

Our key calls this month:

United States: The US economy has proven to be remarkably resilient to high interest rates, but there are some signs of stress. By September, we expect to see at least two more cooler inflation readings, and that should be enough to unlock a rate cut – particularly if we also see further slack emerge in the jobs market. We expect three rate cuts this year.

Eurozone: The economy continues to recover, but there are no reasons to expect a significant acceleration in growth. With some pockets of inflationary pressures still hanging around, the ECB's rate cutting cycle will unfold very slowly. We expect at most two further cuts this year.

United Kingdom: We're still expecting an August rate cut from the Bank of England, despite some stubborn services inflation data and the surprise announcement of an early election.

China: Key economic indicators are mixed in China but were mostly weaker than expected last month. July's Third Plenum meeting will likely provide further details on the longer-term policy direction, which may include measures on supporting property, employment, and childcare.

Central and Eastern Europe: The CEE region's economic recovery continues and we expect this to continue in the months ahead, although the data is mixed. Inflation has also picked up and is expected to head more to the upside in most of the region, complicating further monetary easing.

FX: Some softer US data has managed to pull the dollar away from its highs of the year. Our baseline Fed scenario should see the dollar drift lower over coming quarters, although the US elections remain the wild card.

Market rates: Usually, rate cuts are good for bonds. However, the outlook is clouded by a lack of clarity on the extent of ECB cuts ahead – and a Fed that remains constrained by inflation data. We see further upside to US long-term rates over the coming weeks.

ING global forecasts

	1Q24F	2Q24F	2024 3Q24F	4Q24F	2024F	1Q25F	2Q25F	2025 3Q25F	4Q25F	2025F	2026 2026F
United States											
GDP (% QoQ, ann)	1.3	2.5	1.5	0.4	2.4	1.1	1.7	2.2	2.5	1.4	2.1
CPI headline (% YoY)	3.2	3.4	3.1	2.8	3.1	2.3	1.8	1.8	2.0	2.0	2.0
Federal funds (% eop)	5.50	5.50	5.25	4.75	4.75	4.25	4.00	4.00	4.00	4.00	4.00
3-month SOFR rate (% eop)	5.40	5.40	5.20	4.70	4.70	4.20	4.00	4.00	4.00	4.00	4.00
10-year interest rate (% eop)	4.25	4.75	4.25	4.00	4.00	4.25	4.50	4.75	5.00	5.00	5.00
Fiscal balance (% of GDP)					-5.9					-5.8	-5.4
Gross public debt / GDP					99.2					101.7	103.0
Eurozone											
GDP (% QoQ, ann)	1.3	1.2	1.4	1.4	0.8	1.4	1.4	1.3	1.3	1.4	1.2
CPI headline (% YoY)	2.6	2.5	2.3	2.3	2.4	2.1	2.1	2.1	2.2	2.1	2.2
ECB Deposit Rate (% eop)	4.00	3.75	3.50	3.25	3.25	3.00	2.75	2.50	2.50	2.50	2.50
3-month interest rate (% eop)	3.90	3.70	3.40	3.20	3.20	2.90	2.75	2.50	2.60	2.60	2.60
10-year interest rate (% eop)	2.30	2.60	2.50	2.40	2.40	2.50	2.60	2.70	2.80	2.80	2.90
Fiscal balance (% of GDP)					-3					-2.7	-2.6
Gross public debt/GDP					89.4					89.2	89.2
Japan											
GDP (% QoQ, ann)	-2.0	6.0	4.0	2.0	1.1	0.4	0.4	0.4	0.4	1.5	1.1
CPI headline (% YoY)	2.5	2.8	2.8	2.2	2.6	2.5	2.0	1.5	1.5	1.9	1.8
Target rate (Upper Bound)	0.10	0.10	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month interest rate (% eop)	0.25	0.35	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25
10-year interest rate (% eop)	0.74	1.00	1.10	1.25	1.25	1.50	1.50	1.75	1.75	1.75	2.00
Fiscal balance (% of GDP)					-12.0					-12.0	-15.0
Gross public debt/GDP					280.0					290.0	300.0
China											
GDP (% YoY)	5.3	5.3	4.5	5	5.0	4	5.0	4.8	4.40	4.5	4.7
CPI headline (% YoY)	0.0	0.3	0.9	2.1	0.8	1.2	2.2	2.2	2.4	2.0	1.8
1 Year Loan Prime Rate (% eop)	3.45	3.45	3.35	3.25	3.25	3.15	3.15	3.05	3.05	3.05	3.05
3M SHIBOR (% eop)	2.16	2.00	1.90	1.85	1.85	1.80	1.75	1.70	1.70	1.70	1.75
10-year T-bond yield (% eop)	2.30	2.33	2.30	2.25	2.25	2.30	2.35	2.40	2.40	2.40	2.50
Fiscal balance (% of GDP)					-5.0					-5.0	-4.8
Public debt (% of GDP), incl. local govt					121					131	138
UK											
GDP (% QoQ, ann)	2.5	1.4	1.2	1.2	0.8	1.3	1.3	1.3	1.3	1.3	1.4
CPI headline (% YoY)	3.5	2.0	2.1	2.3	2.5	2.3	1.8	2.1	2.0	2.1	2.2
BoE official bank rate (% eop)	5.25	5.25	5.00	4.50	4.50	4.00	3.50	3.25	3.25	3.25	3.25
3-month interest rate (% eop)	5.25	5.05	4.80	4.30	4.30	3.80	3.30	3.20	3.20	3.20	3.20
10-year interest rate (% eop)	3.95	4.40	3.80	3.50	3.50	3.60	3.70	3.85	4.00	4.00	4.00
Fiscal balance (% of GDP)					3.0					2.7	2.5
Public sector net debt (FY, %)					100.1					100.0	99.8
EUR/USD (eop)	1.08	1.08	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
USD/JPY (eop)	148	150	145	140	140	140	140	140	142	142	145
USD/CNY (eop)	7.22	7.25	7.18	7.12	7.12	7.05	7.00	7.00	7.00	7.00	6.85
EUR/GBP (eop)	0.86	0.87	0.87	0.88	0.88	0.88	0.88	0.88	0.88	0.88	.88
ICE Brent -US\$/bbl (average)	82	87	88	85	85	84	80	80	77	80	75
Dutch TTF - EUR/MWh (average)	28	30	25	35	29	35	27	24	30	29	28

Source: ING forecasts

Our view on the major central banks

We're expecting three rate cuts from the Federal Reserve, European Central Bank and Bank of England this year

James Knightley

Chief International Economist, Americas
james.knightley@ing.com

Carsten Brzeski

Global Head of Macro and Chief Economist, Eurozone, Germany, Austria
carsten.brzeski@ing.de

James Smith

Economist, Developed Markets
james.smith@ing.com

Min Joo Kang

Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com



All eyes have been on ECB President Christine Lagarde this week

Federal Reserve

The US economy has proven to be remarkably resilient to high interest rates, but there are some signs of stress. This is particularly related to lower income households who appear to have exhausted pandemic era accrued savings and are increasingly struggling to meet loan payments. Credit card and auto loan delinquencies are rising sharply while a record 10.5% of credit card balances are only receiving the minimum monthly payment. This means that debt is being rapidly accumulated at an average interest rate of 22%, with the New York Fed stating that 20% of all US credit cards are now maxed out. Given this backdrop, there is evidence of some cooling in consumer spending.

Recent inflation numbers have been better than the elevated prints seen in the first quarter, but they still remain too hot. We have had one 0.2% month-on-month reading for the core PCE deflator, but we need to see at least two more if the Federal Reserve is to realistically consider cutting interest rates. That won't happen before September, but by that time we are also expecting to see weaker labour market data based on business surveys of hiring. If the unemployment rate – which has gone from a low of 3.4% to 3.9% currently – continues to move higher and breaks clearly above 4% to, say, 4.2%, that would also incentivise the Fed to start moving interest rates from a “restrictive” position to one that is slightly less restrictive. If this is also accompanied by a clear cooling in consumer demand, we believe the Fed will cut interest rates at the September, November and December FOMC meetings.

European Central Bank

They did it. The European Central Bank is leading the pack of major central banks in deciding to cut its policy rates at the June meeting. In the past, rate cutting cycles were mainly triggered by either a recession or a crisis. Fortunately, neither of these are currently threatening the eurozone economy. Consequently, there was no pressing need for the ECB to cut rates or to engage in a longer series of rate cuts. Instead, the

central bank cut rates not so much because it had to, but simply because it simply could. In fact, without the precommitment at the April meeting, the recent increase in wage growth and inflation would have been strong arguments against the rate cut decision.

