

Monthly Economic Update Hardly a happy new year

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A disappointing start

US: Straining at the leash

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-

Eurozone: A false start to the new year

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UK: Strict shutdowns to give way to sustained spring recovery

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China: Deleveraging reform resumes

- *The Chinese economy has recovered well, and therefore the government has restarted structural reform. We have revised our USD/CNY forecast for 2021. The risk is a spike in Covid cases due to huge numbers of people travelling over the Chinese New Year*
-

FX: Dollar downgrade

- *Despite broadening lockdowns, the recovery trade in FX markets is in full swing and the dollar bear trend is showing no signs of slowing. Trying to time a correction is tricky and instead, we are focusing on lowering our end-year dollar forecasts*
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Rates: Collateral damage

- *Despite ongoing Covid angst, steeper yield curves led by higher long rates gel with a positive vibe for the future. The vaccine helps enormously but big issues remain. Large negative real rates remain indicative of macro stress, and they have moved even deeper negative of late. We still look for higher market rates in 2021, helped by a reflation theme*
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A disappointing start



New Year, new beginnings. Starting with a clean sheet, 2021 can only be better than 2020 and we're all glad that, as Queen Elizabeth once put it, that 'annus horribilis' is finally over. We have heard all these comments, wishes and New Year resolutions. Some of us probably even started to believe in them. That's why the start of this new year has been so disappointing. Instead of light at the end of the tunnel, the discussion is about a mutated virus, extended and stricter lockdowns and problems with the supply and distribution of the long-hoped-for vaccine. It's anything but a good start.

At first glance, it looks as if differences between countries and regions in terms of lockdowns and vaccinations have increased again. However, these differences could quickly turn out to be just short-term noise, with at least Europe and the US quickly converging (again) to very similar situations. Coming up with credible point forecasts is in these circumstances is more difficult than ever. The number of infections is probably still distorted by delayed Christmas reporting, no one knows whether lockdowns will end at the end of January, the end of February or even later still. No one knows how and when the vaccination strategies will really gain momentum.

I explain more in my short video below, do click on it!

Things can only get better



ING's Carsten Brzeski on why we need to take step back and look for the good times which are surely coming later in the year.

We remain positive for the year

With all these uncertainties, it is best to take a step back and look at the bigger picture. That has hardly changed and it does remain positive. However, we'll only see evidence of that later this year. In our view, it doesn't really matter who's first in starting the vaccination programmes. It is more important that good infrastructure and organisation is put in place. Governments and producers will do everything they can to increase the supply of vaccines in the coming weeks and months.

Therefore, it is still fair to assume in our base case scenario that together with warmer weather, governments will ease the lockdown restrictions in early spring and that the rollout of the vaccine will gain momentum. In this scenario, we should see a significant pick-up in most economies by the second quarter. Supported by ongoing fiscal and monetary stimulus, our view that the global economy stages a strong recovery in the second half of the year remains intact. Winter might be darker than would wish, but light will return.

Three main risks

Still, as they say, this base case scenario is subject to high uncertainties and right now the risks are rather tilted to the downside. Here are just a few of those risks:

New virus: Just think of the UK and South African Covid variants which spread significantly faster and are becoming a dominant strain. This moves the goalposts as the R-rate, an indicator of how well the virus can spread, is now higher for any given level of restrictions. In theory, tighter rules are needed to keep R where it would have been before. It is unclear whether or not these virus variants are already everywhere, being one reason behind the increased number of infections. ·

Vaccine risk: There is no evidence yet but what if the new variants affect the current formulation of vaccines? This could effectively press 'reset' on the vaccination programmes. While manufacturers quickly tweak the formulation of their vaccines, and regulators work hard to speed it through, the process may need to start again. The question here is whether the existing vaccine provides immunity to new strains? Right now, scientists remain largely confident they will. But the risk of mutations is higher if community transmission remains elevated.

Medium-term upside risk: Despite all short-term downside risks, a potential upside risk to our forecast is that in the second half of the year, the consumer-led recovery turns much stronger than expected and we get a virtuous cycle of employment and investment growth. Who would sign up for this one? In our first Monthly Economic Update of the year, we try to answer the three most pressing questions per region: what is the short-term outlook in light of new restrictions? When can we expect a vaccine effect and how strong could the recovery be?

Happy New Year.

