ING

THINK Economic and Financial Analysis

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Weathering the shocks

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Several heatwaves and a long drought. A trade war between the US and Canada. Iranian-American negotiations that ran hot, then cold. A Strait of Hormuz that reopened, then closed again. And oil prices doing what oil prices do when all of the above happens at once.

The striking thing about this summer isn't this list. It's that the global economy barely flinched. Most leading indicators still point to continued, if subdued, growth for the rest of the year. Numbness, or a real disconnect between geopolitics and macroeconomics? Perhaps a bit of both. Supply chains have got better at routing around trouble, and headlines still move considerably faster than order books. But we should stop congratulating the patient before the tests come back. Because a new risk has emerged in recent days, and this one comes with a transmission channel attached: the bond market sell-off. Higher rates could be kryptonite for an economy that has so far looked suspiciously bulletproof.

The trigger, in my view, is not the admittedly worrying fiscal position of many developed economies. Weak public finances are not new, and there was no shortfall or newly discovered black hole to set anything off. What changed is the scenario markets are pricing: a Middle East conflict that has become an almost-forever war, oil prices high for longer, inflation pushed up, and central banks forced to hike harder.

The feedback loop is the dangerous part. Yields didn't rise because of sovereign woes - but rising yields draw attention back to sovereign weakness, and the story can quickly become self-fulfilling. Higher interest payments crowd out more useful spending, which makes the fiscal picture worse, which justifies the yields. Back in 2020, the US paid some 3% of GDP on interest, now it is closing in on 5% of GDP. France is moving from a good 1% of GDP to 3% of GDP, and even fiscally-sound Germany moves from 0.5% GDP to 1.5% GDP.

But don't be too alarmed. I think markets have got ahead of themselves. It's hard to imagine major central banks raising interest rates enough to push their economies into recession in response to what remains a textbook exogenous supply shock. As long as there are few knock-on effects from energy into the rest of the economy, why would they? This is what makes the idea of insurance rate hikes so appealing - central bankers dislike the phrase, but hiking modestly to stop energy prices doing wider damage still looks like the right instinct. Going harder would risk more than a slowdown. It would push governments into deeper trouble, and while central bankers are no champions of debt-fuelled growth, they are even more wary of triggering a sovereign debt crisis.

For too long, we treated shocks like heatwaves and droughts as weather events: temporary and seasonal. We should have recognised them for what they are: symptoms of a changing climate that is here to stay.

Financial markets are now grappling with a similar question: should higher policy rates and rising government debt be viewed as something cyclical or structural? In my view, higher policy rates, and central banks' efforts to contain energy-driven inflation, will ultimately prove cyclical. They are the weather. High government debt, by contrast, looks much more like the climate: a structural feature that could shape economies and markets for years to come. The important difference is that, unlike climate change, high government debt is not an inevitability. It remains a matter of policy choice.

Watch: Weathering the shocks – global resilience and the bond market stress test

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Our key calls this month

- **Energy:** We have revised our oil and gas forecasts higher with little sign of a breakthrough between the US and Iran. European natural gas remains vulnerable into winter.
- **Bond markets:** It's tough to see the pressure for higher long-end yields magically dissipate. We have an end-year forecast for the US 10-year of 4.90% and the risk is that we have to endure an overshoot before things structurally calm.
- **United States:** A hawkish speech by Fed Chair Kevin Warsh makes a September rate hike look probable. But we think that tepid job creation and cooling inflation mean this needn't turn into a series of hikes.
- **Eurozone:** The stage is set for another rate hike this month but for now we think this will be the last.
- **China:** Given the soft start to the second half and signs that policy support will remain relatively modest, we're trimming our 2026 GDP forecast slightly – to 4.6% YoY from 4.7%.
- **UK:** Contrary to market pricing, we think the combination of a fragile jobs market and cooling core inflation should help unlock Bank of England rate cuts in 2027.
- **Japan:** We expect a Bank of Japan rate hike in September and two follow up moves in January and April 2027.
- **Central and Eastern Europe:** Poland remains resilient despite energy and fiscal risks; Czech growth is firm and inflation contained, but the Czech National Bank remains vigilant; Hungary's recovery may revive assets, while Romania still faces stagflation and political uncertainty.
- **FX:** In light of a more hawkish Fed outlook, we now expect the dollar to stay stronger for longer. We are dropping our year-end 2026 EUR/USD forecast to 1.16 from 1.18 and raising the USD/JPY profile to 160 from 158.