The rate cut underlined the ECB's increased confidence in the quality of its own forecasts and an attempt to again become a forward-looking central bank and not so much a backward-looking one. Looking beyond June, we think that the path for the Bank is anything but clear, as the risk of reflation has clearly increased. The cyclical rebound in economic activity as well as structural labour shortages and upward pressure on wages could easily put the ECB's own inflation projections at risk again. We still think that the ECB currently intends to continue cutting rates this year – but the risk that the June cut was a 'one and done' deal is high.

Bank of England

Stubborn services inflation has dramatically reduced the chances of a June rate cut in the UK, but markets have been too quick to price out easing this year. Investors are now only pricing one cut this year in November. But that goes against what Governor Andrew Bailey has been saying recently. He has been hinting that rate cuts are likely this summer and that the extent of easing this year is likely to be greater than markets are pricing. By August, the bank will have another couple of inflation readings and we think these should be less erratic. Our base case is therefore that the Bank will cut rates at that point and by a total of three times this year. Given both major political parties are signalling that they're unlikely to radically deviate from current fiscal plans in the near-term, the July election is unlikely to drastically change the BoE outlook for this year.

Bank of Japan

The Bank of Japan is set to normalise its monetary policy, but it will take a few more data points to move in the direction it hopes for. Confirmed by the reacceleration in Tokyo CPI, inflation is expected to rise to nearly 3% in the coming months. However, the most anticipated data should be labour earnings, which are likely to jump from May as newly negotiated wage growth starts to feed through. In our view, the BoJ is likely to have data on hand to support its second rate hike by the time it meets on 31 July. There has been market speculation that the BoJ will decide to reduce JGB purchases at the June meeting – but with the 10y JGB at a multi-decade high, we think the central bank would like to wait for a better time to do so. This would probably be when the UST begins to trend lower.

The May commodities rally comes to an abrupt end

Warren Patterson

Head of Commodities Strategy
warren.patterson@asia.ing.com

Oil is down, and so is copper after hitting record highs in May. Natural gas prices, however, continue to be supported by supply concerns



Commodity markets have been all over the place recently, and it now looks as though last month's impressive rally has started to lose steam

Oil market in deficit for the remainder of 2024

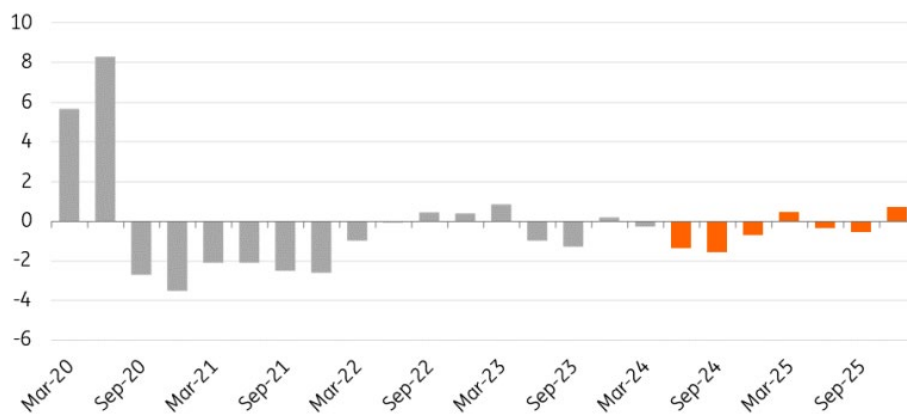
Oil prices were largely rangebound through much of May but have come under pressure in recent days. There are growing signs of weakness in the physical oil market, which prevented oil prices from moving significantly higher. Weak refinery margins are starting to see refiners reducing run rates, while the weakness in prompt crude oil timespreads suggests little concern over the availability in the near term.

The easing in oil prices will be a concern for OPEC+, and it's no surprise that the group decided at its 2 June meeting [to extend their additional voluntary supply cuts](#) of 2.2m b/d until the end of September 2024. Members will then start to unwind these cuts gradually from October through to September 2025. Meanwhile, group-wide cuts of around 2m b/d, which were set to expire at the end of 2024, have been extended to the end of the following year. 1.66m b/d of voluntary cuts, which have been in place since May 2023, will similarly be extended to the end of 2025.

Action taken by OPEC+ should ensure that the market remains in deficit for the remainder of the year and that should provide support to oil prices during the peak demand period over the summer months.

However, we would expect oil prices to ease through 2025 from a peak in the third quarter of this year, with the market set to return to a small surplus as OPEC+ gradually returns supply to the market. There is potential that OPEC+ decides against unwinding cuts if market conditions do not allow for additional supply. However, longer term, the scale of cuts from the group could become an issue. Members will likely grow frustrated by holding a significant amount of oil from the market and giving market share to non-OPEC+ producers.

Oil market in deficit for the rest of 2024 before returning to surplus in 2025 (m b/d)



Source: ING Research, IEA, EIA, OPEC

Supply worries boost European natural gas

European natural gas prices have strengthened significantly over the last month. TTF has rallied almost 18% in May, taking prices above EUR34/MWh. Several supply concerns have driven the market higher.

Firstly, ongoing summer maintenance in Norway has reduced Norwegian flows to Europe. In May, daily average flows were 8% lower month-on-month. More recently, an unplanned outage in Norway due to a crack in a pipeline led to even lower pipeline flows, only intensifying supply concerns and adding to volatility.

Secondly, Asian LNG demand has been stronger so far this year. LNG imports in the first five months of 2024 were up 11% year-on-year. Stronger demand has been driven by hotter weather in large parts of Asia and we have also seen more price-sensitive buyers in the region returning to the LNG market, with spot prices coming down from the high levels seen in 2022 and 2023.

And there are still concerns over the remaining Russian pipeline flows to the EU, specifically those to Austria. The Austrian oil and gas company OMV announced there is a risk to Gazprom supplies to the country following a court case ruling which could block payment to Gazprom for gas deliveries. If enforced, it would likely lead to Gazprom halting those flows. OMV has a long-term contract of around 6bcm per year for Gazprom supplies. However, Austria and Europe as a whole should manage if this supply is lost. In addition, from late 2024 onwards, a large amount of new LNG supply capacity is scheduled to start, largely from the US.

The likelihood that Russian pipeline flows to the EU via Ukraine come to a stop at the end of this year is also high; Ukraine has made it clear that it has no intention to extend a transit deal with Gazprom. This would mean the loss of around 15bcm of gas, which is around 5% of total EU imports. While Gazprom may be able to divert some marginal flows via TurkStream, Europe would need to look for alternative supplies. That potential supply loss has moved from a risk to the market to probably being largely expected.

Despite numerous concerns, Europe should see storage hitting 100% full ahead of the 2024/25 heating season. It's already more than 71% full, well above the five-year average of 59%, and also slightly ahead of last year's level of 70%. As a result, we continue to expect European gas prices to weaken over the third quarter of this year.

Copper hits record levels

Metals stood out in May, leading the complex higher. Copper prices rallied more than 10% last month, reaching a new record high of more than \$11,000/t. However, since then, prices have given back a lot of these gains. The move in copper has been driven by

speculators with a bullish narrative due to concerns over a lack of mine supply at a time when demand is set to grow strongly amid the energy transition. In addition, several support measures announced over the last month for the Chinese property sector added to the positive sentiment.

However, while the longer-term outlook remains constructive for copper, short-term fundamentals are still a concern, particularly in China. Copper stocks held in Shanghai Futures Exchange (SHFE) warehouses are at seasonal record highs. Chinese import premiums for refined copper are negative, and domestic refined copper output continues to grow year-on-year despite treatment charges falling significantly for smelters.

Furthermore, LME copper stocks have grown more than 15% since mid-May, while the cash-3-month spread is in deep contango and not far away from the recent record lows – suggesting little concern over refined copper supply in the near term.