ING's three scenarios for the global economy and markets

Covid-19 economic Scenarios

Covid-19 in winter (A, B, C) + Vaccine rollout (I, II, III) = ING forecast combinations

Phase 1: Covid-19 spread over winter

	Scenario (A)	Scenario (B)	Scenario (C)
	ING Base – Moving towards B from A		
United States	Modest restrictions in some hotspots as hospitalisations rise, but differ between states. Focus on limiting spread rather than closing businesses	US follows Europe into tighter restrictions in a majority of states. Construction and manufacturing open, but hospitality heavily impacted	Further waves of Covid-19 push US into stricter lockdowns. Stay at home orders return. Non-essential retail shuts along with other close-contact services
Europe	Lockdowns succeed. Case growth falls, economies reopen quickly in early February. Rapid testing capability and more controllable virus growth allows contact tracing to work more effectively.	ING Base Tight restrictions extended until late February. Hospitality services stay broadly closed and household mixing rules remain strict until early summer. Vaccine will be rolled out in H1 21, with some temporary setbacks, allowing economies to gradually reopen in Q2.	Lockdowns persist well into H1 2021 or get stricter in the case of light lockdowns. Risk of complete circuit breaker lockdowns remains high. Situation continues at least until Easter and economies will only reopen from May onwards. Summer tourism still heavily affected.
Asia	China Case numbers remain low or very low by international standards, and typically falling. Social distancing restrictions remain tight, but slowly easing, including international travel bubbles	Asia ex. China Case numbers remain relatively low but rising in many countries. Lower tolerance for Covid brings targeted social distancing measures back into play and closure of travel bubbles	Asia follows the rest of the world into a second or in some cases third wave and national measures re-imposed to squeeze out the virus.

Phase 2: Vaccine development and roll-out

	Vaccine Scenario (I)	Vaccine Scenario (II)	Vaccine Scenario (III)
Vaccine timeline	Roll-out rapidly accelerates and most of the vulnerable population is vaccinated within weeks. Governments decide this justifies unwinding restrictions materially before Easter	Gradual improvement although differential rates of inoculation across economies. Countries higher-up the orders list of successful vaccines see earlier roll-out and quicker emergence from social distancing rules.	Vaccine roll-out takes longer New variants mean vaccines need to be re-worked, or programmes unexpectedly paused due to safety or efficacy concerns. Herd immunity not reached in 2021.

ING forecasts under each different scenario combinations

	Combination (A, I)	Combination (B, II)	Combination (C, III)
Forecasts	2021 GDP US: 6.0% Eurozone: 4.1%	2021 GDP US: 5.1% Eurozone: 3.0%	2021 GDP US: 2.4% Eurozone: 0.9%

Note: GDP forecasts have been rounded to nearest whole or half number
Source: ING

US: Straining at the leash

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The US has, so far, avoided the economic strife seen in Europe resulting from new lockdowns, but caution is warranted given evidence of the new strain having arrived. Nonetheless, as the vaccination programme gains momentum, the economy re-opens and further fiscal spending materialises, vigorous growth will return.



Democratic Senator-elect Raphael Warnock with President-elect Joe Biden in Atlanta earlier this year

The short-term outlook

Given rising numbers of Covid cases, we had been fearing that the 'stay at home' order in California would spread elsewhere, but so far this has not happened. Instead, individual states are largely limiting the restrictions to the cessation of dine-in eating in areas of high infections, restrictions on the size of gatherings, capacity limits in gyms, bars and some retail, and mandatory mask-wearing. This is far less onerous than what is being experienced in much of Europe.

It means we have chosen to revise higher our 4Q 2020 GDP number, but even this can't hide a loss of momentum in the recovery. Consumer spending fell in November and we could see a further drop in December given the developments in California, the US' most populous state. The fact that dine-in eating has ended in some major cities, including New York, forcing many businesses to close again, will also weigh on spending and jobs.

We can't say for certain that restrictions won't intensify. So far, only a handful of states has identified cases of the new, more infectious coronavirus strain, but if it gains a foothold and leads to an acceleration in hospitalisation rates we can well imagine 'stay at home' orders will return more broadly to the US.

This means we retain a cautious near-term outlook. We forecast only weak growth in the first quarter of 2021 despite the fact we have had a \$900bn fiscal support package passed and \$600 cheques are appearing in millions of people's letterboxes.

The vaccine effect

The US is now vaccinating "at-risk" groups and the elderly, but it is going slower than planned. The goal of 20 million vaccinations by December 31st has been missed with a little over 4.5 million achieved by the first week of January while only 15 million doses have been delivered to states. This suggests there is both a failure on both the

production and the distribution sides. There are also issues surrounding people who can receive it not wanting it in some states, while in Florida there reports some people are camping out overnight to make sure they get the jab.

Joe Biden is promising 100 million vaccinations in his first 100 days of the presidency (by April 30th), but with 2 shots needed and a population of 330 million, it will take time for herd immunity. Dr Anthony Fauci, who has been a key advisor to President Trump and will continue in his position within the Biden administration has raised his estimates for this from when 60-70% of the population have received the double shot to when 75-85% have received them.

