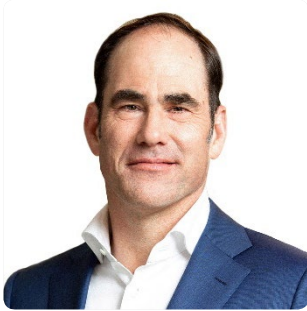


ING Monthly

October 2025

Europe prays that France gets a grip





Europe prays that France gets a grip

Political chaos in France is a symptom of wider, more structural problems. It needs to get its act together for the sake of future European economic stability

This is not a game

I'm a sports fanatic, and when I followed the remarkable Olympic Games in Paris last year, that part of me felt nothing but joy. The economist in me, however, couldn't help but wonder whether splurging on a spectacular Olympic experience is truly sustainable. Maybe it's a leading indicator, or just a coincidence, but over the past twenty years, European hosts of the Olympics have consistently ended up with financial troubles: Greece, the UK, and now France.

French politics has now taken centre stage. Normally, when you think of unstable and fragmented politics, you think of Italy, which had six prime ministers in the 2010s and 14 parliamentary parties. But think again. France has had six PMs since 2020, Italy just three.

Something structurally wrong

And while we should be proud of our democracy, the more often national governments fall, the stronger the signal that something is structurally wrong. The number of prime ministers isn't the cause of instability - it's a symptom. It suggests that something in the economy and/or society is in need of repair. In France's case, it's the unresolved dilemma of how to reconcile rising government debt and ageing populations with the urgent need for investment and structural reform. Whatever the next hours, days, or weeks bring in French politics, a solution to this dilemma doesn't seem close.

As a result, expect political instability and uncertainty to leave their mark on the economy, pushing the eurozone's second-largest economy closer to stagnation. Still, this isn't a return of the euro crisis. It's a domestic political and, probably soon, an economic crisis. Direct contagion to other eurozone countries looks unlikely. Indirect contagion, however, is possible. The dilemma France faces isn't unique; many European countries are in similar positions. For those with deep fiscal pockets, like Germany, France's situation is a warning. It illustrates a future where fiscal stimulus isn't matched by structural reform.

And there's more. France's situation will directly impact Europe. Since France and Germany breached the eurozone's fiscal rules in the early 2000s, France has never truly stabilised its public finances. In fact, over the past twenty years, France has only managed to bring its deficit below the 3% of GDP threshold twice. The European Commission and the ECB will have no choice but to play hardball, increasing pressure on the French government to comply with Europe's fiscal rules. If they don't, those rules aren't just broken—they're obsolete.

For the ECB, offering a safety net to France via TPI or OMT would send the wrong signal. It's hard to argue that any widening of spreads is 'unwarranted' when it stems from a self-inflicted political mess.

We need a strong Franco-German axis

Ultimately, Europe requires a robust Franco-German axis to address its numerous challenges and capitalise on what many have termed the 'global euro moment'—or at the very least, to prevent Europe from falling further behind in the global economy. The last time this axis worked well was during the pandemic, when both countries backed the European Recovery Fund. Since then, it's suffered from German economic weakness and political indecisiveness.

Now that Germany is trying to bounce back and reclaim leadership in Europe, France's turmoil couldn't come at a worse time. In this context, it's hard to imagine Europe making meaningful progress on the Capital Markets Union, safe assets, cross-border investments, or reducing bureaucracy and regulation. Even the long-term EU budget is at risk.

Last year, I thoroughly enjoyed the Olympics in Paris. Admittedly, it's rare that I publicly support the French team. Today is different: Allez les Bleus! And get your act together, for Europe.

Watch: Why Europe is praying that France gets a grip



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Our key calls this month

- **United States:** Tariffs are having less of an immediate impact on inflation than feared, while we're increasingly wary about the condition of the US jobs market. We expect the Fed to cut rates by 25bp in October and December, with a further 50bp of cuts in early 2026.
- **Eurozone:** The bar for another ECB rate cut remains high, though it is possible were we to see more evidence of a delayed tariff impact, further euro strength, a wider impact of French politics, or delays to German fiscal stimulus. For now, we expect the ECB to remain on hold for the next two years.
- **China:** Barring a stronger September, we expect a steep deceleration in third-quarter growth. Further policy support is likely and we expect 10bp worth of rate cuts and 50bp of reserve-requirement-ratio (RRR) cuts from the PBoC. It's possible we also see fresh support for consumption and the property market.
- **United Kingdom:** We no longer expect another Bank of England rate cut this year, though lower inflation and higher taxes in the forthcoming Autumn Budget should unlock further easing in 2026.
- **FX:** Following Sanae Takaichi's victory in the recent LDP leadership election, we have raised our USD/JPY forecasts, reflecting political headwinds surrounding Bank of Japan rate hikes. Separately, we still expect EUR/USD to reach 1.20 by year-end.
- **Market rates:** In the short term, US 10-year yields could well break below 4%, but in the medium term, we're targeting 4.25-4.5%.

ING global forecasts

	2025					2026					2027				
	1Q25	2Q25F	3Q25F	4Q25F	2025F	1Q26F	2Q26F	3Q26F	4Q26F	2026F	1Q27F	2Q27F	3Q27F	4Q27F	2027F
United States															
GDP (% QoQ, ann)	-0.6	3.8	2.4	1.1	1.9	1.1	1.7	2.0	2.4	1.7	2.3	2.2	2.2	2.2	2.2
CPI headline (% YoY, avg)	2.7	2.5	2.9	3.2	2.8	3.0	3.1	2.7	2.2	2.7	1.9	2.0	2.1	2.1	2.1
Federal funds (% eop)	4.50	4.50	4.25	3.75	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3-month SOFR rate (% eop)	4.50	4.40	4.20	3.70	3.70	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
10-year interest rate (% eop)	4.25	4.25	4.15	4.25	4.25	4.50	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Fiscal balance (% of GDP)					-6.6					-6.6					-6.1
Gross public debt / GDP					101.4					103.7					105.5
Eurozone															
GDP (% QoQ, ann)	2.3	0.5	0.7	0.5	1.3	1.0	1.3	1.7	1.8	1.0	1.6	1.4	1.3	1.2	1.6
CPI headline (% YoY, avg)	2.3	2.0	2.1	1.8	2.1	1.8	1.9	1.8	1.9	1.9	2.2	2.2	2.2	2.3	2.2
ECB Deposit Rate (% eop)	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
3-month interest rate (% eop)	2.40	1.90	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10
10-year interest rate (% eop)	2.80	2.60	2.70	2.80	2.80	2.80	2.90	3.00	3.00	3.00	3.10	3.10	3.20	3.20	3.20
Fiscal balance (% of GDP)					-3.4					-3.5					-3.3
Gross public debt/GDP					90.5					92.7					93.1
Japan															
GDP (% QoQ, ann)	0.3	2.2	-2.0	0.4	1.0	1.2	0.8	1.2	1.2	0.6	0.8	0.8	0.8	0.8	0.9
CPI headline (% YoY, avg)	3.8	3.4	2.9	2.5	3.1	1.6	1.7	1.8	1.7	1.7	2.2	2.1	2.0	2.0	2.1
Target rate (% eop)	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.25	1.25	1.50	1.50
3-month interest rate (% eop)	0.82	0.77	0.80	1.00	1.00	1.00	1.00	1.20	1.20	1.20	1.25	1.40	1.50	1.70	1.70
10-year interest rate (% eop)	1.50	1.44	1.65	1.75	1.75	1.75	1.80	1.80	2.00	2.00	2.00	2.25	2.25	2.50	2.50
Fiscal balance (% of GDP)					-7.0					-7.0					-5.0
Gross public debt/GDP					235					235					232
China															
GDP (% YoY)	5.4	5.2	4.5	4.4	4.9	4.5	4.5	4.5	4.4	4.5	4.1	4.8	4.4	4.4	4.4
CPI headline (% YoY, avg)	-0.1	0.0	-0.2	-0.1	-0.1	0.6	0.3	1.0	2.3	1.1	2.3	1.8	1.5	0.7	1.6
7-day Reverse Repo Rate (% eop)	1.50	1.40	1.40	1.30	1.30	1.30	1.30	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
3M SHIBOR (% eop)	1.91	1.63	1.58	1.50	1.50	1.50	1.50	1.45	1.45	1.45	1.45	1.45	1.45	1.45	1.45
10-year T-bond yield (% eop)	1.82	1.65	1.87	1.90	1.90	1.90	1.90	1.95	2.00	2.00	2.00	2.05	2.10	2.15	2.15
Fiscal balance (% of GDP)					-5.50					-5.3					-5.3
Public debt (% of GDP), incl, local govt					135					145					-
United Kingdom															
GDP (% QoQ, ann)	2.7	1.1	0.8	0.9	1.5	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
CPI headline (% YoY, avg)	2.8	3.5	3.8	3.6	3.4	3.1	2.5	2.7	2.7	2.8	2.7	2.5	2.4	2.2	2.4
BoE official bank rate (% eop)	4.50	4.25	4.00	4.00	4.00	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3-month interest rate (% eop)	4.45	4.20	3.95	3.90	3.90	3.70	3.35	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20
10-year interest rate (% eop)	4.68	4.55	4.70	4.60	4.60	4.50	4.40	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30
Fiscal balance (% of GDP)					4.0					3.6					3.1
Public sector net debt (FY, %)					95.4					96.1					96.4
EUR/USD (eop)	1.08	1.13	1.17	1.20	1.20	1.20	1.20	1.21	1.22	1.22	1.22	1.22	1.22	1.22	1.22
USD/JPY (eop)	150	145	148	148	148	147	145	143	142	142	141	140	140	140	140
USD/CNY (eop)	7.26	7.16	7.12	7.10	7.10	7.10	7.05	7.05	7.00	7.00	6.95	6.90	6.85	6.80	6.80
EUR/GBP (eop)	0.84	0.85	0.87	0.88	0.88	0.88	0.89	0.89	0.90	0.90	0.90	0.90	0.90	0.90	0.90
ICE Brent - US\$/bbl (average)	75	67	68	62	68	58	56	58	54	57	58	60	66	63	62
Dutch TTF - EUR/MWh (average)	47	36	33	35	38	34	28	29	33	31	30	24	24	27	26