The case for US interest rate cuts

James Knightley

Chief International Economist, Americas
james.knightley@ing.com

Market interest rate cut expectations have swung wildly this year on fluctuating data and cautious messaging from Federal Reserve officials. Nonetheless, we are seeing broadening evidence that can justify the Fed starting to move policy from a restrictive stance to a slightly less restrictive one from September onwards



We continue to look for the Federal Reserve to cut interest rates from September

Firstly: One good month on inflation needs to become a trend

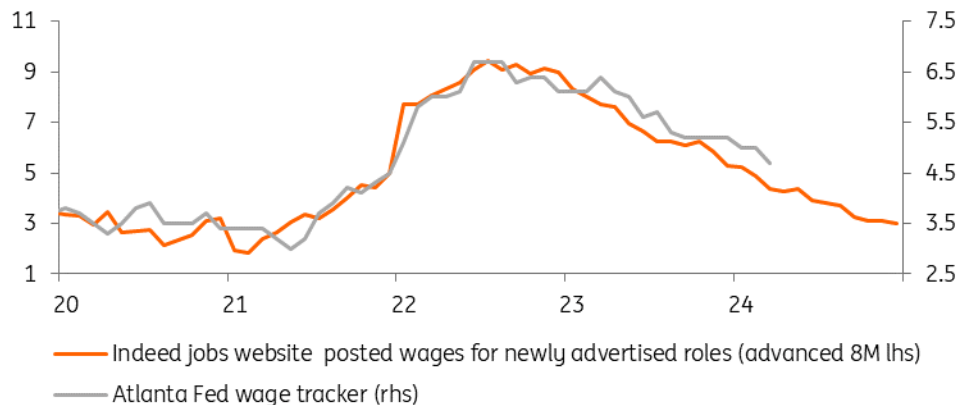
We continue to look for the Federal Reserve to cut interest rates from September on the basis that it believes monetary policy is restrictive at 5.25-5.50% in an environment where they view the neutral interest rate as being around 2.6%. They don't want to cause a recession if they don't have to and if the data allows them to start making monetary policy slightly less restrictive, we think they will take that opportunity.

For them to be comfortable taking that course of action, we think they need to see three things. Firstly, core inflation must show evidence of easing. First-quarter numbers were far too hot, but we have had a 0.2% month-on-month reading in the Fed's favoured measure of inflation, the April core PCE deflator. If we can get two or three more in quick succession, which would indicate price pressures are moderating, that will be a necessary, but not a sufficient outcome that leads to a rate cut.

Secondly: More slack in the jobs market and cooler wages

Secondly, if we see evidence of labour market slack, the Fed will likely be more convinced that inflation pressures will continue trending towards target and stay there. The unemployment rate has risen from 3.4% to 3.9% and if that moves convincingly above 4% to say 4.2% with more evidence of cooling wages that too will help swing the argument in favour of rate cuts. The plunging quits rate, weak ISM employment readings, and subdued small business hiring amidst growing labour supply supports this story.

Wage trackers pointing to ongoing cooling in pay rates and inflation (YoY%)



Source: Macrobond, ING

Thirdly: A consumer slowdown

Then thirdly, we need to see softening consumer spending, which has been the primary driver of economic activity over the past couple of years. There was some evidence of that happening in 1Q GDP revisions and weak April monthly data, but we need to see more. As we wrote last month, the bifurcation of the consumer makes this a difficult call since the top 20% of households by income spend the same as the bottom 60% of households.

The top 20% are in great shape with their high incomes meaning inflation is more of an irritation rather than a severe constraint. They also have housing and stock market wealth that has risen hugely and also benefit from high interest rates – they can put their cash in money market funds at 5-5.5% while their mortgage borrowing costs may be closer to 3.5%.

It is a very different situation for those lower-income households where high inflation has been a much greater burden. There is also growing evidence that pandemic-era accrued savings for these households have been exhausted and financial strains are emerging with credit card and auto loan delinquencies rising sharply. There is evidence to suggest that discretionary spending is starting to be trimmed and with the NY Fed telling us 20% of US credit cards are within 90% of their maximum limit, we expect this to become increasingly apparent.

US elections and the case for 2025 rate cuts

The resilience of the US economy to higher rates has been remarkable but we do expect the stresses being felt by lower-income households to become more evident and a consumer slowdown to emerge. So, if we get the combination of cooler inflation, a looser jobs market and stalling consumer spending growth we believe the Fed will indeed look to move monetary policy from “restrictive” to “slightly less restrictive” with 25bp rate cuts at the September, November and December FOMC meetings.

We acknowledge there are a range of possibilities. Should inflation fail to slow then the Fed will not cut rates, but that could create a more stressed economic environment that leads to steeper interest rate cuts next year.

With regards to 2025, we also recognise that the US elections will have a heavy influence on the path of Fed policy. For example, Donald Trump’s key policy differences versus Joe Biden are more tax cuts, more immigration controls, more tariffs and the potential for major geopolitical shifts. Our sense is that this would be more supportive of domestic demand while limiting labour supply and putting up business costs, which could end up being a slightly stronger growth story for the US, but one with higher inflation rates, too. This could mean that the Federal Reserve would be more wary of cutting interest rates aggressively under a Trump administration versus a Biden-led administration.

Cautious monetary easing in the eurozone has started

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg,
Eurozone
peter.vandenhoute@ing.com

The eurozone economy continues to recover, but there are no reasons to expect a significant acceleration in growth. With some pockets of inflationary pressures still hanging around, the ECB's rate-cutting cycle will unfold very slowly



Sentiment indicators in the eurozone are showing signs of improvement – but they're not quite signalling *full steam ahead* just yet

Policy normalisation has started

As widely expected, the European Central Bank cut its leading interest rates by 25bp, removing the 'top level of restriction', as ECB Chief Economist Philip Lane put it in an FT interview. This is the first time the ECB has cut rates since 2019. However, the Bank also acknowledges that monetary policy will have to remain restrictive this year and that a back-to-back rate cut in July is very unlikely.

With the economy improving, albeit only gradually, and inflation remaining somewhat volatile, the ECB can afford to tread carefully in its monetary easing cycle. It is important to note that this is not a recessionary situation in which the ECB must bring interest rates into stimulatory territory; this is merely a normalisation cycle. We see two further rate cuts this year, although there is a significant chance we might get only one. In any case, the deposit rate is likely to be brought down to 2.50%, presumably the neutral rate, by the end of 2025 and subsequently remain at that level for some time to come.

Marginally better sentiment indicators

The PMI and the European Commission's sentiment indicator improved in May, though the levels don't yet signal *full-steam ahead*. The eurocoin indicator, which tries to capture the underlying GDP growth pace of the eurozone, actually declined to 0.18% in May from 0.26% in April. And even though the eurozone unemployment rate fell to a historically low level of 6.4% in April, consumers are actually worrying more now about a potential rise in unemployment than at the start of the year.

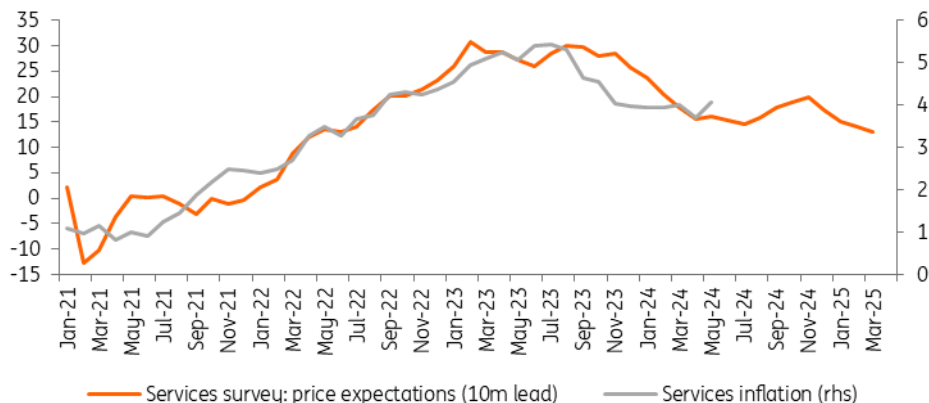
Credit growth for both households and non-financial companies remained rather subdued in April. On the brighter side, the downturn in industry is losing momentum and might start to grow again in the second half of this year, once the inventory overhang has been absorbed.

Growth remains stuck in first gear

So, sentiment indicators are mixed but at least they're pointing to continuing growth. That said, a number of member states are likely to get caught in the excessive deficit procedure, forcing them to put in place a more restrictive budgetary policy in 2025. And, as we've pointed out before, the expected US slowdown later this year might also put a lid on any growth acceleration in Europe.

We therefore pencil in a rather boring growth profile, with GDP growth hovering around 0.3% over the next six quarters. That results in 0.8% GDP growth this year and 1.4% in 2025.