One of the first acts of the Biden presidency will be to deliver the cash required to ramp up the vaccination efforts but even so, the medical establishment suggests it may not be until the third quarter that this target is achieved and “normality” could fully return.

The strength of the recovery

Nonetheless, it is the state Governor and local mayors, rather than the President, that decides what happens in the individual states, cities and towns. We can well imagine that as the vaccination rates rise through the first into the second quarter and assuming hospitalisation rates decline in response to this and the lagged effects of past containment measures, “freedoms” will return more quickly.

We expect leisure and hospitality will gradually re-open and travel more widely tolerated. With households, that in aggregate have been paying down credit cards and building up savings, able to start to spend on previously prohibited activity there will be a vigorous rebound in the service sector. This will see a rebalancing of expenditure away from “things” to “experiences” as the population makes up for lost time.

Additional momentum is likely to come from fiscal policy. President Biden is seeking to “Build Back Better”, which involves significantly increasing spending on infrastructure and green energy. The hope is that this will also deliver millions of new jobs.

The so-called “Blue Wave”, which has arrived in the wake of the two Democrat Georgia senate seat, makes this easier to facilitate and gives us added optimism on the medium to longer-term growth outlook.

Given 2021 will see a focus on growth, we suspect promised tax hikes may be delayed until 2022/23 with tighter regulations for some industries also eased in at a later date. With the Fed assuring us of ongoing loose monetary policy and a more benign trade backdrop relative to the Trump Presidency, it looks to be a recipe for very vigorous economic activity later this year.

Eurozone: A false start to the new year

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With Covid-19 cases swelling again in the last few months of 2020, several European countries had to tighten containment measures and extend them into this year. The risk now is that GDP contracts again in the first quarter. The slow start to the vaccine campaign is not helping either, but GDP growth should pick up from the second quarter onwards



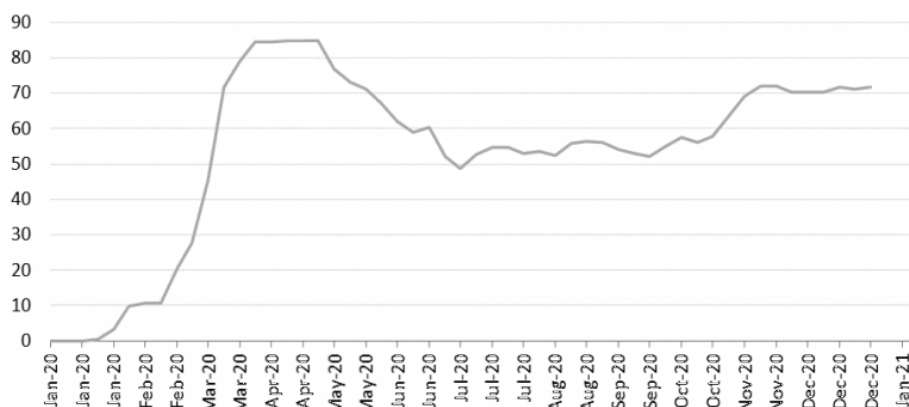
A virtually deserted Eiffel Tower in Paris

The short-term outlook: Recession lingers on

With rising numbers of Covid-19 cases in the last few months of 2020, several eurozone countries were forced to tighten lockdown measures and extend them into the first quarter of this year. Manufacturing remained relatively strong over the past few months (PMI at 55.2 in December), but judging by the mobility data, consumption was probably slightly weaker, resulting in a GDP contraction in the fourth quarter (though less dramatic than in the second).

Winter sports holidays will be partially cancelled and bars and restaurants might stay closed beyond January, which will also hurt consumption in the next few months. And while Brexit probably gave a boost to 4Q exports, with UK retailers building up inventories, the reverse will be seen in 1Q. Finally, with the more contagious strain of Covid-19 now reaching the continent, the risk of a third wave in the first quarter, unfortunately, cannot be excluded. We're looking at first-quarter growth to be at best 0%, which probably means two consecutive quarters of negative growth.