ING global forecasts

	2026					2027					2028				
	1Q26	2Q26F	3Q26F	4Q26F	2026F	1Q27F	2Q27F	3Q27F	4Q27F	2027F	1Q28F	2Q28F	3Q28F	4Q28F	2028F
United States															
GDP (% QoQ, ann)	2.1	1.5	3.4	2.3	**2.2**	2.2	1.9	2.2	2.2	**2.3**	2.1	2.1	2.1	2.1	**2.1**
CPI headline (% YoY, avg)	2.7	3.8	3.2	3.4	**3.3**	3.0	2.0	2.4	2.2	**2.4**	2.1	2.1	2.0	2.0	**2.0**
Federal funds (%, eop)	3.75	3.75	3.75	4.00	**4.00**	4.00	4.00	4.00	3.75	**3.75**	3.25	3.25	3.25	3.25	**3.25**
3-month SOFR rate (%, eop)	3.70	3.65	3.60	4.00	**4.00**	4.00	4.00	3.90	3.60	**3.60**	3.15	3.15	3.15	3.30	**3.30**
10-year interest rate (%, eop)	4.20	4.50	4.75	4.90	**4.90**	4.75	4.50	4.50	4.50	**4.50**	4.50	4.50	4.50	4.50	**4.50**
Fiscal balance (% of GDP)					**-6.3**					**-6.2**					**-6.2**
Gross public debt / GDP					**101.1**					**102.7**					**104.3**
Eurozone															
GDP (% QoQ, ann)	0.0	1.8	0.6	1.1	**0.8**	1.3	1.5	1.5	1.4	**1.3**	1.3	1.2	1.2	1.1	**1.3**
CPI headline (% YoY, avg)	2.0	3.2	3.3	3.4	**3.0**	3.1	2.5	1.9	1.8	**2.3**	2.0	2.1	2.1	2.2	**2.1**
ECB Deposit Rate (%, eop)	2.00	2.25	2.50	2.50	**2.50**	2.50	2.50	2.50	2.50	**2.50**	2.50	2.50	2.50	2.50	**2.50**
3-month interest rate (%, eop)	2.10	2.30	2.60	2.60	**2.60**	2.60	2.60	2.60	2.60	**2.60**	2.60	2.60	2.60	2.60	**2.60**
10-year interest rate (%, eop)	3.00	2.90	3.30	3.40	**3.40**	3.20	3.10	3.10	3.10	**3.10**	3.10	3.10	3.20	3.20	**3.20**
Fiscal balance (% of GDP)					**-3.6**					**-3.5**					**-3.4**
Gross public debt/GDP					**91.9**					**92.6**					**93.2**
Japan															
GDP (% QoQ, ann)	1.9	1.1	0.4	1.2	**0.7**	0.8	1.2	1.2	0.8	**1.0**	0.8	1.2	0.8	0.8	**0.9**
CPI headline (% YoY, avg)	1.4	1.6	1.8	1.9	**1.7**	2.4	2.6	2.3	2.0	**2.3**	2.2	2.0	2.1	2.0	**2.1**
Target rate (%, eop)	0.75	1.00	1.25	1.25	**1.25**	1.50	1.75	1.75	1.75	**1.75**	1.75	1.75	1.75	1.75	**1.75**
3-month interest rate (%, eop)	1.25	1.40	1.50	1.65	**1.65**	1.85	2.00	2.00	2.00	**2.00**	2.00	2.00	2.00	2.00	**2.00**
10-year interest rate (%, eop)	2.35	2.65	2.80	2.90	**2.90**	3.10	3.10	3.00	3.00	**3.00**	3.00	3.00	3.00	3.00	**3.00**