Services inflation remains sticky



Source: LSEG Datastream

Inflation risk is skewed upwards

Inflation is another story. Up till now the downward trend was clear. However, the May figures show that temporary accelerations in inflation cannot be excluded. Negotiated wage increases actually rose to 4.6% year-on-year in the first quarter. And though the ECB was quick to downplay the figure in a blogpost, mentioning one-offs as the main culprit, high wage increases remain inflationary, especially in services. And services inflation already increased from 3.7% in April to 4.1% in May. To be sure, the European Commission's survey of selling price expectations in services moderated in May, though they remain above the historical average. We see 2.4% headline inflation this year and 2.1% next year, but we have to admit that the risk is clearly skewed upwards. And we think the same is true for the ECB.

UK markets are wrongly pricing out a summer Bank of England rate cut

James Smith

Economist, Developed Markets
james.smith@ing.com

We're still expecting an August rate cut from the Bank of England, despite some stubborn services inflation data and the surprise announcement of an early election



Party leaders Sir Keir Starmer and Rishi Sunak debate ahead of July's general election

Markets have priced out UK rate cuts

In the space of just a couple of weeks, UK markets have gone from pricing 60 basis points of Bank of England rate cuts this year to just 35bp. Having previously viewed a June rate cut as a 50/50 call, investors are now only fully pricing the first move in November.

This looks like a severe overreaction, for three reasons.

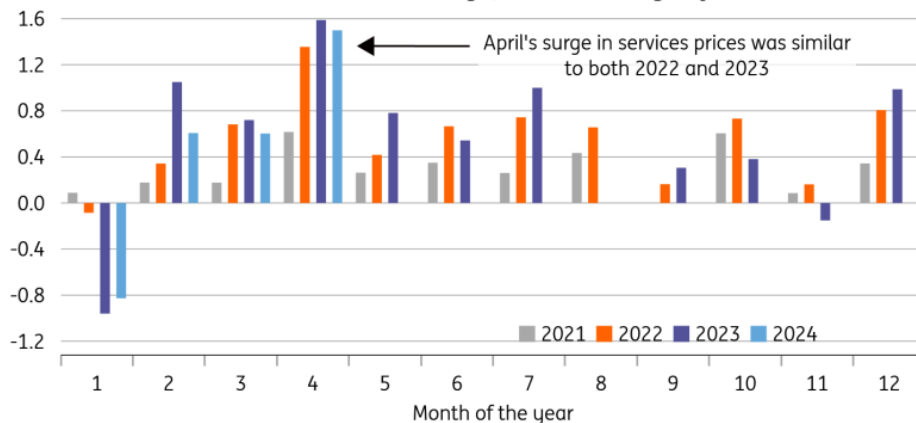
Firstly, the surprise announcement of a July general election will have virtually no discernible impact on the Bank of England this year. In the campaign itself, the issue of the Bank of England's decision-making has so far largely stayed outside of the political arena. We think it would be a mistake to assume policymakers won't cut in June purely on the basis of the election – although the restrictions on the Bank's ability to communicate during the campaign (e.g., a ban on press conferences) would complicate the logistics.

Then there's fiscal policy. The opposition Labour Party – which looks set to win a convincing majority on 4 July – is signalling little to no change on the big picture tax and spend policy levers. As long as that remains true, the implications on the BoE are likely to be minimal. At the very least, the Bank can only act on what is officially government policy, and the first budget under a new government is unlikely until the Autumn.

Secondly, and most importantly, the shock upside surprise to April's services inflation data is unlikely to be repeated in May or June's data. As we've warned for a while, April's numbers were always going to be skewed by the impact of annual, contractual price rises. We saw exactly the same phenomenon in April 2023 and at the time, investors wrongly inferred that this meant the UK's inflation problem was significantly worse than elsewhere. With the jobs market cooling and pricing intentions looking less worrisome, services inflation should gradually cool as the year progresses.

April's services inflation stubbornness likely won't be repeated

Services inflation (Month-on-month change, not seasonally-adjusted)



Source: Macrobond, ING calculations

Bank of England Governor is ready and willing to cut rates

Finally, it's clear that key figures at the Bank are keen to get on with the job of cutting rates. Governor Andrew Bailey was unambiguously dovish at the most recent press conference, hinting that the Bank could cut rates imminently and further than markets are pricing. The issue is that not all of his committee is on board, and that includes three of the nine strong committee members that are visibly against imminent rate cuts. We don't hear all that often from some of the so-called "internal" members who likely hold the deciding vote – and the pre-election blackout means we won't do so before the June meeting. But we think that by August's meeting, assuming the data shows April inflation was a blip, then a majority will rally behind the idea of cutting rates.

We're therefore sticking to our base case for an August rate cut and three cuts in total this year.

Policy support rollout accelerates in China amid mixed data

Lynn Song

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

Key economic indicators are mixed in China but were mostly weaker than expected last month. Against this backdrop, policymakers have now stepped up support for the property sector



Tourists at the national flag-raising ceremony at Tian'anmen Square in Beijing

Weak confidence continued to drag growth

China saw a mixed bag in terms of data releases over the past month, but most indicators came in weaker than market forecasts.

The key theme for the month was both the private sector and households remaining cautious. Credit data showed that aggregate financing declined for the first time since 2005, and M2 growth also fell to record lows. After a strong 2023, credit contracted sharply in 2024. Our view is that real interest rates remain too high for the current state of the economy, and believe there are rising odds for monetary easing over the next several months.

Retail sales showed that consumers also remained cautious, falling to a new post-pandemic low of 2.3% year-on-year. Consumers have shied away from big ticket purchases in favour of the “eat, drink, and play” categories.

Fixed asset investment also disappointed on the month, falling to 4.2% YoY year-to-date largely due to a drag from private sector investment, which grew a tepid 0.3% YoY YTD. With property prices seeing a sharp decline in April and developer sentiment breaking new lows, it was unsurprising to see that real estate investment remained a major overhang at -9.8% YoY YTD.

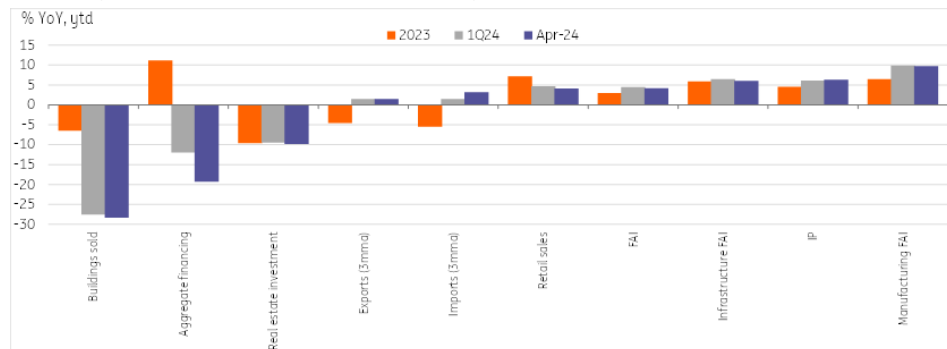
China's high-tech transition offered a silver lining

A silver lining could be the transition toward high-tech development, which continues to drive pockets of strong growth.

One aspect of this transition could be seen in the recovery of industrial activity. Industrial production rose to 6.7% YoY in April, driven by high-tech manufacturing (11.3%), computers, communications and other electronic equipment (15.6%) and auto (16.3%). May's manufacturing PMI data showed conflicting signs for upcoming momentum, with the official PMI notably falling into contraction at 49.5, while the Caixin PMI hit a seven-month high of 51.7 – although both surveys indicated a slowdown in new orders.

Imports also beat expectations on the month by reaching 8.4% YoY on the back of AI-related demand boosting automatic data processing equipment, integrated circuits, and high-tech product imports. As China's economic transitions continue, these areas should continue to see relatively robust growth.

China's growth has been unbalanced this year



Source: CEIC, ING

Policy rollout has accelerated amid growth stabilisation push

Policy announcements stole the thunder from China's data dump day as policymakers ramped up supportive measures to try and stabilise the property market, and as the central government kicked off its RMB 1tr ultra-long term bond issuance.

New measures over the past month included removing the floor on mortgage rates, reducing the downpayment ratios, removing purchase restrictions, and announcements of direct housing purchases to help absorb excess inventories. Banks have continued to provide support for ailing property developers.