Average for the six biggest eurozone countries



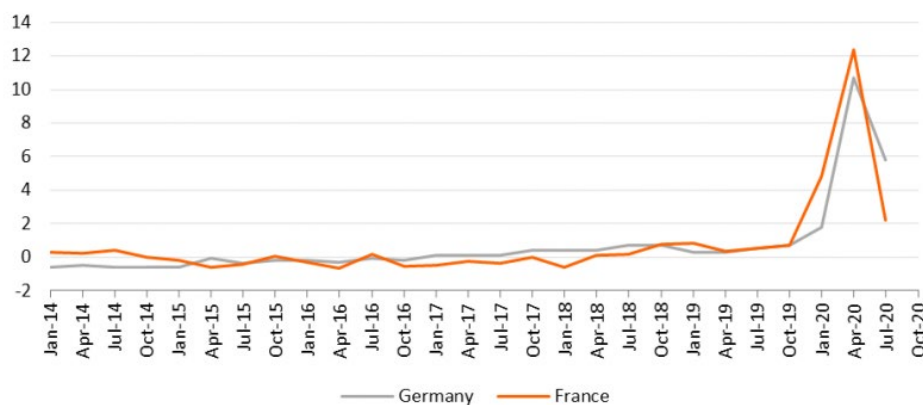
Source: Refinitiv Datastream

The vaccine effect: A slow start

The purchase of the vaccine has been coordinated at a European level, with the EU ordering more than one billion doses from several producers, although some of them won't have them ready until the second half of the year. At the time of writing, only the Pfizer/BioNTech has been approved by the EU, but the Moderna vaccine is likely to follow in the first half of January.

The start of the vaccination campaign has been slow and sometimes chaotic, with some countries not even having started in the first week of January. As the approval for the AstraZeneca vaccine has been delayed and the Johnson & Johnson vaccine still in phase 3, there might also be some supply problems. Germany hopes to have vaccinated 60% of the population by the end of the summer and other countries are unlikely to be faster. So herd immunity is only expected to be reached in the course of 4Q 2021. That said, with the most vulnerable groups being inoculated first, the opening up of the economy is likely to begin in the second quarter, though some social distancing rules will remain in place for some time to come.

Divergence from the 2014-2019 average



Source: Refinitiv Datastream

The strength of the recovery: Savings to the rescue

2021 is starting on the wrong foot, with the eurozone economy still struggling. But even though the vaccination process will be drawn-out, we believe that from the second quarter and beyond, some of the excess savings households built up in 2020 will be unleashed, boosting consumption. And that especially goes if the tourism and entertainment sectors are gradually reopened in the European spring.

The second half of the year will also get a boost from the European Recovery Fund with public investment shifting into higher gear. It's unclear to what extent businesses will be able to join the investment boom, as many will still try to rebuild their financial health. Exports will benefit from a synchronised worldwide recovery, though the strong euro is likely to temper this tailwind. That's why we have now downgraded our GDP growth forecast to 3.0% this year, followed by 3.5% in 2022, given the weak start to the year. That means that it will take until the summer of 2023 for the eurozone to regain its pre-crisis activity level.

UK: Strict shutdowns to give way to sustained spring recovery

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While we expect strict lockdowns to trigger a 3% fall in UK GDP in the first quarter, the more optimistic outlook for vaccinations means a sustained recovery could start in the spring. The longer-term recovery will depend on how quickly government wage support is removed, but also on the drag from lower investment and hiring as a result of new UK-EU trade ties



A deserted Piccadilly Circus in central London

The short-term outlook

The new, more transmissible Covid-19 strain means the new strict UK lockdown is here to stay for some time. And this inevitably means a negative first quarter for GDP - perhaps in the region of -3%. The upside to that appears limited, given that we know the current lockdown will last until at least mid-February.

That said, the dip is unlikely to be as bad as the first lockdown. Sectors that are able to operate, even partially, are better geared up. And a wider range of industries, including construction/manufacturing, are able to continue operating. Economic activity looks poised to drop to around 15% below its pre-virus level, compared to -25% in the first wave.

The clear downside risk to this comes from Brexit. There are a growing number of reports of firms struggling to move goods across the border now the transition period has ended. The vast majority of hauliers that operate on the key Dover-Calais route are EU-based. The pre-Christmas chaos at the ports appears to have left many reluctant to take UK-bound deliveries, while new customs and VAT processes are adding further complexity.

The vaccine effect

The UK expects to vaccinate all over 70s (and some other high-risk groups) by mid-February. This may prove over-ambitious, but given the anticipated supply of Oxford/Astrazenica doses, a weekly pace of one to two million doses appears achievable within the next few weeks.

Realistically that could enable a very gradual removal of restrictions from March, and more meaningfully beyond Easter. By then, the hope will be that the hospitalisation risk will have fallen significantly, although the government may feel compelled to reduce wider community transmission further if cases are still high. Our base case is that most, if not all, restrictions have largely gone by the summer months. Like elsewhere, a key risk is that a new variant disrupts the vaccination programme, requiring a tweaked vaccine to be rolled out at speed.