Fiscal balance (% of GDP)					**-1.8**					**-2.4**					**-2.9**
Gross public debt/GDP					**202**					**200**					**197**
China															
GDP (% YoY)	5.0	4.3	4.5	4.5	**4.6**	4.0	4.8	4.4	4.3	**4.4**	4.4	4.0	4.2	4.3	**4.2**
CPI headline (% YoY, avg)	0.8	1.1	0.8	0.6	**0.9**	0.9	1.2	1.3	0.9	**1.1**	0.6	0.8	1.1	1.4	**1.0**
7-day Reverse Repo Rate (% eop)	1.40	1.40	1.30	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)	1.51	1.42	1.38	1.35	**1.35**	1.35	1.35	1.30	1.30	**1.30**	1.30	1.30	1.30	1.30	**1.30**
10-year T-bond yield (%, eop)	1.85	1.75	1.75	1.80	**1.80**	1.85	1.90	1.95	2.00	**2.00**	2.05	2.05	2.10	2.10	**2.10**
Fiscal balance (% of GDP)					**-5.3**					**-5.3**					**-5.4**
Public debt (% of GDP), incl, local govt					**140**					**145**					**150**
United Kingdom															
GDP (% QoQ, ann)	2.5	1.7	1.0	0.6	**1.2**	1.4	1.4	1.1	1.1	**1.2**	1.2	1.3	1.3	1.3	**1.2**
CPI headline (% YoY, avg)	3.1	2.8	3.1	3.2	**3.0**	3.2	2.7	2.4	2.3	**2.7**	1.9	1.8	2.0	2.0	**1.9**
BoE official bank rate (%, eop)	3.75	3.75	3.75	3.75	**3.75**	3.75	3.50	3.50	3.25	**3.25**	3.25	3.25	3.25	3.25	**3.25**
3-month interest rate (%, eop)	3.50	3.75	3.75	3.75	**3.75**	3.70	3.50	3.45	3.25	**3.25**	3.25	3.25	3.25	3.25	**3.25**
10-year interest rate (%, eop)	4.70	5.00	5.20	5.30	**5.30**	4.90	4.60	4.50	4.50	**4.40**	4.50	4.50	4.50	4.50	**4.50**
Fiscal balance (% of GDP)					**3.6**					**3.1**					**3.1**
Public sector net debt (FY, %)					**94.8**					**95.7**					**97.0**
EUR/USD (eop)	1.16	1.14	1.15	1.16	**1.16**	1.16	1.18	1.19	1.20	**1.20**	1.22	1.22	1.22	1.22	**1.22**
USD/JPY (eop)	159	162	162	160	**160**	160	158	157	155	**155**	152	152	152	152	**152**
USD/CNY (eop)	6.89	6.79	6.73	6.70	**6.70**	6.70	6.65	6.60	6.55	**6.55**	6.51	6.47	6.43	6.40	**6.40**
EUR/GBP (eop)	0.87	0.86	0.86	0.87	**0.87**	0.88	0.89	0.90	0.90	**0.90**	0.90	0.90	0.90	0.90	**0.90**
ICE Brent - US$/bbl (average)	78	97	90	80	**86**	75	68	70	69	**71**	70	72	75	70	**72**
Dutch TTF - EUR/MWh (average)	40	46	60	65	**53**	65	32	31	32	**40**	30	27	24	28	**27**