Source: ING forecasts

US tariffs persist beyond the headlines

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Tariffs remain one of Trump's main foreign policy tools, as well as an important source of public finance funding



Global trade keeps shifting, even as tariffs slip from the headlines

Beyond the daily churn of breaking news, US tariffs remain firmly in place. In fact, over the past month, the US government has reaffirmed its commitment to using them as an important policy instrument.

US President Donald Trump announced a new round of tariffs at the end of September. These new tariffs range from 25% on heavy trucks and 50% on kitchen cabinets and bathroom vanities to 100% on pharmaceuticals. These tariffs came under Section 232, declaring products as a threat to national security. And as little as kitchen cabinets are a threat to US national security as European washing machines were during Donald Trump's first term in office, these tariffs should be considered a contingency plan, ready to be activated if the US Supreme Court blocks the government's bilateral tariffs in its final ruling on 5 November.

On a more positive note, the US government also announced that it had acknowledged the EU's start of the legislative process, outlined in the trade framework agreement between the EU and the US, which in turn triggers a retroactive reduction of US tariffs on European automobiles to 15%, from the current rate of 27.5%.

All of this shows that the shifts in global trade will continue, and it will take longer than expected before the full impact on the global economy will unfold. Currently, for example, the effective US tariff rate implemented by US customs is only some 10%, while based on the trade agreements known so far, it should be close to 20%.

As regards our base case assumption for trade and tariffs, we stick to the belief of an average US tariff rate of close to 20% until the end of Trump's full term in office. Tariffs remain one of Trump's main instruments in foreign policy, but also an important source of public finance funding.

Why energy prices are finally set to fall next year

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Oil prices are set to come under pressure due to a significant surplus next year, and European natural gas prices are also set to fall as new LNG export capacity ramps up



The start-up of significant LNG export capacity should ensure that the market becomes increasingly well supplied.

Further OPEC+ supply sees oil surplus grow

Oil prices have been choppy over the past month, with Brent trading briefly above US\$70/bbl on the back of geopolitical and sanction risks building in the market. But the move was short-lived, and the market came under renewed pressure following growing noise that OPEC+ will bring further supply onto the market more aggressively than anticipated.

However, with the market already set to move into a large surplus from the fourth quarter of this year and remain there throughout 2026, we do not believe that additional supply from OPEC+ is needed. This gives us growing confidence in our view that oil prices will move lower next year, and we're maintaining our forecast of Brent averaging US\$57/bbl.

OPEC+'s recent actions indicate the group remains focused on reclaiming market share. With fiscal breakeven oil prices significantly above current levels, the sustainability of this strategy is likely to come under greater scrutiny in 2026.

There are clear upside risks to the oil market, with the most prominent being the ongoing threat of sanctions and secondary tariffs targeting Russia. Currently, only India faces secondary tariffs for its purchases of Russian oil. However, a more aggressive stance from President Trump could place broader Russian supply at risk. Another key upside risk also stems from Russia on the supply side, specifically the potential for disruptions caused by Ukrainian drone attacks on Russian energy infrastructure. While most of these attacks have focused on refineries, there have been instances targeting port infrastructure, which could directly impact crude oil exports.

Weak Asian LNG demand takes pressure off European gas prices

European gas prices have remained largely under pressure. TTF continues to trade in the low EUR 30s despite Europe moving closer towards the 25/26 heating season. A recovery in Norwegian gas flows following the end of scheduled maintenance would have helped

ease any supply concerns. In addition, Asian LNG demand, particularly from China, remains weak, which has helped ensure adequate supply for Europe as we approach the heating season.

EU gas storage ended September at more than 83% full, and with storage targets for the EU now more flexible, we should not expect upward pressure from buying to ensure the 90% storage target is met by 1 November. Ultimately, the outlook for natural gas prices through the winter is going to largely depend, of course, on the weather.

We expect European natural gas prices to trend lower through 2026 and particularly through 2027. The start-up of significant LNG export capacity should ensure that the market becomes increasingly well supplied.

The ramp-up of new additional LNG export capacity should also make it possible for the EU to go ahead with its plan to phase out Russian gas, without putting significant upward pressure on prices.

'Go your own way', sing Lagarde and Powell

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Monetary policy on both sides of the Atlantic is currently dancing to the tune of an old Fleetwood Mac track



The ECB's Christine Lagarde and the Fed's Jay Powell are moving in different directions

Remember when former ECB President Jean-Claude Trichet coined the phrase, 'a very strong brotherhood of mutual admiration?' He was talking about his fellow central bankers. Don't be fooled that this remains a cosy club. Mutual respect may well be there. And while there's a lazy assumption that the European Central Bank simply follows the Fed, it really has become something of an urban legend. True, until the financial crisis, it did look a bit like that. But between 2014 and 2020, central banks went their separate way. And we're seeing that again right now; it's a separation that looks set to continue.

While the ECB has made itself comfortable in a 'good place', with inflation settling down at around 2% and growth expected between 1% and 1.5%, the Fed has just restarted its rate-cutting cycle. So, we've got monetary policy inactivity in the eurozone and rate cuts in the US. If anything, we have the US Federal Reserve following the ECB, not the other way around.

Why we're looking at 4 more Fed rate cuts

Below the surface of a strong US economy in the second quarter – inflation at 3% and stock markets at all-time highs – risks to the Fed's dual mandate of price stability and maximum employment are shifting. Recent payrolls numbers and subsequent downward revisions led the Fed to acknowledge that the jobs market no longer looks "solid." The government shutdown is restricting official data flows, but private sector indicators suggest that the 'low hire, low fire' economy could become a "no hire, let's fire" market.

At the same time, the inflationary threat from tariffs has not materialised as quickly as feared. The average tariff rate is estimated to be around 18% based on announced country and sector rates, but collected customs revenues imply a realised rate closer to 10%. Companies are seemingly absorbing this cost increase for now. This provides more

time for disinflationary pressures from falling energy costs, weakening housing rents and slowing wage costs to offset the tariff impact.

A weaker jobs backdrop, coupled with lower-than-expected inflation, justifies moving interest rates down towards neutral and leaves us forecasting October and December interest rate cuts, with a further two 25bp cuts in the first half of next year.

Don't rule out another ECB cut

Contrary to the Fed, the ECB has already brought interest rates towards neutral. And while ECB officials want to make markets believe that the rate cut cycle is over, we still see a chance of at least one more rate cut. If the ECB's own rather benign forecasts for growth and inflation turn out to be too optimistic, the ECB could be forced to fine-tune its monetary policy stance. In such a scenario, roles between the two brothers (or sisters), leader and follower, would be switched again.

But in our base case scenario, we see the Fed and the ECB dancing to the tune of the old Fleetwood Mac song 'Go Your Own Way'. Something they have been doing much more often than many markets think.