The strength of the recovery

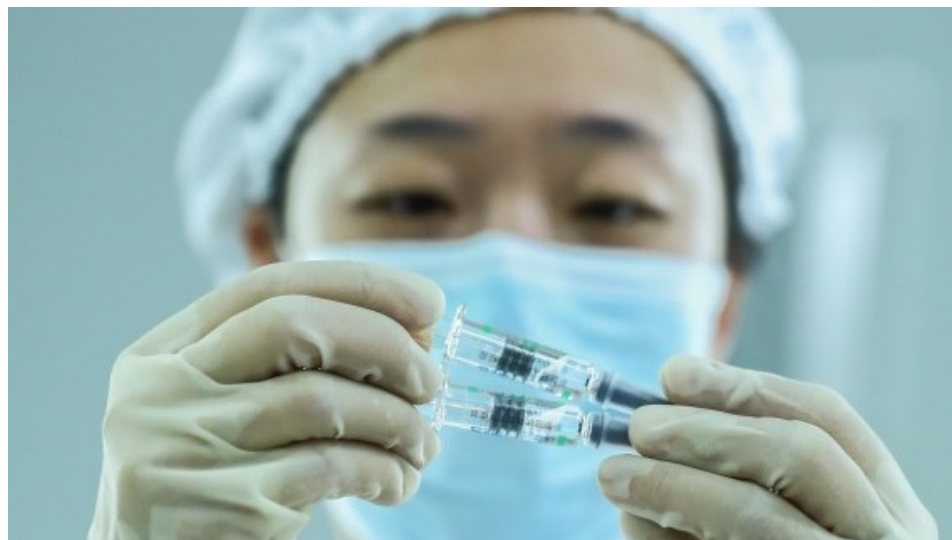
Pent-up demand is likely, given the savings that have been built up on aggregate through lockdowns. But the more important question is what happens to government support - chiefly wage subsidies. If these are phased out before the worst-affected sectors are back on their feet (think events, travel etc) there is a risk of another increase in unemployment through the middle of the year. An element of this is inevitable, and we think this will prevent a return to the economy's pre-virus size this year or indeed, most likely, for most of 2022.

China: Deleveraging reform resumes

The Chinese economy has recovered well, and therefore the government has restarted structural reform. We have revised our USD/CNY forecast for 2021. The risk is a spike in Covid cases due to huge numbers of people travelling over the Chinese New Year

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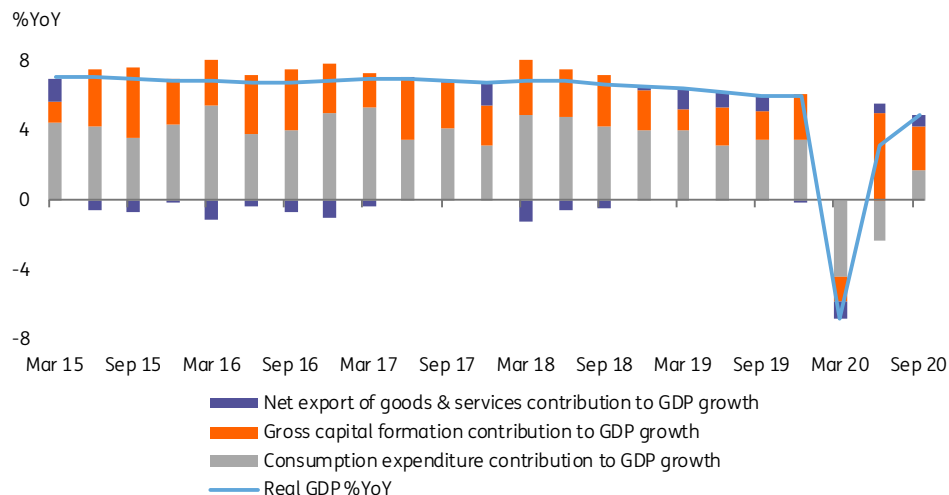
A worker checks a Covid-19 vaccine in Beijing

The short-term outlook

Though Covid cases have edged up in China, the numbers are still very low (around 10 to 40 cases per day). The economy is therefore still running well in terms of the manufacturing sector as well as the service sector. External demand could be at risk due to lockdowns in some major export markets. But the delivery of holiday orders should have been completed before these lockdowns took place. We are maintaining our GDP forecast at 5.5% year-on-year in 4Q20 from 4.9% YoY a quarter ago. Full-year GDP growth should therefore be 1.7% in 2020 from 6.0% in 2019.

The big risk to the economy will come at Chinese New Year when flows of people peak. The city of Beijing has already announced policies to restrict those flows as there have been more cases found around the capital. Other major cities may follow suit if they find more Covid cases when people start to travel to their hometowns and then back to work after the holiday towards the end of February. This risk would be lower if more people could be vaccinated before they travel, which is also the government's intention.