Source: ING forecasts

The debt sustainability dashboard: Who comes off worst?

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Sovereign debt concerns are on the rise with yields heading higher. This means higher interest costs, further worsening the fiscal outlook. We look at how countries are faring and what the prospects are for credible action

A trader monitors market volatility during the sovereign debt turmoil of the early 2010s

Rising government borrowing costs reflect fiscal fears

The latest bond market developments brought back memories of the 2010s sovereign debt crisis and returned markets' attention to the debt sustainability issue. The question of whether this is now the start of a new sovereign debt crisis cannot be answered with a simple yes or no.

The main trigger of the latest sovereign debt concerns is increasing government debt ratios across developed markets. What is correct is that governments of most industrialised economies are facing pressure to increase spending, e.g., for defence, infrastructure, and AI, but also healthcare and pensions. Agreeing on additional spending has been politically easier than prioritising or even cutting spending elsewhere.

And, indeed, with the exception of the pandemic, most developed economies currently have government debt ratios at record-high levels. Well, admittedly not all developed economies. Southern European countries remain the noteworthy exemption, with Greece and Portugal showcasing debt ratios last seen almost 20 years ago.

However, let’s not forget that debt-to-GDP ratios are only one – very simple – way of looking at debt sustainability. Japan carries gross debt of roughly 250% of GDP and borrows at rates that would embarrass a corporate treasurer. Argentina defaulted in 2001 with a ratio in the mid-50s. Sri Lanka defaulted in 2022 at around 100%; Zambia in 2020 with a ratio that almost would have qualified for eurozone membership.

Reinhart, Rogoff and Savastano called this debt intolerance: the observation that serial defaulters hit their wall at ratios rich countries treat as ordinary. The threshold is not a physical constant. It is a reflection of everything the ratio leaves out – revenue capacity, institutional credibility, the depth of the domestic investor base, the track record.

The eurozone made the same point in reverse. Ireland entered 2007 with public debt around 24% of GDP, the fiscal model pupil. Spain was running fiscal surpluses. Both ended up in the crisis anyway, because the sovereign balance sheet was not where the risk was sitting. Greece, at the other extreme, was genuinely and openly over-borrowed. Same monetary union, same year, three completely different diagnoses.

All of the above tells one message: the headline number is just the very start of any credible debt sustainability analysis. What matters even more is the primary deficit, the level of interest rates but also who holds the sovereign bonds.

r minus g: the snowball nobody sees until it rolls

The one piece of arithmetic that does most of the work is the gap between the effective interest rate (r) on the debt and nominal GDP growth (g). When growth exceeds the interest bill, debt melts quietly even with a small primary deficit. When the sign flips, the stock compounds against you, and the primary surplus needed to stabilise it becomes a political question rather than a fiscal one.

Latin America in the 1980s is the textbook case, and it was not a case of overspending in the year of the crisis. It was Paul Volcker at the helm of the Federal Reserve who tackled inflation with double-digit interest rates and a region that had borrowed cheaply through the petrodollar recycling of the 1970s found the interest side of the equation had doubled while the growth side collapsed.

Greece met the same mechanism from the opposite direction. Nominal GDP fell by around a quarter between 2008 and 2013. No plausible primary surplus stabilises a debt ratio against that denominator, which is why the debt ratio kept climbing through the austerity years and why the 2012 restructuring – around €200bn of privately held bonds, with a nominal haircut above 50% – was arithmetically unavoidable long before it was politically mentionable.

Next to the debt ratio, r-g and the primary fiscal balance, debt ownership and the debt calendar of when bonds mature and need to be rolled over do matter.

Where do we currently stand?

Let's have a brief look at what the numbers are telling us currently.

Debt sustainability dashboard: Who scores worst?

	US	UK	JP	DE	FR	NL	IT	ES
Current borrowing situation (2025 data)								
Gross debt (% of GDP)	124	102	207	63	116	43	137	100
Net lending/borrowing (% of GDP)	-6.8	-5.4	-1.1	-2.7	-5.1	-1.8	-3.1	-2.5
Primary balance (% of GDP)	-3.2	-2.8	-0.9	-1.8	-3.1	-1.2	0.5	-0.4
Interest costs (% of GDP)	4.7	3.4	1.3	1.1	2.2	0.7	3.9	2.4
Size of the state (2025 data)								
Expenditure (% of GDP)	38	44	37	51	57	45	51	45
Revenue (% of GDP)	31	38	36	48	52	43	48	42
Improvement required to stabilise debt-to-GDP ratio (Based on IMF forecasts)								
Primary balance in 2030 (% of GDP)	-3.4	1.0	-2.0	-2.6	-1.0	-1.4	1.6	0.3
Improvement in primary balance to stabilise debt/GDP ratio in 2030	2.7	-1.4	-2.1	1.8	0.2	0.9	-1.2	-1.5
Planned fiscal consolidation/expansion								
Percentage-point change in structural budget balance from 2025	-0.3	2.8	-1.7	-2.0	0.9	0.0	1.3	0.5
Debt management								
Average maturity (years)	5.8	13.6	8.5	7.1	8.2	8.5	7.0	7.6
Share of debt held by non-residents	26	24	12	40	43	36	30	41