Germany: Searching for a higher gear

Optimism in Germany took a hit over the summer as political developments and decisions undermined the full positive impact of the fiscal stimulus announced in the spring

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German Chancellor Friedrich Merz

After the excitement and enthusiasm sparked by Germany's fiscal policy U-turn and its decision to invest significantly in infrastructure and defence this spring, the summer has brought a rude awakening. The mood in Germany has once again soured. Optimism has ground to a halt – and not just because of US tariffs or a stronger euro, both of which complicate matters for the export industry. Domestic politics have also played a role. The hope that a new government and fiscal stimulus would finally lift the economy out of its prolonged stagnation seems to have faded.

Over the summer, two developments in the political debate have cast a shadow:

- 1) A discussion around possible austerity measures which could undermine the psychological impact of the announced fiscal stimulus.
- 2) The government's decision to shift previously planned investments from the annual budget to special investment funds – bringing with it the whiff of creative accounting in German fiscal policy.

These developments not only revive unpleasant memories of coalition infighting from the previous government but also risk dampening household and corporate spending and investment decisions.

Let's be clear: the scale of Germany's announced fiscal stimulus – €500bn for infrastructure and a 'whatever it takes' stance on defence – remains significant. This money will eventually reach the economy. However, recent fiscal manoeuvres have increased the risk that the stimulus will be less impactful and slower to materialise than initially hoped. Add to this the well-known supply-side constraints – from a shortage of skilled labour and high material costs to bureaucratic hurdles – and it seems likely that infrastructure investments will boost the economy more in 2027 than in 2026. Defence spending, on the other hand, could still deliver a positive growth surprise.

Beyond the diluted impact of fiscal stimulus, the government is also struggling to agree on the far-reaching reforms needed to structurally enhance Germany's competitiveness. Chancellor Friedrich Merz has promised a "Fall of reforms". So far, the government has not only failed to deliver but appears stuck in a macroeconomic model rooted in the 20th century – lacking a clear plan to propel the German economy into the 21st. That said, autumn isn't over yet, and recent weeks have seen new initiatives aimed at reducing bureaucracy and boosting digitalisation. And yes, it takes time for investments and reforms to translate into growth. But given the disappointments of recent weeks, the need for a traditional short-term stimulus – or at least a stabilisation package – seems to grow by the day.

All in all, the German economy is heading for a third consecutive year of stagnation, and hopes for an imminent turnaround have clearly taken a hit over the summer. Both the government and private sector will need to find a higher gear soon to avoid a fourth year of stagnation.

Our view on the major central banks

The European Central Bank may be done with rate cuts, but we expect another 100bp of easing from the Federal Reserve across the final months of 2025 and into 2026

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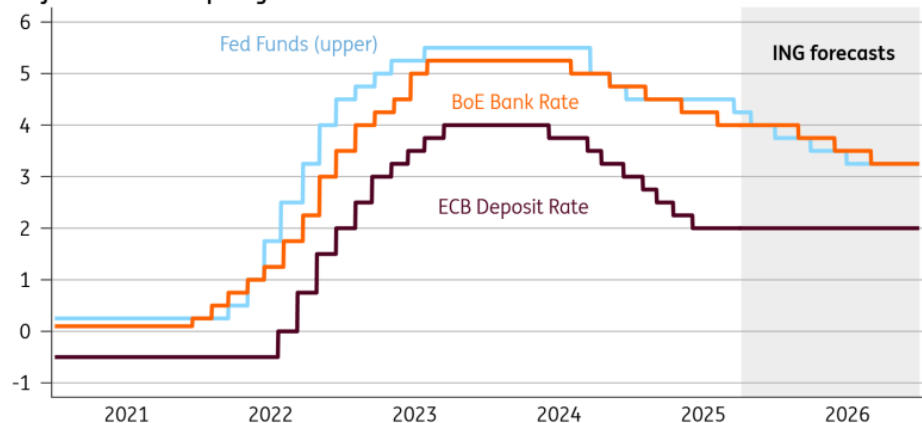
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Our central bank forecasts

Major central bank policy rates



Federal Reserve

The Federal Reserve resumed cutting interest rates at the September FOMC meeting after a nine-month hiatus and signalled that it thought just three more rate cuts would be enough to support growth while containing inflation. The market is sceptical, believing that a rapidly cooling jobs market will require more aggressive action, with around 115bp of potential cuts priced into Fed funds futures contracts by the end of 2026.

We are concerned that the so-called 'low hire, low fire' description being applied to the jobs market risks becoming a 'no hire, let's fire' situation. Workers are worried too, and this is feeding through into soft consumer confidence prints, with consumer spending growth running at a 1.5% annualised rate.

At the same time, tariffs are having less of an immediate impact on inflation than feared. July and August customs revenue and goods import numbers imply a realised tariff rate of around 10%, well below the 18% rate estimate based on announced country and sector tariffs. We look for falling energy prices, slowing housing rents and weakening wage growth to exert a disinflationary influence that increasingly offsets the tariff impulse. This should offer the Fed scope to cut rates by 25bp at the October and December meetings, with a further 50bp of cuts in early 2026.

European Central Bank

After two consecutive meetings of keeping interest rates on hold, the bar for yet another rate cut from the European Central Bank remains high. In fact, the ECB currently feels very comfortable in what it calls a 'good place'. With the ECB's own growth forecasts seeing the eurozone economy growing by slightly more than 1% each year and inflation nicely settling down at 2% over the next few years, there is indeed very little reason to change its monetary policy stance.

At the same time, however, there are still some valid dovish arguments that could still force the central bank to cut further over the coming months. Just think of the delayed adverse impact of US tariffs, the stronger euro exchange rate, French politics or a delay in Germany's fiscal stimulus. If any of these downside risks still materialise, we can see the ECB engaging in one or two more rate cuts. If not, and this is our base case scenario, interest rates will remain on hold for the next two years.

Bank of England

Financial markets are pricing barely one more rate cut from the Bank of England. Certainly, the timing is looking more uncertain, and we have removed a November cut from our forecasts. But we think markets are still underpricing the likelihood of further easing. By December – and more so February – the inflation data should look a little better, while private sector wage growth should be more under control.

What's more, tax hikes in the Autumn Budget, coupled with lower spending growth in 2026, offer scope for greater monetary easing. A December cut is possible, though we're more inclined to think the Bank will wait until the new year, where we expect three cuts in total.

People's Bank of China (PBoC)

We see a solid case for further easing from the PBoC before the end of the year.

Softening economic activity in July and August suggests that additional policy support, while perhaps not absolutely necessary, would be beneficial in helping to comfortably secure the 2025 growth target of around 5%. Deflationary pressure remains widespread, with CPI, PPI, and the GDP deflator all signalling deflation this year. The strengthening of the CNY, combined with the Fed kicking off its rate cut cycle, means that China's currency stability objective likely won't be an impediment to further easing. Finally, despite year-to-date aggregate financing growth of 21.2% YoY, which looks robust at first glance, new RMB loans have contracted by 3.6% YoY, indicating sluggish borrowing demand at current rates.

We continue to expect a 10bp rate cut and 50bp RRR cut before year-end, and re-lending programmes to help direct loans to preferred sectors could be expanded or extended. Potential further support measures for the property sector may also be on the table after a few months of sluggish price activity.

Tame tariff impact gives the US Fed room to cut

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So far, US tariffs have not been as impactful as feared, giving more time for disinflationary pressures from weaker wage growth and housing rents to flatten CPI projections. This has given the Federal Reserve room to cut rates as cooling job creation becomes the more pressing issue



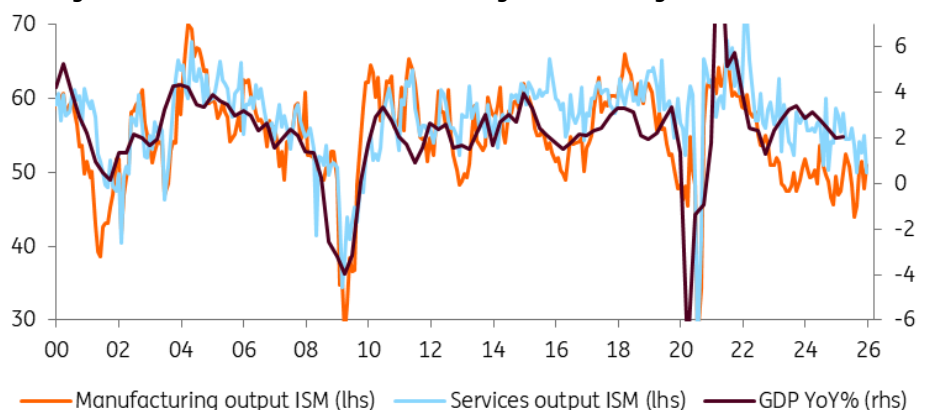
Despite fears that tariffs would squeeze US consumer spending, companies are absorbing costs - keeping inflation in check

Decent momentum looks set to gradually fade on weaker sentiment

Second-quarter GDP growth came in stronger than expected in the US at an annualised 3.8%, and there was decent momentum at the start of the third quarter, prompting us to revise up our third-quarter GDP growth forecast from 1.5% to 2.4%. Trade and inventory data have been better than anticipated, while higher-income households in the US show little sign of slowing their spending.