China GDP growth rebounded after 1Q20



Source: CEIC, ING

The vaccine effect

Vaccinations have started to be administered to medical staff, other high-risk groups and the most needed, notably the elderly in Mainland China, and will later be rolled out to the general public. The willingness to receive vaccines is quite high.

The government believes if 60% to 70% of the population receives the vaccine, protection to the general public will be far more effective.

The strength of the recovery

As Covid cases remain low, the government has restarted structural reforms.

The most obvious of these reforms is deleveraging, which allows the market to determine which companies will fail. But the biggest risk, which is the real estate sector, is simply too big to fail. The government is therefore squeezing this bubble by limiting bank lending to real estate borrowers and mortgagors. It is expected that some small property developers will default on their bonds this year.

The government has also picked up its anti-corruption campaign. This is a positive sign of the governance system.

Another move which has been extended from October 2020 is exchange rate reform. The USD/CNY has been stronger and broken some key levels. The weak dollar is one key driver but without the central bank's willingness to reform the exchange rate, by phasing out the counter-cyclical factor, the yuan would not have appreciated so quickly. As a result, we are revising our USD/CNY year-end forecast to 6.20 from 6.30.

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FX: Dollar downgrade

Despite broadening lockdowns, the recovery trade in FX markets is in full swing and the dollar bear trend is showing no signs of slowing. Trying to time a correction is tricky and instead, we are focusing on lowering our end-year dollar forecasts



A man with a US dollar mask

The short-term outlook: Dollar downgrade

New Year early trading sessions have witnessed an extension of the FX trend we've seen since early November, namely a broad dollar decline. The central drivers here remain global recovery hopes backed by deeply negative US real rates. By successfully driving up US inflation expectations the Federal Reserve has successfully de-valued the dollar.

As we move through the first quarter of this year, it is fair to say that recovery hopes will be challenged – especially in Europe. The return of national lockdowns are certainly taking their toll on activity and arguably European currencies should become more vulnerable.

Yet the powerful dollar bear trend is floating all boats, including the euro. And the recycling of money flowing into Asia, via FX reserve managers, into the EUR looks like one the European Central Bank will have to suffer all year.

The vaccine effect: Limiting any dollar corrections

Expectations that the vaccine rollout will allow economies to reopen in the second quarter of the year should mean that if we do see any corrections in the dollar trend, they will be reasonably shallow. Investors now know that central bankers, especially the Fed, stand very ready to offer more liquidity should recovery trends look to be stalling.

In practice, we think any corrective rallies in the dollar would peter out somewhere near the 1.20 area in EUR/USD and 105 in USD/JPY.

The strength of the recovery: Reflationary FX trends extend into 2H

As long as economies evolve in line with recovery hopes, we expect these reflationary FX trends to continue through the second half of 2021. Given these global trends favour the

asset classes of commodities and equities, the commodity FX complex and Asian FX should continue to do well respectively. Here USD/CNY should be heading towards 6.20.

But the dollar should also stay pressured across the board and we now expect EUR/USD and USD/JPY to be ending the year closer to 1.30 and 100, respectively.

Rates: Collateral damage

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Despite ongoing Covid angst, steeper yield curves led by higher long rates gel with a positive vibe for the future. The vaccine helps enormously but big issues remain. Large negative real rates remain indicative of macro stress, and they have moved even deeper negative of late. We still look for higher market rates in 2021, helped by a refutation theme



The Fearless Girl statue in New York's financial district

The short-term outlook: (Un)Lucky dip

We kick off 2021 with market rates still exceptionally low. The German 10yr at -50bp is only marginally above the -70bp hit when Covid first struck. Even the US 10yr is struggled to really break to the upside, although has since finally broken above 1%. While an unconstrained Biden administration will push up the deficit meaning more supply, the near term macro angst will contain the extent to which US market rates can rise.

The macro data in the coming few months will be bad, clearly marking out a double-dip. That's always been a risk case scenario and it is now the central case. The risk case now centres on a longer dip, or something more sinister than a dip.

The vaccine effect: Good, but big issues remain

The vaccine certainly helps to frame a better medium-term outlook, but other collateral damage left in the wake of the coronavirus impact needs addressing too. Market rates are still below current low inflation rates, which is far from natural as it means we live with negative real rates. Those negative rates paint a very dour picture of the future. In Germany, the 10yr real rate is at -1.5%. In the US it is closer to -1%; higher, but still depressingly low.

But at the same time, implied inflation expectations coming from the difference between conventional and real yields have risen. In the US the implied inflation expectation is now running at over 2% in the 10yr, while in Germany it is just below 1%. The problem is, elevated inflation expectations are partly down to depressed real yields, and that's far from ideal. We are still far from normal market rates.