The increased aggressiveness of policy support has supported markets over the past month and showed further commitment towards growth stabilisation. There has been growing optimism in markets that we will see housing prices in Tier 1 and 2 cities bottom out in the coming months. While this is arguably the most important development in stabilising domestic confidence, it is also the first step and there is still more to be done. July's Third Plenum meeting will likely provide further details on the longer-term policy direction, with goals of further deepening reforms and promoting the modernisation of China. Comments from President Xi indicated that the meeting may include measures on supporting property, employment, and childcare.

Why it's getting harder to dismiss the possibility of rate hikes in Australia

Rob Carnell

Regional Head of Research, Asia-Pacific
robert.carnell@asia.ing.com

Sticky inflation means the Reserve Bank of Australia will struggle to justify rate cuts this year – indeed, the chance of a further increase in rates is growing



Inflation's not only proving sticky in Australia, it's actually on the rise again - and we're not convinced the path to getting it fully under control is going to be smooth sailing

After a good start, inflation is now going back up

Much like the Federal Reserve, expectations for easing from the Reserve Bank of Australia (RBA) were strong at the beginning of this year. But after an initially impressive decline from the 8.4% year-on-year December 2022 peak, progress in getting inflation lower has ground to a halt and even reversed in recent months. As it has done so, market expectations for rate cuts have evaporated.

Following the latest set of inflation data for April – where the CPI index rose 0.7% month-on-month, lifting the inflation rate from 3.5% to 3.6% YoY – we also bit the bullet and chopped out our last remaining rate cut forecast for 2024.

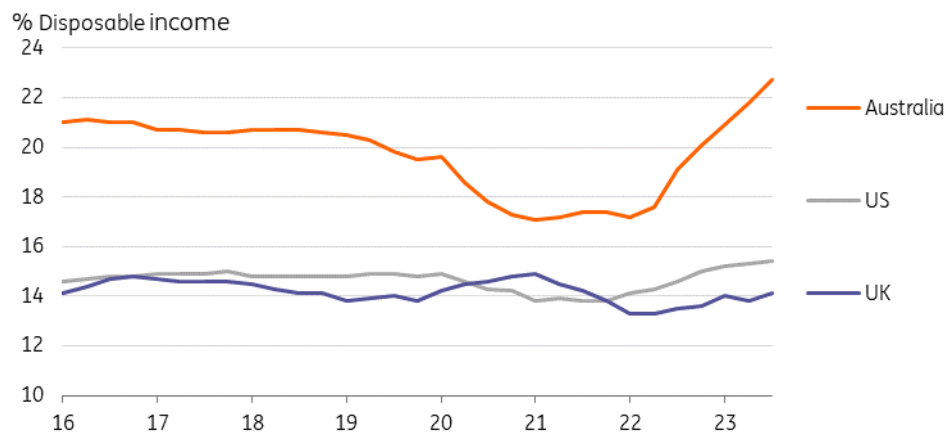
What has concerned us is the lack of any apparent slowdown in the run-rate for inflation in Australia, without which any prospect of inflation dropping back within the RBA's 2-3% target range looks elusive. A reasonable question is, did the RBA ever raise rates far enough to bring inflation back to target? At 4.35%, Australia's cash rate target is more than 100bp lower than the equivalent US rate. While at its peak, Australian inflation was not much lower than that in the US (US inflation peaked at 9.1% YoY in June 2022).

The arguments for a lower peak rate in Australia are good...

Differences in the mortgage structure between the US and Australia (in particular, shorter fixed-rate mortgage products) may mean that Australian households have less insulation against policy rate hikes than their US counterparts. If so, that should show up as a larger increase in debt service costs, justifying lower peak policy rates.

This is certainly confirmed by evidence from the Bank for International Settlements (BIS), which shows a much sharper rise in debt service costs for Australian households than either their US or UK counterparts. It is also reflected in a much weaker profile for Australian household spending in GDP data since rates started to go up than in the US, where consumer spending has been the bulwark of GDP growth until recently.

Debt service costs (% disposable incomes)



Source: Bank for International Settlements

... but inflation is still rising

Still, despite weaker growth, Australian inflation is not only sticky, but rising again. The CPI price level increases in the last three months have averaged more than 0.5% MoM – more than twice what is needed to bring inflation back within the RBA's target. May data could get some help from lower crude oil and retail gasoline prices, which could weigh on the price level. But the May 2023 price level change was -0.4% MoM, and undershooting that is going to be very hard. So a further increase in inflation next month looks possible even with lower oil prices.

With little evidence that the momentum of CPI is slowing enough, or even at all, whatever the debt service data and household spending show, it is becoming harder and harder to dismiss the possibility that rates in Australia may not have peaked after all.

We removed the final rate cut from our 2024 forecast this month. A further increase in inflation next month may force us to consider adding in an additional rate hike and pushing back the start date of the easing cycle much later into 2025.

In fairness to the RBA, it has been clear that it did not see inflation returning to target until later in 2025. Nevertheless, even with a very slow adjustment to target, you'd be hard pressed to argue that the central bank will be content seeing inflation moving higher for much longer.

Rising inflation complicates the CEE's economic recovery

The CEE region's economic recovery continues and we expect this to continue in the months ahead, although the data is mixed. Inflation has also picked up and is expected to head more to the upside in most of the region, complicating further monetary easing

Frantisek Taborsky

EMEA FX&FI Strategist
frantisek.taborsky@ing.com

Rafal Benecki

Chief Economist, Poland
rafal.benecki@ing.pl

Adam Antoniak

Senior Economist
adam.antoniak@ing.pl

David Havrlant

Chief Economist
david.havrlant@ing.com

Peter Virovacz

Senior Economist, Hungary
peter.virovacz@ing.com

Stefan Posea

Economist, Romania
tiberiu-stefan.posea@ing.com



As with many of its CEE peers, the Czech Republic seems to be facing some inflation clouds on the horizon

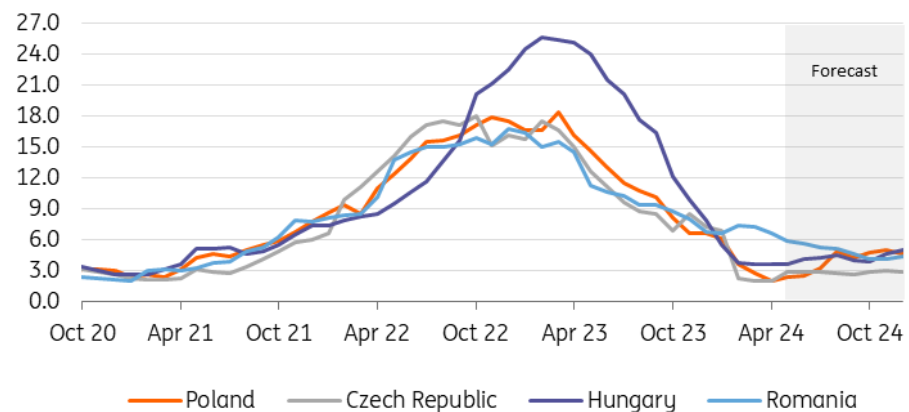
Poland: Gradual GDP and inflation recovery

Data on this year's first quarter GDP (up by 2.0% year-on-year) and its composition confirmed that the Polish economy is on a path to recovery – albeit a one-legged recovery. Household consumption jumped by 4.6% YoY on the back of a buoyant increase in real disposable income fuelled by rising labour income (double-digit growth in wages) and a generous indexation of social spending (pensions, child benefits) amid lower inflation. Public consumption soared 10.9% YoY, boosted by increases in public sector wages.

At the same time, the 2023 investment came to a halt as fixed investment fell by 1.8% YoY after rising 15.8% YoY in the fourth quarter of 2023 and 13.1% in 2023 as a whole. It was significantly boosted by public investment in 2023 as the projects from the 2014-2020 EU financial framework were completed. The strong performance of public investment (5% of GDP in 2023) is unlikely to be repeated in 2024 as the new EU budget is starting slowly, and Recovery and Resilience Facility projects are significantly delayed. We still see 2024 GDP growth at 3% amid a rebound in consumption.

CPI inflation has started trending upwards, even as the flash reading for May surprised to the downside. With most of the energy shield to be scrapped in the second half of 2024, headline inflation is projected to continue trending upwards and reach around 5% YoY in December this year. At the same time, core inflation keeps running close to 4% and pressure on services prices from rising wages is still significant. In such an environment, the Monetary Policy Council is unlikely to start the monetary easing cycle this year, as quite clearly flagged by National Bank of Poland Governor Adam Glapiński in May. The first cuts are expected to take place in 2025 (potentially not earlier than in the second quarter) and be limited in scale.