Nonetheless, weakness in consumer confidence and a rapidly cooling jobs market suggest spending growth will slow. Business surveys have also come in on the softer side of expectations, with subdued investment outside of tech/AI likely to persist. There are now more unemployed Americans than there are job vacancies, and this is depressing wage growth, while five consecutive monthly drops in home prices present challenges for the residential construction sector.

US GDP growth (YoY%) and ISM business surveys advanced by 4 months



Source: Macrobond, ING

Muted tariff inflation impact allows jobs slowdown to be the focus

Another concern for US consumer spending was that tariffs would drive up prices and erode spending power. However, so far, there is little sign of this happening. The announced tariffs on individual countries and sectors suggest an applied average tariff rate of 18%, but the realised tariff rate is only around 10% based on trade and customs tax revenues for July and August. Companies appear to be willing to absorb these cost increases for now. While not good news for the fiscal deficit, this means that inflation has been better behaved.

While we assume tariff revenue will eventually rise, it means the disinflationary impulses from lower energy prices, moderating housing rent increases and weakening wage growth have more time to gain traction and help offset the eventual tariff impact on goods prices. We consequently expect a flatter, lower inflation profile than predicted just a few months ago.

As such, the Fed has acknowledged that the balance of risks to its dual mandate of price stability and maximum employment has shifted, justifying renewed interest rate cuts. Monetary policy is still viewed as being restricted, and we expect the Fed to cut rates by a further 50bp this year and 50bp next year to bring them towards neutral.

Fed to continue cutting rates towards 3%

We are currently in the middle of a government shutdown, which ordinarily would have limited long-term implications. Around three million federal government workers are not being paid, with around a quarter having been furloughed, but all workers have historically received back-pay owed to them when the shutdown ends. Government contractors don't get compensated, though, and government work can be heavily delayed, and economic data is not released.

This time, there is a concern that there could be more negative implications, with White House officials having warned that furloughed workers involved in programmes not aligned with President Trump's priorities could be permanently fired. Federal funding for some infrastructure projects is already being paused. As such, rather than knocking perhaps 0.1pp off annual GDP, a protracted shutdown could increase that to perhaps 0.2pp or even 0.3pp.

Looking towards 2026, lower policy rates, recent declines in Treasury yields and a weaker dollar represent a loosening of financial conditions, which is supportive of growth. Additionally, more clarity on the global trading environment may stabilise sentiment and tempt companies that have been reluctant to put money to work and hire to start spending again. But this needs to happen quite quickly, otherwise the "low hire, low fire economy" risks converting into a "no hire, let's fire" story. In such a scenario, the Fed could be forced to move policy into stimulative territory (sub-3%).

Growth gears grinding in the eurozone

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Political instability in France and delays in implementing fiscal stimulus in Germany suggest that sluggish growth in the eurozone is likely to persist until the second half of 2026. Inflation is likely to fall again, though the European Central Bank seems determined to keep rates at the current level for some time



'Austerity Politics: That's Enough', reads a recent protest banner in Paris

Back to reality

It sounds like a cliché, but each time optimism builds around a European growth acceleration, reality steps in. The political upheaval in France and the possibility of snap elections are set to prolong uncertainty in the eurozone's second-largest economy, dampening short-term growth prospects.

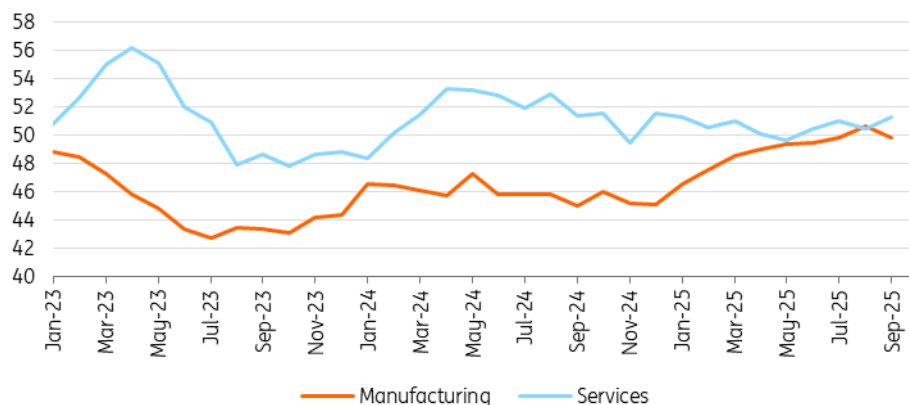
Meanwhile, expectations of a substantial German fiscal boost driving eurozone momentum in the coming years require nuance. The German government is reallocating regular public investment from the budget to the infrastructure fund, which reduces the net fiscal impulse. While a stimulus will still materialise, its magnitude in 2026 is likely to be more modest. Moreover, the absence of meaningful structural reforms suggests that Germany's fiscal plans will not permanently raise its potential growth.

Still weak but positive growth

Current data offer little hope of a breakout from the eurozone's subdued growth trajectory. The contraction in German industrial output in both July and August points to a correction following the pre-tariff export surge to the US. Consumption remains tepid, with retail sales inching up just 0.1% in August after a 0.4% decline in July.

That said, consumer sentiment surveys hint at a marginal improvement in the coming quarters, and there are early signs of stabilisation in the construction sector. These indicators support the view of a weak but ongoing recovery, with a gradual acceleration expected in the second half of 2026. We maintain our GDP growth forecast for 2025, but revise our 2026 projection down to 1.0%.

Eurozone PMIs suggest a continuation of the subdued recovery



Source: LSEG Datastream

Inflation to fall below 2% again

September’s HICP inflation surprised slightly on the upside at 2.2%, but we do not expect this trend to persist. Underlying inflation, currently at a cruising speed of 2.3%, still has room to ease as wage growth moderates. Headline inflation is likely to dip below 2% again, driven by favourable base effects in energy prices – though these effects will peter out in the second half of 2026.

We now forecast average inflation at 2.1% in 2025 and 1.9% in 2026. Beyond that, inflation is unlikely to stay below 2% for long. The launch of the EU ETS2 system in 2027 will raise consumer energy costs, adding several tenths of a percentage point to headline inflation. Without a productivity surge, supply constraints could also re-emerge, pushing inflation higher in the coming years.

Steady as she goes

In this context, the ECB appears committed to a wait-and-see approach, with most board members favouring stable interest rates for the foreseeable future. We concur, although further rate cuts cannot be ruled out if the eurozone slips into recession or faces significant financial turbulence. A sharp appreciation of the euro could also prompt additional easing. According to the ECB’s September Staff projections, one risk scenario sees eurozone inflation at 1.5% in 2026 and 1.6% in 2027 if the EUR/USD exchange rate reaches 1.24 and 1.28, respectively.

China's summer slowdown may spark economic déjà vu

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China's third-quarter data softened after a strong first half of 2025, fuelling debate on whether more stimulus is needed before year-end. We say yes



After a strong start to the year, China's industrial activity is softening

Weak summer data echoes last year's lull

China's industrial activity is moderating after a strong start to the year, as weak sentiment weighs on consumption and investment. In particular, momentum has softened over the last several months. We will need to see more stimulus to reverse this dynamic.

Avid readers of ING's monthly could be excused if they feel a strong sense of déjà vu. The section above is almost verbatim what we wrote in last year's September monthly as economic conditions followed an eerily similar path.

However, unlike last year's big policy easing package from the People's Bank of China (PBOC), no high-profile September stimulus came to the rescue. Market participants are split on the necessity for further stimulus. Some argue support for the economy is needed, while others worry it might fuel a risky asset bubble. We're in the former camp. We still see weak confidence as the main issue hindering investment and consumption despite the strong equity market rally.