The strength of the recovery: The negative real rates conundrum

These are far from certain times, and negative real rates are the clearest measure of the extent of Covid-inspired collateral damage. At the same time (and to cling to positives), negative real rates are highly stimulative and should aid recovery.

The steepening seen in the US yield curve in the past couple of quarters is illustrative of a growing reflationary discount. We are not there yet, but once we get clarity that the dip being experienced is indeed just that, a short dip, there is the underpinning for the US 10yr to stay above 1%. In fact, the profile through 2021 pictures a 25bp ratchet higher in the 10yr in each quarter; not quite getting to 2%, but getting above 1.5% is on the cards.

ING global forecasts

	1Q20	2Q20	2020		FY	1Q21	2Q21	2021		FY	1Q22	2Q22	2022		FY
			3Q20	4Q20				3Q21	4Q21				3Q22	4Q22	
United States															
GDP (% QoQ, ann)	-5.00	-31.40	33.40	4.20	-3.50	1.60	10.00	5.00	3.80	5.10	3.50	3.00	2.90	2.90	3.90
CPI headline (% YoY)	2.10	0.40	1.30	1.10	1.20	1.40	2.90	2.20	2.40	2.20	2.20	2.10	2.10	2.10	2.10
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)	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
10-year interest rate (% eop)	0.67	0.68	0.68	1.00	1.00	1.00	1.25	1.25	1.50	1.50	1.50	1.50	1.75	1.75	1.75
Fiscal balance (% of GDP)					-19.10					-8.90					-5.20
Gross public debt / GDP					100.50					102.50					101.80
Eurozone															
GDP (% QoQ, ann)	-14.10	-39.20	60.00	-8.40	-7.20	-0.20	5.20	6.30	5.60	3.00	2.80	2.00	1.90	1.60	3.50
CPI headline (% YoY)	1.10	0.20	-0.10	-0.30	0.20	0.30	0.90	1.10	1.20	0.90	1.20	1.30	1.30	1.40	1.30
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)	-0.40	-0.45	-0.49	-0.55	-0.55	-0.55	-0.50	-0.50	-0.45	-0.45	-0.45	-0.45	-0.40	-0.40	-0.40
10-year interest rate (% eop)	-0.47	-0.45	-0.55	-0.57	-0.57	-0.55	-0.40	-0.30	-0.30	-0.30	-0.20	-0.20	-0.15	-0.10	-0.10
Fiscal balance (% of GDP)					-9.50					-6.10					-3.70
Gross public debt/GDP					105.30					106.30					104.30
Japan															
GDP (% QoQ, ann)	-2.30	-28.80	22.90	0.50	-5.60	0.60	0.80	3.20	2.60	1.40	1.20	1.00	1.10	2.50	1.70
CPI headline (% YoY)	0.50	0.10	0.20	-0.70	0.00	-0.70	-0.30	0.80	0.50	-0.10	0.80	0.80	0.60	0.60	0.70
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)	0.00	0.00	-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)					-17.00					-9.80					-8.90
Gross public debt/GDP					223.00					229.00					233.00
China															
GDP (% YoY)	-6.80	3.20	4.90	5.50	1.70	12.00	5.50	5.00	5.50	7.00	3.00	5.00	5.50	5.00	4.60
CPI headline (% YoY)	5.00	2.70	2.40	0.60	2.60	2.00	2.50	2.50	2.90	2.50	2.80	2.60	2.40	2.50	2.50
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)	1.95	2.13	2.67	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)	2.59	2.87	3.10	3.25	3.25	3.20	3.20	3.25	3.30	3.30	3.35	3.40	3.45	3.50	3.50
Fiscal balance (% of GDP)					-6.00					-6.00					-4.00
Public debt (% of GDP), incl. local govt.					110.00					115.00					118.00
UK															
GDP (% QoQ, ann)	-11.5	-56.4	81.1	-1.3	-10.2	-11.3	30	9.7	4	5.2	1.9	1.5	1.5	1.5	4.6
CPI headline (% YoY)	1.7	0.6	0.6	0.5	0.8	1.0	1.5	1.5	1.7	1.4	1.4	1.5	1.6	1.6	1.5
BoE official bank rate (% eop)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
3-month interest rate (% eop)	0.60	0.20	0.10	0.00	0.00	0.00	0.00	0.10	0.15	0.15	0.20	0.20	0.25	0.30	0.30
10-year interest rate (% eop)	0.30	0.20	0.20	0.20	0.20	0.25	0.40	0.50	0.60	0.60	0.70	0.70	0.70	0.80	0.80
Fiscal balance (% of GDP)					-15					-7.0					-3.5
Gross public debt/GDP					112					110.5					110.5
EUR/USD (eop)	1.10	1.13	1.17	1.22	1.22	1.22	1.25	1.28	1.30	1.30	1.30	1.30	1.28	1.25	1.25
USD/JPY (eop)	107	107	105	103	103	102	100	100	100	100	102	103	104	105	105
USD/CNY (eop)	7.08	7.07	6.78	6.53	6.70	6.60	6.50	6.45	6.30	6.30	6.35	6.40	6.45	6.50	6.50
EUR/GBP (eop)	0.89	0.91	0.91	0.89	0.89	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88