Headline inflation (%YoY)



Source: Macrobond, ING

Czech Republic: Inflation to remain elevated amid strong consumption but weaker investment

The Czech economy is expected to see a continued cyclical recovery driven by an improving export side and upbeat domestic consumption. The renewed real wage growth of 4.8% YoY in the first quarter will support consumer spending as the emerging rebound of main eurozone trading partners fosters exports. A gradual economic rebound can also be seen in leading indicators such as lofty retail sales and overall positive consumer sentiment.

That said, the extraordinary plunge in fixed capital formation from the first quarter paints some fragility in the recovery for the medium term. Fixed investment plummeted 7.9% from the previous quarter, bringing investment levels back to numbers observed in 2018 and limiting the scope for a full-fledged recovery. This leads us to revise our growth forecast to 1.1% for this year, below the Czech National Bank (CNB) forecast. That said, the gross fixed capital formation represents a good candidate for an upward revision in the next GDP estimate at the end of this month. We assess the weakness in investment as a symptom of structural issues that prevent the country's full economic potential being reached this year and into the next.

PMIs remain in contractionary territory, signalling continued weakness in the Czech manufacturing sector. Still, an upward trend from the beginning of this year supports our take on a gradual way out of last year's economic malaise. Overall input price inflation in industry has cooled down, while the reported pass-through to customers has remained strong. This shows that the medium-term price pressures are not quite at bay amid the return of consumer spending and improving foreign demand.

The upward inflation surprise at 2.9% in April, stronger household consumption and loftier nominal wage growth resulted in an upward revision of our inflation forecast to 2.5% for this year. Both nominal and real wage growth dynamics were 0.6 percentage points stronger than the CNB projection. Strong household spending, higher food prices, and still-elevated price growth in the service sector will contribute to more consciousness in the current CNB easing cycle. Still, monetary policy conditions are rather restrictive right now, so the easing will likely carry on though in a restrained mode. We foresee a 25bp cut at the June meeting, with the terminal rate at 4.50% this year and 3.75% for next year.

Hungary: Sensing some optimism

While we have not made a 180-degree turn in [our outlook for Hungary](#), we acknowledge that there have been some positives recently. In general, the high-frequency data still paints a somewhat cloudy picture, but if the recent upturn in retail sales continues, we can clearly say that some rays of light are breaking through the clouds. However, it is

not only retail spending that is clearly raising hopes that Hungary is indeed recovering. The labour market has shown resilience, with the employment rate rising and the number of unemployed falling in recent months.

The real surprise with the labour market is that wage growth is still hot. Although company surveys at the beginning of the year pointed to a marked slowdown in wages in 2024, the first quarter data contradicts the survey results. It may be that firms were expecting a looser labour market, while in reality, it has remained relatively tight, keeping employers in the "we have to pay them" camp. Disinflation ended in April and while we still expect two waves of reflation (May and October), we believe the first will be much weaker than expected. This is mainly due to falling fuel and food prices, which are keeping the overall monthly price increases in check. As a result, we lower our full-year inflation forecast by 0.3ppt to 4.25% in 2024.

The one segment of the economy that is still resisting the slow infiltration of optimism is the external balance. While both the trade in goods and current account surpluses have provided significant upside surprises, we believe they are for the wrong reasons. Import activity remains subdued on the back of still weak (albeit improving) domestic demand, while depressed industrial production is keeping energy demand in check. On the other hand, export activity is largely driven by the sale of stocks of grain and grain products, and once this effect wears off, manufacturing exports still won't be there. As a result, we continue to call for a deterioration in the external balance from here and a negative contribution from net exports to the expected 2.2% GDP growth in 2024.

On the market, the most notable story is the HUF sell-off at the end of May, which was a good illustration that the forint remains the most vulnerable currency in the CEE region. It also showed that the previous strengthening was a combination of global factors and tactical trading. Looking ahead, the forint remains exposed to political and fiscal risks as well as the ongoing cycle of interest rate cuts, in our view.

Romania: Consumption prospects remain solid while fiscal slippage persists

Private consumption is set to re-emerge as the key growth driver this year. Over the first quarter, retail sales grew by an impressive 5.0% versus the previous quarter, one of the strongest performances on record. With public wages and pension hikes already planned for this year, the momentum should remain strong. That said, the first quarter flash GDP did not impress. The second GDP reading on 7 June should bring additional clarity – if the numbers are reconfirmed, it would likely mean that delayed investments or weak net exports were a drag on output. We hold on to our 2.8% growth projection in 2024.

On the monetary policy front, we now think that the National Bank of Romania is preparing the groundwork for an August rate cut. Strictly on macro considerations, risks for rates are skewed to the upside as long as the strong consumer momentum, high wage growth and large fiscal slippages continue. On another note, it's worth mentioning that the political arena is also currently discussing the composition of the new National Bank of Romania board, which is set to be sworn in by the end of June. All in all, we expect a cautious and gradual easing cycle ahead, with only 50bp of cuts by the year-end, taking the key rate to 6.50%.

On the fiscal front, the budget deficit slipped visibly to 3.24% of GDP in January-April (2024 official target: 5.0% of GDP). At this stage, we push up our 2024 deficit forecast from 6.0% to 6.5% of GDP, with upside risks still at play. The key factors to watch ahead are the outcome of the negotiations with the European Commission (EC) in June and how well officials will play the "Romania needs investments" card. Getting to -3.0% of GDP seems a matter for the next electoral cycle after 2028.

Chris Turner

Global Head of Markets and Regional
Head of Research, UK & CEE
chris.turner@ing.com

Softer US story beginning to show in FX markets

Some softer US data has managed to pull the dollar away from its highs of the year. Our baseline Fed scenario should see the dollar drift lower over coming quarters, although the US elections remain the wild card. The USD/JPY rally has stalled too. Japanese FX intervention may again prove well-timed – as it was in 2022



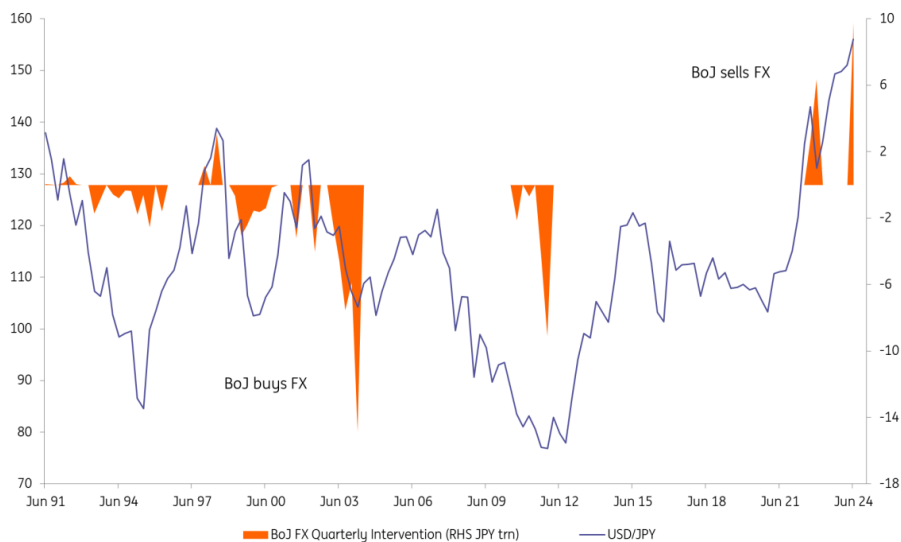
Notably, the yen was one of the strongest performers again in the last two months of 2023 when US rates turned lower

Softer US data turns the tide

Some softer US activity data – think April's jobs and retail sales reports – plus some less alarming US price data has seen the dollar correct around 2% lower over the last month. This may just be another example of the dollar thrashing around in ranges before the November US election. Or it could be a sign that a market positioned heavily long the dollar wants to lighten its load just in case the US data is about to swing softer and provide the Federal Reserve with the confidence it needs to start an easing cycle.