Moderate stimulus support before year-end would secure growth target

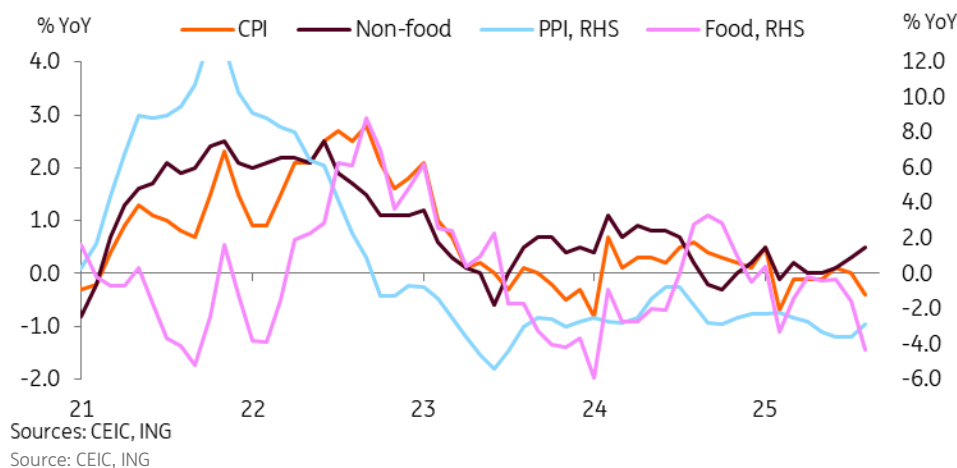
Barring a strong turnaround in September's data — which is off to a decent start with a stronger-than-expected manufacturing purchasing manager's index — we are likely to see a fairly steep deceleration of third-quarter growth. We're looking for a 4.5% year-on-year growth after 5.3% in the first half. Maintaining such a pace would be enough to reach this year's "around 5%" growth target. However, some policy support would likely be beneficial in securing this outcome.

Aside from the upcoming September economic data and third-quarter GDP, China's Golden Week travel and consumption activity will help gauge the level of urgency is required for additional stimulus.

Considering that deflationary pressures persist, we expect moderate monetary easing with 10bp of rate cuts and 50bp of reserve-requirement-ratio (RRR) cuts. There's also a possibility we could see new policy support for consumption and the property market.

Absent fresh stimulus, risks to our 2025 GDP growth forecast of 4.9% look slightly balanced to the downside. Overall, though, the economy should remain on track to achieve this year's growth target.

Persistent deflationary pressure shows room for monetary easing



Fourth Plenum could shed some light on next Five-Year Plan

China's Fourth Plenum meetings are set for 20-22 October. They're expected to discuss the 15th Five-Year Plan covering the years 2026-2030. We could get more details on the strategic focus. Among the key themes policymakers are likely to discuss are plans to expand China's consumption sector, increasing the focus on tech and innovation, and, potentially, longer-term strategies to address involution, or aggressive price competition.

Details made available at this stage will likely be quite broad, rather than focused on specific policies for implementation. Additional quantitative targets and specifics should be made available when the final plan is approved and published at next year's Two Sessions, scheduled for March.

Asia's export pulse weakens, policy support persists

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Export growth across Asia is showing signs of strain, particularly in shipments to the US, while domestic demand and investment continue to provide support in several economies. Inflation remains subdued across most of the region, and monetary easing remains likely across much of Asia, except for Japan, as real rates stay elevated



India has made tax changes to stimulate domestic demand

Export headwinds are beginning to emerge

After Asia's GDP growth surprised to the upside in the first half of the year, signs of softening export momentum are beginning to emerge. Exports to the US fell 8% YoY in August, reversing the 3% YoY growth seen cumulatively from April to July. In contrast, exports to the rest of the world (excluding the US) rose a robust 9% YoY in August and 10% YoY over the prior four months. The diversification away from the US is primarily driven by intra-Asia trade and Europe. Overall, we expect slower Asia export growth in the near-term as global demand slows down.

Robust consumption and capex are offsetting external headwinds in key Asian markets

Domestic consumption is helping offset some of the drag from weaker export growth, particularly in demand-driven economies such as India and the Philippines, as well as in Australia and Malaysia, where resilient labour markets continue to support spending. Fiscal measures are also contributing to consumption growth in several economies, including India, Korea, and Indonesia, with rising prospects of additional stimulus in Japan and China.

In a bold move to stimulate domestic demand and promote tax equity, India has overhauled its Goods and Services Tax (GST) structure. Taxes on essential items, such as food products, basic household goods, consumer electronics, and small motor vehicles, have been significantly reduced. Meanwhile, life-saving drugs and health and life insurance have been made entirely tax-free. These reforms are designed to directly boost consumption, particularly among middle and lower-income households.

Investment growth has remained resilient in several Asian economies. Taiwan and Malaysia stand out, likely benefiting from continued capital expenditure in the tech

sector. However, business sentiment around future investment is turning cautious, as reflected in recent surveys, amid signs of a slowdown in global trade.

Subdued inflation across Asia, with Australia as an outlier

Inflation remains subdued across most of Asia, driven by overcapacity in several sectors in China and easing food and fuel price pressures. While recent typhoons may temporarily lift food prices, improved rainfall conditions expected in the fourth quarter should help mitigate the impact. Softer global oil price inflation in 2026 is also likely to support a benign inflation outlook.

Australia stands out as an exception. The August CPI spike to 3% YoY raises questions about whether this is a temporary blip or the start of more persistent inflationary pressures. Notably, housing-related components, such as rents and the cost of new dwellings, showed renewed strength, suggesting the sector may already be responding to earlier rate cuts. Additionally, services prices, including holidays, travel, and insurance, rose sharply (1.5–3% QoQ), pointing to a rebound in consumption demand. On the growth front, stronger-than-expected GDP in the first half of the year was driven by robust consumer spending. As a result, the likelihood of a rate cut at the November meeting has meaningfully diminished.

Monetary policy outlook: easing bias persists

Overall, we expect most Asian economies under our coverage, except Japan, to remain on track to ease monetary policy further, particularly as real interest rates remain elevated, especially in Southeast Asia.

Bank of England set to cut rates further than markets expect

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We no longer expect another Bank of England rate cut this year, though lower inflation and higher taxes should unlock further easing in 2026



Governor of the Bank of England, Andrew Bailey

Financial markets are giving up on further UK rate cuts...

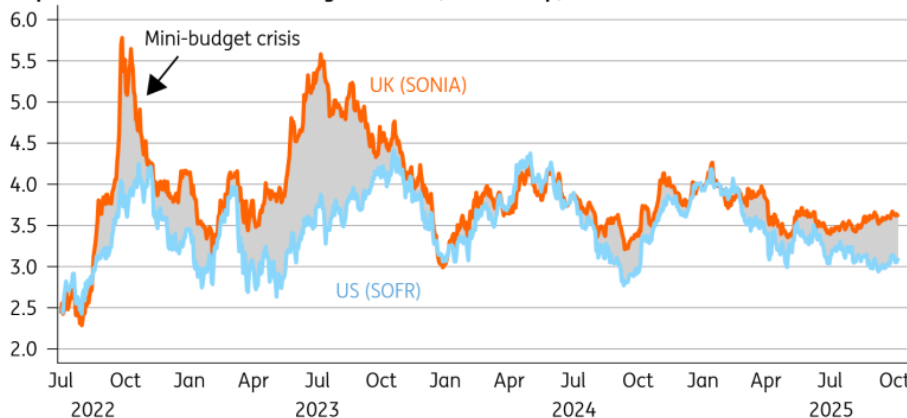
According to financial markets, the Bank of England's rate-cutting cycle is virtually over. Investors are pricing little more than one 25 basis-point cut and not until next April. Not for the first time, markets think the UK's inflation problem is likely to be more enduring than elsewhere.

They aren't alone. The Bank itself has turned more cautious this summer, as higher food prices have driven headline inflation to almost 4%. The good news is we're almost certainly close to the peak, but we aren't likely to see CPI dip much below current levels before year-end. Scarred by the experience of the 2022 energy crisis, the BoE and particularly its Chief Economist Huw Pill are worried that we could be on the verge of another persistent bout of above-target inflation.

We think those fears are overblown not least because, unlike that episode, the jobs market is in a much more fragile state, limiting the ability of workers to shield their disposable incomes through higher pay. Markets, we think, are underpricing the extent of the Bank's easing cycle that's still to come. Comments from both hawks and doves at the BoE have emphasised that further cuts are likely.