GDP forecasts are rounded to the nearest whole/half number, given the large magnitude and uncertainty surrounding our estimates

Source: ING forecasts

Real GDP growth (QoQ% annualised unless otherwise state) and market forecasts

Scenario 1 - Winter Covid-19 situation improves quickly, while vaccination programme accelerates rapidly															
	2020					2021					2022				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
United States	-5.00	-31.40	33.40	4.20	-3.60	5.40	9.20	5.00	4.30	6.00	3.60	3.20	3.00	2.80	4.10
Eurozone	-14.10	-39.20	60.00	-8.40	-7.20	2.60	7.20	6.30	5.20	4.10	2.50	2.20	2.00	1.60	3.60
China (YoY%)	-6.80	3.20	4.90	5.50	1.70	12.00	5.50	5.00	5.50	7.00	3.00	5.00	5.50	5.00	4.63
Japan	-2.10	-29.20	22.90	2.70	-1.43	2.20	2.70	4.10	3.00	3.00	1.50	1.30	1.40	1.40	1.40
United Kingdom	-11.50	-56.40	81.10	-1.30	-10.20	-7.30	32.30	11.10	4.50	6.90	2.20	2.30	2.30	2.30	5.30
EUR/USD	1.10	1.13	1.17	1.18		1.20	1.22	1.23	1.25		1.25	1.25	1.23	1.20	
US 10-year yield (%)	0.67	0.68	0.68	1.00		1.25	1.50	1.50	1.50		1.75	1.75	1.75	2.00	
Scenario 2 - Harsh winter followed by gradual spring/summer reopening															
	2020					2021					2022				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
United States	-5.00	-31.40	33.40	4.20	-3.50	1.60	6.00	5.00	3.80	5.10	3.50	3.00	2.90	2.90	3.90
Eurozone	-14.10	-39.20	60.00	-8.40	-7.20	-0.20	5.20	6.30	5.60	3.00	2.80	2.00	1.90	1.60	3.50
China (YoY%)	-6.80	3.20	4.90	5.00	1.58	7.00	5.00	4.50	5.00	5.38	3.00	4.50	6.00	6.00	4.88
Japan	-2.10	-29.20	22.90	0.50	-1.98	0.60	0.80	3.20	2.60	1.80	1.20	1.00	1.10	2.50	1.45
United Kingdom	-11.50	-56.40	81.10	-1.30	-10.20	-11.30	30.00	9.70	4.00	5.20	1.90	1.50	1.50	1.50	4.60
EUR/USD	1.10	1.13	1.17	1.12		1.15	1.18	1.18	1.20		1.22	1.23	1.24	1.25	
US 10-year yield (%)	0.67	0.68	0.68	1.00		1.00	1.25	1.25	1.50		1.50	1.50	1.75	1.75	
Scenario 3 - Lockdowns for longer - vaccination programme delayed															
	2020					2021					2022				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
United States	-5.00	-31.40	33.40	4.20	-3.50	-7.30	7.00	6.80	4.30	2.40	3.90	3.70	3.50	3.10	4.40
Eurozone	-14.10	-39.20	60.00	-8.40	-7.20	-4.20	0.70	3.70	6.90	0.90	6.60	4.60	2.70	2.00	4.80
China (YoY%)	-6.80	3.20	4.90	0.00	0.33	2.00	4.00	3.00	1.00	2.50	3.00	5.00	6.00	6.00	5.00
Japan	-2.10	-29.20	22.90	-1.90	-2.58	-0.60	-0.70	1.10	1.10	0.23	0.80	1.40	5.10	4.10	2.85
United Kingdom	-11.50	-56.40	81.10	-1.30	-10.20	-17.70	28.70	13.70	6.00	3.70	0.60	0.20	0.00	0.70	4.50
EUR/USD	1.10	1.13	1.17	1.10		1.10	1.10	1.12	1.15		1.15	1.18	1.20	1.20	
US 10-year yield (%)	0.67	0.68	0.68	1.00		0.50	0.50	0.50	0.75		0.75	1.00	1.25	1.25	

Real GDP level (Indexed at 4Q19=100)

Source: ING (Note most growth forecasts rounded to nearest whole or half number)

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