Given that the market prices barely more than one Fed cut this year, our house call of three cuts should finally deliver some softening in short-end US rates and a weaker dollar. Some may argue that if ING is calling for three cuts both from the Fed and the European Central Bank, why does EUR/USD need to go anywhere? We would reply that a synchronised easing cycle premised on a soft landing – not a crisis – is positive for a pro-cyclical currency such as the euro. At 1.10, our forecast for EUR/USD upside is not particularly aggressive anyway and only represents a mild deviation from EUR/USD medium-term fair value, which we have at 1.08.

BoJ's FX intervention and USD/JPY



Source: Bank of Japan, ING

What to make of BoJ FX intervention?

Many economists were quick to rail against Japan's use of FX intervention to try and slow the yen's decline. The argument goes that FX intervention will always be dwarfed by global capital flows and even at \$62bn in May, the intervention will prove ineffective.

We agree that FX intervention alone is unlikely to turn the trend in USD/JPY. At least a Bank of Japan tightening cycle is more consistent with the BoJ's efforts to drain yen liquidity and support the yen.

However, what may be more telling from Japan's intervention is what Tokyo thinks about Fed policy and US rates. Tokyo had a good call with its US\$70bn of FX intervention in September and October 2022, before US rates softened and USD/JPY corrected 15% lower. And notably, the yen was one of the strongest performers again in the last two months of 2023 when US rates turned lower.

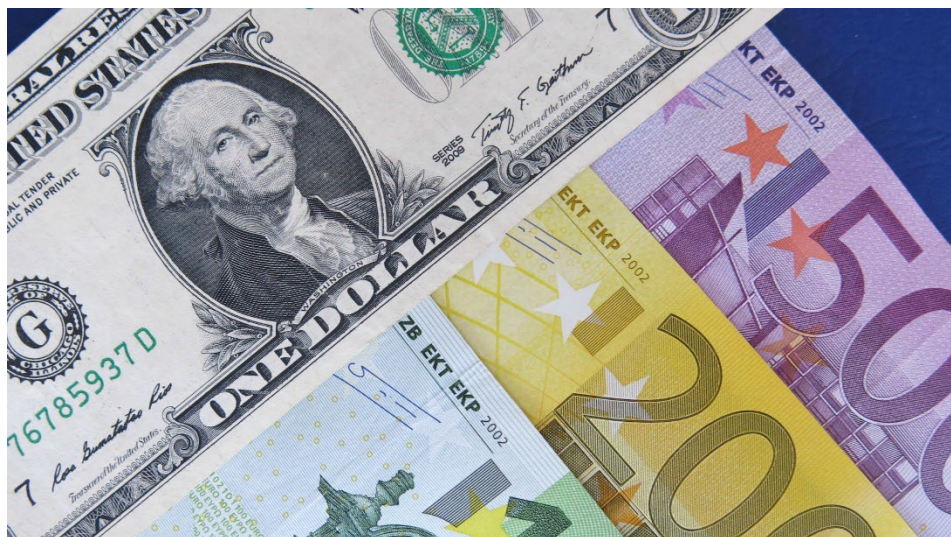
Given the yen is one of the most undervalued currencies based on our models – plus our house call for lower US rates this year – we think Japanese authorities may again be timing their intervention to catch the top in the cycle. We remain happy with a USD/JPY target near 140 later this year – a move that will be supported should US election risk spark higher market volatility.

Padhraic Garvey

Head of Global Debt and Rates Strategy/
Regional Head of Research, Americas
padhraic.garvey@ing.com

Rates: Here's why there are upside risks despite cuts

Usually, rate cuts are good for bonds. As the ECB cuts, there is certainly a bond bullish tint to the move. However, the outlook is clouded by a lack of clarity on the extent of ECB cuts ahead – and a Fed that remains constrained by inflation data. We also find that real yields remain quite low (vs printed inflation), limiting the capacity for a rally in bonds



A key difference between the eurozone and the US is that the European Central Bank has now delivered a rate cut

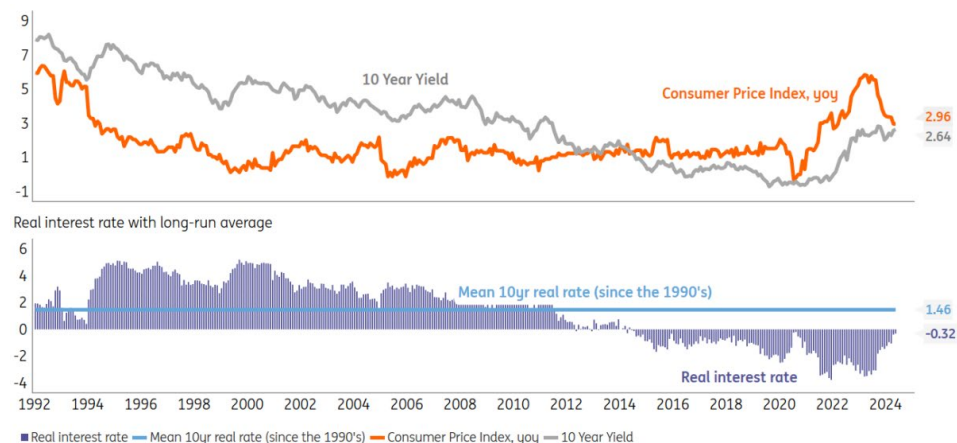
Rate cutting is an important signal for bonds, telegraphing good things for returns

One key theme running through our analysis is the notion that the past decade and a half was not a normal period from which to reference the immediate future. We had the global financial crisis, a European sovereign debt crisis and the pandemic during this period. All of these placed material downward pressure on policy rates and on bond yields. Bad things could, of course, happen again in the future (and likely will), and this remains a rationale for having a diversified portfolio that includes a decent exposure to bonds. However, from a relative value perspective, that's not enough to justify material falls in yields, at least not given what we know.

In the past week we sent out a piece that argues 4.5% as an equilibrium area for the US [10yr yield](#). It's not far from where we are now. We then argue that 5% is a level we can trend towards, given the stickiness of inflation and persistent supply pressure. To change that dynamic, we'd need to see interest rate cuts from the Federal Reserve, as history shows that initiation of rate cuts typically coincides with material downward pressure on bond yields. That can in fact bring the 10yr yield to the 4% area.

But if there are no cuts in 2024 (not our view), there is also little prospect for the 10yr yield to fall in a material manner. Moreover, with real yields so low, inflation easing lower is not enough to justify lower yields. Only Fed cuts (or the hard discount thereof) can prompt material falls in the 10yr yield – and that, of course, requires lower US inflation as a precursor.

Real Rates are still quite low. So falls in inflation do not imply falls in bond yields with certainty...



Source: ING estimates, Macrobond

The chart above argues something similar for the eurozone. There are many real yields to choose from, including the obvious one – the eurozone real yield. But the chart has a German focus, purposely. It shows that the 10yr real yield remains exceptionally low relative to history. In a very similar manner to the US, there is a comfortable spread of some 1% between the real yield today and its long-run average. There are two ways for the real yield to rise. The most obvious one is for inflation to (continue to) fall. The other is for bond yields to rise. And one does not imply the other. In other words, falls in eurozone inflation do not translate directly to falls in yields, at least not without more.

ECB cuts are constrained by a Fed that remains on hold, and by low real bond yields

A key difference between the eurozone and the US is that the European Central Bank has delivered a rate cut, and by definition has peaked for this cycle. The Fed likely has peaked too, but the outlook is a tad more nuanced. There is a definite Fed rate cut discount, but the timing of delivery is more opaque. That places something of a brake on capacity for eurozone yields to materially fall.

But that also reflects a very complex prognosis for what happens next. Usually a first cut is followed by more cuts. That's likely the same here – although there is an ongoing lively debate on this. Bottom line, an ECB cut is big. But, unusually, it does not telegraph a convincing bond bull market message.