Markets think UK rates will fall less far than in the US

Implied one-month rate in two years time (2Y1M swap)



Source: Macrobond, ING

We now expect the next cut in February

Timing is admittedly less clear. We no longer expect the next cut in November.

But by December, the data should be in a more comfortable position for the Bank. Our forecasts for service-sector inflation – the bit of the basket officials are usually most focused on – are roughly half a percentage-point below the BoE’s projections.

We also expect private-sector wage growth – currently 4.7% – to fall to within a whisker of 4% in data available before December’s meeting, and below by February’s. Admittedly, this is already reflected in the Bank’s forecasts. But having consistently failed to fall as fast as officials expect, simply seeing wage growth come down in line with expectations would be a major reassurance.

Then there’s the budget, which should add to the case for further easing. Tax hikes are widely expected, yet the details matter. Given the Bank’s extreme focus on headline rates of inflation, officials would likely take a dim view of any measures that add to it, even if, in the longer term, tax hikes tend to alleviate price pressure. The BoE will also be monitoring spending plans and whether next year’s budgets get a top-up. If they don’t, then government expenditure should be much less of a support to the economy in 2026 year than it has been in 2025 so far.

Where does that leave our forecasts? We’ve taken out a November cut, but December is possible. However, we narrowly favour February for the next move, on the basis that headline inflation should be a little lower at the start of next year. In total, we expect three rate cuts in 2026.

CEE: Similar hawkish messages for quite different reasons

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Poland's economy is expanding steadily, while Romania's growth is more subdued. The Hungarian economy is struggling to recover. Meanwhile, a robust economic rebound in the Czech Republic faces external risks. We've just published our comprehensive Directional guide to the CEE region. [Download it here](#)



A border sign between Poland and the Czech Republic

Poland: Solid growth but fiscal risks and downgrades cloud outlook

Poland's economy grew around 4% YoY in the third quarter, while inflation fell below 3%. Fiscal policy remains expansionary, with a 2025 deficit near 7% of GDP and no consolidation plan before the 2027 elections. Austerity is absent from political debate.

Fitch and Moody's downgraded Poland's outlook due to fiscal imbalance and political tensions. Public debt is rising, driven by high deficits and the absorption of EU loans (RRF, SAFE). Growth is supported by private consumption without derailing the disinflation process. September CPI surprised on the downside, and core inflation likely fell further.

The Monetary Policy Council cut rates in July, September, and October, though communication was unclear. The terminal rate is seen at 4% in 2026.

Czech Republic: Robust economic rebound faces external risks

Czech consumers are benefiting from strong wage growth, with August retail sales up 3.5%. This is a decent increase, but below the pre-2020 expansion norms, where retail sales expanded by almost 5% between 2016 and 2019. Industrial performance remains weak, posing a risk to the broader recovery, especially given the eurozone's instability, notably in Germany and France. With a sharp deterioration in German industrial output and the political strife in France, Czech exporters could be particularly exposed.

Growth is expected to exceed 2.5% in the coming years, although external demand may have a significant impact. Core inflation and persistent price growth in services continue to be a threat to overall price stability, and we're unlikely to see that reaching the target rate anytime soon. It appears that 2026 will offer calmer waters for policymakers, with rate stability expected to persist through 2026.

ETS2's CPI impact may emerge in 2027, with housing market pressures persisting. It remains to be seen whether the new government can effectively address these challenges.

Hungary: Still chasing a recovery

It sometimes feels as if Hungary is fighting a losing battle to recover economically, with 2025 marking the third year of missed economic expectations. Consumption supports growth, but investment is hindered by low confidence and limited fiscal space. Net exports remain a drag, and GDP is forecast to grow just 0.7% this year, rising to 2.5% in 2026.

Inflation stays high due to rising wages, energy costs, and expectations. Without price shield measures, inflation would average 6% instead of 4.6% in 2025. These measures will end, likely triggering a sharp price adjustment. Inflation is expected to average around 4% in 2026–27.

Monetary policy remains tight to support the forint and contain inflation. The base rate is likely to stay at 6.5% through most of 2026, with easing delayed. Fiscal policy is cautiously supportive to avoid rating downgrades.

Despite challenges, Hungarian assets look promising in the short term, with expectations of a stronger HUF and a flatter yield curve.

Romania: Investment growth should keep the economy fairly buoyant

On the growth front, we maintain our 0.3% forecast for 2025 GDP growth, but have trimmed our 2026 forecast from 1.7% to 1.4%. On the supply side, a positive turnaround from agriculture is likely on the cards for the third quarter. That said, bearish consumer sentiment keeps downside risks alive on the demand side. Investments remain key for growth ahead.

On the fiscal front, the latest agreement between the government and the European Commission involves a deficit target of 8.4% for this year. A positive aspect is that most investments will continue, which should benefit the productive potential in the medium term, despite a lack of more visible fiscal deficit gains in the short run. This should sustain activity in the construction sector and keep the economy afloat.

We expect price pressures to edge slightly into double digits before moderating slightly and ending the year at 9.6%. Base effects kicking in around next summer, as well as downward pressures from demand, should bring inflation closer to the 4-5% area by the end of 2026. We don't see any rate hikes from the National Bank of Romania, and our current base case remains for a rate cut in May 2026 and a total of 100bp of cuts next year.

CIS-4 remains a strong regional play

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CIS-4 economies remain resilient amid global uncertainty. Armenia and Uzbekistan outperform in terms of GDP growth and FX. Kazakhstan faces inflation and currency pressure, and is likely to raise the key rate, while Azerbaijan's growth has slowed due to oil weakness. Monetary policy remains tight [as inflation and external risks persist](#)



Tashkent, Uzbekistan, where the economy has been lifted by a bullish gold market

Armenia: peace process remains key

The slowdown in Armenia's economic growth is being cushioned by robust fiscal stimulus and sustained credit expansion. Recent months have seen a moderate improvement in external conditions, with the ongoing peace process with Azerbaijan offering the prospect of unlocking new capital inflows and supporting the external balance.

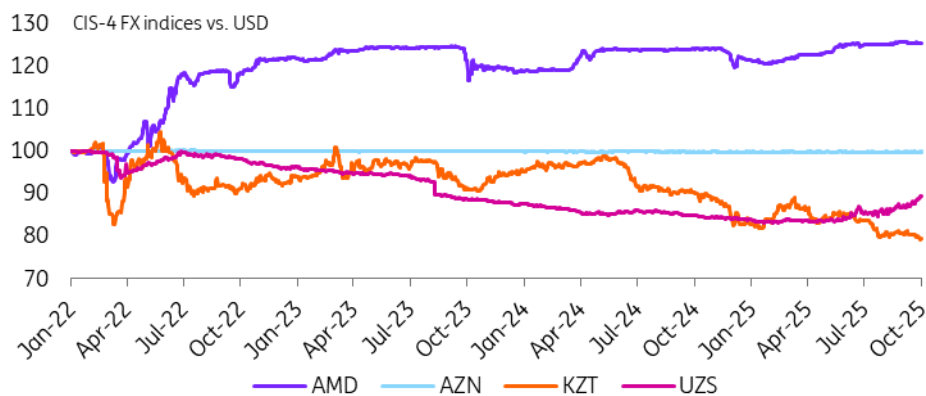
Against this backdrop, we have revised our GDP outlook upward, though risks to the inflation trajectory have also increased. The dram remains strong, now more firmly underpinned by capital inflows, yet this currency strength continues to weigh on the trade balance. Notably, the Armenian dram has gained around 3% against the US dollar since the beginning of the year, reflecting strong capital inflows.

Azerbaijan: healthy financials, but weaker activity

The near-term outlook for Azerbaijan's GDP, budget, external balance and CPI has worsened based on performance in the first half of the year. The country's financial position remains solid, underpinned by substantial sovereign assets and prudent fiscal management.

The sovereign rating upgrade from Moody's to investment-grade Baa3 is potentially positive for portfolio inflows. Nevertheless, the risk of the current account turning negative next year remains high, in our view, keeping FX stability in focus as oil prices and export volumes face headwinds.

KZT is under pressure, while UZS has been lifted by the gold price rally



Source: National sources, Refinitiv, CEIC, ING

Kazakhstan: watch out for upcoming VAT rate hike

Economic activity in Kazakhstan has continued to outperform expectations, but this has come at the cost of heightened inflation risks and increased pressure on both fiscal and external balances. The outlook for fiscal consolidation and the impact of the upcoming VAT hike on growth and CPI remain central to the macro story.

The National Bank of Kazakhstan (NBK) has signalled that a hike in the key rate is likely in the near term, as inflation remains stubbornly high. Currency risks also persist, with the tenge experiencing renewed volatility over the summer months as external imbalances widened and capital outflows accelerated – causing the NBK to announce a boost in FX sales for 4Q25.

Uzbekistan: lifted by a bullish gold market

Uzbekistan continues to stand out as the main CIS beneficiary in the current environment, thanks to elevated global gold prices and resilient domestic demand. The outlook for GDP growth, fiscal balance, current account and the Uzbek soum has improved further in recent months.

International observers have recognised the government’s commitment to gradual fiscal consolidation and prudent macroeconomic management. The recent slowdown in CPI amid USZ strength creates room for a moderate cut in the policy rate, but the medium-term stance should remain cautious. The Central Bank of Uzbekistan recently reiterated its position, emphasising the need to anchor inflation expectations before considering any easing cycle.

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FX: Why we're raising our USD/JPY forecasts

The standout FX move over the last month has been the spike in USD/JPY above 150. Here, the market is speculating that a renewed bout of reflationary policy will weigh on the yen. While we're not expecting the sizeable moves seen during 'Abenomics' in 2013, we are, however, raising our dollar-yen forecasts



Sanae Takaichi is poised to become Japan's first female Prime Minister

The Takaichi trade

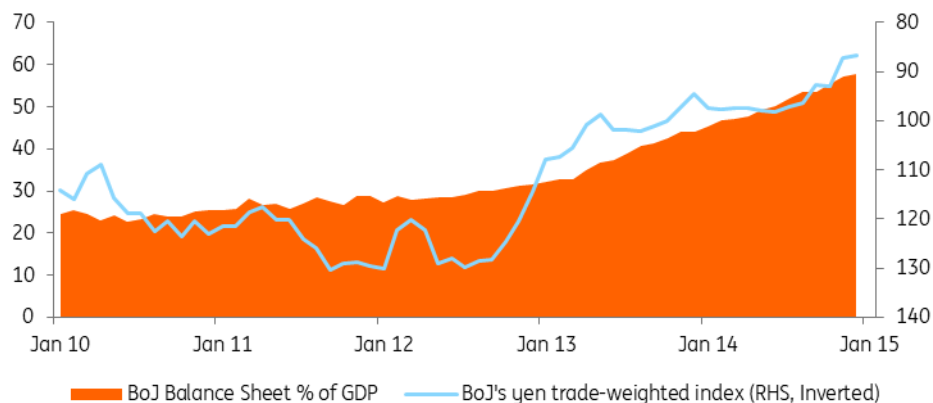
Sanae Takaichi's victory in the recent ruling LDP leadership election has had a significant impact on Japanese asset markets. She's set to be Japan's first female Prime Minister, and the view is that her leadership aims to recreate the reflationary set of policies introduced by Shinzo Abe after his election in late 2012. Those policies were most famously associated with a steeper yield curve, a weaker yen, and a stronger stock market. And that has been the initial reaction in markets this month.

But Japan in 2025 is quite different to Japan in 2013. Back then, a new BoJ Governor introduced a 2% inflation target to a nation mired in deflation. The introduction of Quantitative and Qualitative monetary easing (QQE) saw the BoJ grow its balance sheet from 30% to 100% of GDP over the next seven years as it flooded the market with liquidity.

Today, the BoJ is in the process of monetary normalisation at a time when CPI has not been below 2.0% since the summer of 2022. And high inflation and the cost-of-living crisis topped voters' concerns in Upper House elections this July. Higher inflation surely cannot be on top of the new government's wish list.

We doubt, therefore, that current expectations of the BoJ tightening cycle – looking for a 100bp rate hike over the three to four years – gets crudely swapped for an easing cycle. Yet the political headwinds to rate hikes have grown and will limit the yen's scope to appreciate on a multi-year view. We now think USD/JPY will end 2025 and 2026 closer to 148 and 142, respectively, and are still looking for the weaker dollar trend to dominate.

The yen fell sharply during 'Abenomics' in 2013



Source: Bank of Japan, ING

Dollar bear trend stalls

Developments in Japan, some softer confidence data in Europe, French political risk, plus ongoing strength in the US consumer, mean that the dollar bear trend has stalled. Even the idea of a mass exodus from the greenback in the second quarter is being reassessed after IMF data showed a broadly unchanged share of the dollar in central bank FX reserve portfolios.

Yet our baseline view of a further 100bp easing in the Fed policy rate remains intact, easing which will lower dollar hedging costs and should carry the dollar a little weaker into 2026. At the same time, the thesis of a captured Fed is still present, and the dollar typically weakens in November and December. 1.20 still looks like the direction of travel for EUR/USD this year.

Rates: Yields want to test lower first - let them overshoot

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Are there reasons for longer-dated yields to fall? For sure, there are - both in the US and the eurozone. But we view such moves as more tactical than structural. Our preference further down the line is for longer-tenor yields to end up higher than today, while the front end is broadly anchored. Hence, a steeper curve is anticipated, too



The US government shutdown is depriving traders of crucial data

The US 10yr could soon break below 4%

The US 10yr could well break below 4%, but in the medium term, we're targeting 4.25% - 4.5%. Right now, though, we're flying blind in the US as we continue to navigate the government shutdown. As a stand-alone element, it's bond positive, on the theory that a smaller pay packet for those affected means less spending. There is even an element of fear injected, as some will worry that their particular job could be gone for good (at least that's the implied threat). This is not determinative of labour market fortunes, but with a negative ADP report continuing to reverberate in the background, there is an increasingly dominant degree of apprehension about the economy.

Given that snapshot, why are long tenor yields not falling? For a couple of reasons. First, a tariff-impacted ratchet higher in inflation in the coming months remains a risk (we think inflation heads for the 3.5% area). Second, the 10yr SOFR rate is at 3.6%. That's low versus a forward bottoming for the funds rate in the 3% area. The 10yr could, of course, compress lower, but would then be pressured to revert back up again. A 75bp curve to the funds rate should not be too much to ask for 10yr SOFR, and could be justified up at 4% given the prognosis for inflation in the coming months.

Overall, that leaves us with a justification for the 10yr Treasury yield to remain above 4%, and indeed to edge in the direction of 4.25% to 4.5% in due course. If we were to break below 4% on very poor data, such a move is justifiable given the fog out there. But it is more likely to be temporary than permanent.

It remains complicated in the eurozone

The 10yr Bund could break below 2.5%, but we're still eyeing the 3% area as an ultimate target. The straightforward stuff that argues for upside pressure on longer-dated yields centres on defence spending ambitions and associated upward pressure on fiscal deficits and supply. A more technical angle comes from the likes of Dutch pension fund

reform, where the move from the regulatory straight-jacket of defined benefit to defined contribution means a forward unwinding of a large rump of 30yr to 60yr fixed rate receivers in the years ahead. There is also a bit of inflation in the eurozone. Not worrying, but enough to keep long rates on edge.

Then again, a big negative industrial production number out of Germany this week reminds us that the economic dynamo of the region remains in a state of stress. Survey evidence has seen some hints of a decent German recovery theme. But it's not enough to get overly excited by. And then there's France, where economic sentiment is going the way of Germany, with political malaise to boot. Most of the rest of the eurozone is in better shape, which helps contain spreads and wider macro risks. But there is still a macro tilt here that can absolutely worry the bond bears.

Like for US Treasuries, there is ammunition here for a break lower in the 10yr yield. But it would require quite some negativity to see it go below 2.5% for the 10yr Bund. Our baseline view remains glass half full on the economy, with the 3% area for the 10yr Bund still the medium-term target. It may take quite some months to get there, but that's the distilled view. All against a front end that's anchored by the 2% European Central Bank depo rate.