GDP forecasts

Developed Markets (QoQ% annualised growth)										
	2Q24F	3Q24F	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F	2024F	2025F	2026F
US	2.5	1.5	0.4	1.1	1.7	2.2	2.5	2.4	1.4	2.1
Japan	6.0	4.0	2.0	0.4	0.4	0.4	0.4	1.1	1.5	1.1
Germany	1	1.0	0.4	1.1	0.7	1.3	1.3	0.3	1.0	1.4
France	0.9	0.6	1.1	1.3	1.6	1.4	1.2	0.8	1.3	1.3
UK	1.4	1.2	1.2	1.3	1.3	1.3	1.3	0.8	1.3	1.4
Italy	1.2	0.6	1.2	0.6	1.5	1.4	1.3	0.9	1.1	1.0
Canada	1	0.8	1.2	1.5	2.0	2.2	2.2	8.0	1.5	1.9
Australia	0.4	0.8	0.8	1.6	2.0	2.4	2.8	0.8	1.5	2.0
Eurozone	1.2	1.4	1.4	1.4	1.4	1.3	1.3	0.8	1.4	1.2
Austria	0.8	1.4	1.6	1.6	1.4	1.2	1.2	0.2	1.4	1.5
Spain	2.9	1.6	1.8	2.2	2.2	2.4	2.4	2.1	2.2	1.8
Netherlands	2.5	1.4	1.7	0.6	0.8	0.8	1.4	0.3	1.8	1.5
Belgium	1.2	0.8	1.2	1.2	1.6	1.6	1.6	1.2	1.4	1.2
Greece	1.7	2.5	2.2	1.0	2.3	2.4	2.4	1.5	2.0	1.8
Portugal	3.2	1.8	2.0	2.2	2.4	2.4	2.4	1.5	2.2	1.9
Switzerland	0.8	0.8	1.2	1.2	1.2	1.6	1.6	0.9	1.3	1.3
Sweden	-0.6	1.1	1.3	1.5	1.5	1.5	1.5	0.7	1.3	1.5
Norway	0.2	1.5	1.9	1.9	2.0	2.0	2.0	1.2	1.9	2.0
Emerging Markets (YoY% growth)										
	2Q24F	3Q24F	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F	2024F	2025F	2026F
Bulgaria	2.3	2.7	3.0	3.5	3.3	3.3	3.4	2.9	3.3	3.2
Croatia	4.1	3.3	3.3	2.4	2.6	2.5	2.7	3.3	2.7	2.4
Czech Republic	0.5	1.8	1.8	2.1	2.2	2.3	2.4	1.1	2.2	2.4
Hungary	2.3	2.2	3.1	3.2	3.3	3.9	4.8	2.2	3.8	4.4
Poland	3.0	3.1	3.9	3.2	3.5	3.7	3.8	3.0	3.5	3.5
Romania	2.8	2.3	2.2	3.5	3.0	3.0	3.0	2.8	3.0	3.0
Turkey	3.1	1.9	0.8	0.9	3.1	4.4	5.2	2.7	3.5	4.0
Serbia	4.2	3.4	2.8	2.7	3.0	3.4	3.7	3.5	3.5	3.4
Azerbaijan	2.5	1.5	1.0	1.7	2.5	2.7	3.0	2.3	2.5	2.8
Kazakhstan	4.5	5.0	4.0	5.5	5.5	4.5	4.5	4.3	5.0	4.5
Russia	2.0	1.0	1.5	1.0	2.5	1.5	1.0	2.5	1.5	0.5
Ukraine	3.5	1.5	3.7	2.5	4.0	5.0	5.5	3.5	4.3	4.5
China	5.3	4.5	5.0	4.0	5.0	4.8	4.4	5.0	4.5	4.7
India	7.1	7.2	7.1	6.8	8.1	8.9	7.3	7.7	7.3	7.7
Indonesia	5.0	5.2	5.0	5.2	5.0	4.9	4.8	5.1	5.1	5.0
Korea	2.9	2.4	2.2	1.3	1.6	1.8	2.0	2.6	1.7	2.0
Philippines	6	5.0	5.0	5.3	5.4	5.2	5.5	5.4	5.5	5.5
Singapore	2.2	2.3	2.1	2.6	2.3	2.4	2.5	2.3	2.5	2.2
Taiwan	3.3	2.6	2.3	2.5	2.3	2.9	3.0	3.6	2.7	3.3

¹Norway: Forecasts are mainland GDP
Source: ING estimates

CPI Forecasts (pa)

(%YoY)	2Q24F	3Q24F	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F	2024F	2025F	2026F
US	3.4	3.1	2.8	2.3	1.8	1.8	2.0	3.1	2.0	2.0
Japan	2.8	2.8	2.2	2.5	2.0	1.5	1.5	2.6	1.9	1.8
Germany	2.7	2.5	2.9	2.9	2.4	2.4	2.4	2.7	2.4	2.2
France	2.8	3.0	2.8	2.5	2.4	2.1	1.8	2.8	2.0	2.1
UK	2.0	2.1	2.3	2.3	1.8	2.1	2.0	2.5	2.1	2.2
Italy	0.9	1.2	1.7	2.0	1.8	1.6	1.9	1.2	1.8	2.0
Canada	2.6	2.0	2.4	2.5	1.8	1.9	1.9	2.5	2.0	2.0
Australia	3.7	3.6	3.5	3.2	2.9	2.6	2.9	3.6	2.9	2.5
Eurozone	2.5	2.3	2.3	2.1	2.1	2.1	2.2	2.4	2.1	2.2
Austria	3.2	2.9	2.3	2.1	2.1	2.1	2.2	3.1	2.1	2.1
Spain	3.1	3.4	3.3	3.0	2.5	2.1	2.0	3.2	2.2	2.2
Netherlands	2.4	2.0	2.4	1.9	2.5	2.3	2.0	2.5	2.2	2.1
Belgium	2.7	3.2	3.4	2.6	2.1	1.9	2.0	3.0	2.1	2.2
Greece	3	2.6	2.5	2.4	1.7	1.7	2.0	2.8	2.0	2.1
Portugal	2.2	2.5	2.6	2.5	2.4	2.1	2.0	2.5	2.1	2.2
Switzerland	1.2	1.0	1.2	1.1	1.1	1.1	1.2	1.1	1.1	1.3
Sweden	2.4	2.4	2.1	1.7	2.0	2.1	2.1	2.4	2.0	2.0
Norway	3.2	3.2	2.8	2.4	2.3	2.1	2.1	3.5	2.2	2.5
Bulgaria	2.5	2.4	3.0	3.2	3.9	3.6	3.4	3.2	3.2	3.1
Croatia	4.1	3.3	1.9	2.5	2.8	2.7	2.7	2.7	2.6	2.7
Czech Republic	2.8	2.6	2.5	3.0	2.4	2.1	2.0	2.5	2.4	2.3
Hungary	4.1	4.1	5.1	4.9	4.3	3.9	3.2	4.3	4.1	2.9
Poland	2.7	4.3	4.6	5.9	5.2	3.9	3.7	3.6	4.7	3.0
Romania	5.6	4.9	4.6	4.0	4.3	4.2	4.2	5.5	4.2	3.9
Turkey	72.2	46.1	41.8	31.8	27.2	25.1	23.8	56.9	27.8	20.0
Serbia	4.4	4.0	3.9	4.2	4.3	4.3	4.5	4.5	4.3	4.7
Azerbaijan	0.0	1.2	2.5	3.4	4.1	3.9	3.6	1.1	3.8	4.2
Kazakhstan	8.7	8.4	8.1	7.9	7.8	7.4	7.0	8.6	7.5	6.7
Russia	8.0	7.2	5.7	5.0	4.7	4.6	4.5	7.1	4.7	4.4
Ukraine	5.3	8.0	8.0	9.5	7.0	6.5	6.0	6.8	7.3	5.0
China	0.3	0.9	2.1	1.2	2.2	2.2	2.4	0.8	2.0	1.8
India	4.8	4.0	4.4	5.4	5.3	3.9	4.6	4.5	4.8	4.5
Indonesia	3.4	3.0	3.2	3.0	2.9	3.3	3.1	3.2	3.1	3.5
Korea	2.9	2.3	2.5	2.2	2.0	2.0	1.4	2.7	2.0	1.9
Philippines	4	3.3	3.1	3.7	3.4	3.5	3.4	3.4	3.5	4.0
Singapore	3.4	3.2	3.0	2.8	2.7	2.9	3.3	3.2	2.8	3.0
Taiwan	2.1	2.0	1.4	1.3	1.3	1.4	1.5	2.0	1.4	1.5

*Quarterly forecasts are quarterly average; yearly forecasts are average over the year, HICP for European Union economies

Source: ING estimates

Oil and natural gas price forecasts (avg)

	2Q24F	3Q24F	4Q24F	1Q25F	2024F	2025F	2026F
\$/bbl							
Brent	87.00	88.00	85.00	84.00	85.00	80.00	75.00
EUR/MWh							
Dutch TTF	30.00	25.00	35.00	35.00	29.00	29.00	28.00

Source: ING estimates

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