GDP forecasts

Developed markets, QoQ% annualised (avg)										
	2Q25F	3Q25F	4Q25F	1Q26F	2Q26F	3Q26F	4Q26F	2025F	2026F	2027F
US	3.8	2.4	1.1	1.1	1.7	2.0	2.4	1.9	1.7	2.2
Japan	2.2	-2.0	0.4	1.2	0.8	1.2	1.2	1.0	0.6	0.9
Germany	-1.1	0.6	-0.3	0.8	1.4	1.6	1.9	0.2	0.7	1.9
France	1.2	0.4	0.0	0.8	0.8	1.6	1.2	0.6	0.8	1.2
UK	1.1	0.8	0.9	1.2	1.1	1.1	1.1	1.5	1.1	1.1
Italy	-0.3	0.3	0.6	0.8	0.8	1.3	0.9	0.5	0.7	0.9
Canada	-1.6	0.8	-0.5	0.4	2.0	2.3	2.5	1.1	0.8	2.2
Australia	1.6	1.8	1.8	2.1	2.2	2.3	2.4	1.6	2.3	2.5
Eurozone	0.5	0.7	0.5	1.0	1.3	1.7	1.8	1.3	1.0	1.6
Austria	1.1	0.6	1.0	1.4	1.6	1.8	1.8	0.4	1.2	1.7
Spain	3.0	2.5	2.5	2.2	1.8	2.0	2.0	2.7	2.2	2.2
Netherlands	0.8	0.4	1.0	1.5	1.6	1.7	2.0	1.5	1.3	1.7
Belgium	0.7	0.8	0.8	1.2	0.8	1.2	1.6	1.0	1.0	1.4
Greece	2.3	2.0	1.9	0.2	2.4	2.4	2.3	1.9	1.7	2.1
Portugal	2.3	2.2	2.2	2.0	2.0	2.5	2.5	1.7	2.2	2.2
Switzerland	0.6	0.0	0.0	0.8	1.2	1.6	1.6	1.4	0.8	1.3
Sweden	0.0	0.8	0.8	1.1	1.4	1.4	1.4	0.6	1.1	1.4

Emerging Markets, (YoY% growth)										
	2Q25F	3Q25F	4Q25F	1Q26F	2Q26F	3Q26F	4Q26F	2025F	2026F	2027F
Bulgaria	3.5	3.4	3.2	3.1	2.9	2.6	2.3	3.3	2.7	2.5
Croatia	3.4	3.2	2.4	2.8	2.1	2.1	1.8	3.0	2.2	1.7
Czech Republic	2.6	2.6	2.4	2.4	2.7	2.7	2.7	2.5	2.6	2.6
Hungary	0.1	1.1	1.7	2.7	2.4	2.4	2.4	0.7	2.5	2.8
Poland	3.4	4.0	3.6	3.9	3.0	3.0	3.6	3.5	3.4	3.0
Romania	0.3	0.5	0.0	0.6	0.0	1.7	2.8	0.3	1.4	2.8
Turkey	4.8	3.0	3.2	3.2	3.6	4.3	4.5	3.3	4.0	4.5
Serbia	3.1	2.5	2.3	4.0	3.9	3.7	3.5	2.2	3.8	3.8
Azerbaijan	3.0	0.0	3.0	4.0	2.5	3.5	1.0	1.5	2.8	2.0
Kazakhstan	5.5	5.2	4.3	3.5	4.5	5.0	6.0	5.5	4.8	4.0
Russia	1.1	0.7	0.8	1.0	1.0	0.5	-0.5	1.0	0.5	0.8
Ukraine	0.8	2.3	3.9	2.1	2.6	2.5	2.8	1.8	2.5	3.4
China	5.2	4.5	4.4	4.5	4.5	4.5	4.4	4.9	4.5	4.4
India	7.8	6.8	6.2	6.0	6.2	6.4	6.4	7.1	6.3	6.5
Indonesia	5.1	4.7	4.7	4.8	4.9	5.0	5.0	4.8	4.9	5.0
Korea	0.6	1.7	2.3	2.7	2.2	1.3	1.1	1.2	1.8	1.7
Philippines	5.5	5.4	5.3	5.7	5.7	5.9	5.9	5.5	5.8	6.0
Singapore	4.3	0.7	0.0	1.0	1.5	2.0	2.0	2.3	1.6	1.8
Taiwan	8.0	5.8	3.9	3.8	0.5	2.3	3.7	5.7	2.6	2.9

Norway: Forecasts are mainland GDP
Source: ING estimates

CPI Forecasts (pa)

YoY% (avg)	2Q25F	3Q25F	4Q25F	1Q26F	2Q26F	3Q26F	4Q26F	2025F	2026F	2027F
US	2.5	2.9	3.2	3.0	3.1	2.7	2.2	2.8	2.7	2.1
Japan	3.4	2.9	2.5	1.6	1.7	1.8	1.7	3.1	1.7	2.1
Germany	2.1	2.1	2.1	2.0	2.3	2.4	2.4	2.3	2.3	2.2
France	0.8	0.9	1.2	1.4	1.8	1.7	1.8	1.0	1.7	1.7
UK	3.5	3.8	3.6	3.1	2.5	2.7	2.7	3.4	2.8	2.4
Italy	1.8	1.7	1.7	1.7	1.8	2.1	2.1	1.8	1.9	2.1
Canada	1.8	2.0	2.5	2.2	1.7	1.6	1.6	2.1	1.8	1.9
Australia	2.0	2.4	2.8	2.8	2.7	2.5	2.4	2.4	2.6	2.5
Eurozone	2.0	2.1	1.8	1.8	1.9	1.8	1.9	2.1	1.9	2.2
Austria	3.2	3.9	2.6	2.1	2.1	2.2	2.2	3.3	2.2	2.1
Spain	2.2	2.7	2.4	2.2	2.2	2.3	2.4	2.5	2.2	2.2
Netherlands	3.3	2.7	2.6	2.2	1.9	2.0	2.0	3.0	2.0	2.5
Belgium	2.4	1.9	2.0	1.6	1.9	2.3	2.1	2.4	2.0	2.2
Greece	3.2	3.2	2.7	2.7	2.4	2.2	2.3	3.1	2.4	2.2
Portugal	2.0	2.3	2.0	2.1	2.2	2.2	2.3	2.0	2.2	2.0
Switzerland	0.0	0.2	0.2	0.4	0.5	0.5	0.5	0.2	0.5	0.7
Sweden	2.3	2.8	2.6	1.6	2.0	2.0	1.9	2.5	2.0	2.0
Bulgaria	3.9	5.6	5.7	3.6	4.3	2.8	2.9	4.8	3.4	3.7
Croatia	3.4	4.1	3.4	3.0	3.8	3.3	4.1	3.6	3.5	3.6
Czech Republic	2.4	2.5	2.6	2.3	2.5	2.3	2.4	2.6	2.4	2.7
Hungary	4.4	4.4	4.5	3.3	4.2	4.4	4.5	4.6	4.1	3.7
Poland	4.1	3.0	2.7	2.5	2.7	2.3	2.5	3.7	2.5	2.3
Romania	5.3	9.2	9.7	9.1	9.4	5.1	4.5	7.3	7.0	4.4
Turkey	35.0	33.3	30.4	26.6	23.7	21.4	20.4	34.8	23.5	17.6
Serbia	3.9	4.7	4.3	4.3	4.6	3.5	3.6	4.4	4.0	4.0
Azerbaijan	6.2	5.0	5.3	5.1	5.3	5.4	5.7	5.5	5.4	8.9
Kazakhstan	11.3	12.3	13.4	15.2	14.2	12.5	11.0	11.6	13.2	6.7
Russia	9.8	8.3	7.2	7.5	7.6	7.0	5.7	8.9	7.0	4.9
Ukraine	14.3	13.5	10.5	9.2	8.5	7.5	7.0	13.2	8.1	6.2
China	0.0	-0.2	-0.1	0.6	0.3	1.0	2.3	-0.1	1.1	1.6
India	2.7	1.8	1.8	4.0	4.5	4.7	4.4	2.5	4.4	5.0
Indonesia	1.8	2.4	2.5	3.0	2.3	2.5	2.5	1.8	2.6	2.5
Korea	2.1	1.9	2.2	1.7	1.8	2.0	1.9	2.1	1.8	1.9
Philippines	1.4	1.4	2.0	2.5	3.0	3.2	3.0	1.8	3.0	3.0
Singapore	0.8	0.6	0.6	1.0	1.2	1.3	1.5	0.8	1.3	2.0
Taiwan	1.8	1.6	1.6	1.0	1.4	1.4	1.5	1.8	1.3	1.5

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

Source: ING estimates

Oil and natural gas forecasts (avg)

	3Q25F	4Q25F	1Q26F	2Q26F	3Q26F	4Q26F	2025F	2026F	2027F
Brent (\$/bbl)	68	62	58	56	58	54	68	57	62
Dutch TTF (EUR/MWh)	33	35	34	28	29	33	38	31	26

Source: ING estimates

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