Most data is from the IMF World Economic Outlook. Improvement in primary balance required is calculated as the IMF's 2030 primary balance forecast, less ING's calculation of the primary balance that would be required to stabilise the debt to GDP ratio.
Source: Macrobond, ING

At current levels, interest rates do not pose a solvency issue for governments. For most countries, the real 10y interest rate is still below real GDP growth. However, many countries (US, UK and France) do need austerity measures to at least stabilise government debt ratios. At the current juncture, the latest turmoil on bond markets is a reminder that debt-fuelled growth has reached its limits. We have reached a point at which governments will have to take more painful political decisions, cutting expenditures elsewhere as interest rate payments are increasing. Currently, the US pays nearly 5% of GDP on interest costs, while Germany pays some 1.5% of GDP. For comparison, Greece paid some 8% of GDP during the sovereign debt crisis before it went into default.

It won't take long before markets will focus on central banks and their willingness or unwillingness to eventually bail out governments and purchase government bonds again.

Different countries, different attitudes

In the US, Treasury Secretary Scott Bessent is set to release a deficit reduction plan, yet there appears little appetite from the Republican-controlled Congress to make budget cuts that would impact voters in key swing states ahead of November's mid-term elections. That prospect will become even more dim if, as opinion polls currently suggest, the Democrats win control of the House of Representatives. Secretary Bessent set a goal of delivering a fiscal deficit of 3% (last achieved in 2015), yet the

Congressional Budget Office now projects it to average over 6% per year over the coming decade.

In fact, the current administration has made the US fiscal position more vulnerable. President Donald Trump's One Big Beautiful Bill Act (OBBBA) did include over $1tr of healthcare spending cuts for the coming decade, but the permanent extension and expansion of tax cuts and more spending on other areas, including border security, led the Congressional Budget Office to conclude OBBBA will in fact add $2.8tr to the national debt by 2034. Tariffs were meant to plug the gap, but the revenues fell well short of government projections and the Supreme Court's decision to strike those down the initial 'Liberation Day' tariffs and insist of refunds means there is currently a net cash outflow from the Treasury.

Oft mentioned fraud prevention and efficiency savings will not move the needle based on the underwhelming savings achieved by the Department for Government Efficiency. In reality, it will likely be wiped out by proposals for more spending on defence. This means we are unlikely to see any course correction over the next two years. Interest costs, already the third-largest expenditure item after health and social security, are set to climb further. It will be the next administration that will inevitably face pressure to take real action.

As is so often the case, the eurozone is more complicated. Looking at the aggregate, eurozone government debt is at 90% of GDP. However, public finances in Europe need to be looked at through national glasses and here the divergence of public finances as well as public finance sustainability is still striking. With France, Italy, Spain, Belgium and Greece, five out of 21 member states have debt-to-GDP ratios of above 100%. While the former periphery countries have built up fiscal cushions, even allowing for some slippage, France and Germany would currently need some 2% of GDP austerity measures to keep debt ratios stable. At the same time, interest payments take a growing share of government revenues in most countries, currently around 5% in France and Portugal but 9% and 6% in Italy and Greece respectively. For now, no single eurozone country seems to be in the red zone.

However, with growing pressure on many governments to increase spending, higher interest payments and little willingness to cut expenditures elsewhere to implement fiscally sound structural reforms, eurozone divergence could soon become a theme again. Politically, the return of sovereign woes or concerns will probably mean that more fiscal burden sharing in the monetary union is highly unlikely to ever happen. It will be hard for countries like Germany, with a relatively sounder fiscal starting position due to austerity in the past, to agree on anything that smells even remotely like a bailout. Instead, more differentiating bond markets will eventually test the ECB's willingness to restart asset purchases.

Meanwhile, the UK's fiscal backdrop is better than commonly assumed. Britain may have had a fiscal deficit of around 5% in 2025, but an ongoing freeze in tax thresholds means the UK is the only economy in our dashboard above that is undergoing a major fiscal consolidation. Britain is projected to run a primary budget surplus by the end of the decade and debt-to-GDP is expected to start falling. But like any projections, these are vulnerable to change. Britain is not immune from either the structural spending pressures, nor the political challenges in taking tough decisions.

We don't expect major fireworks at the October budget – and think a desire to retain the existing fiscal rules will limit the room for a material increase in borrowing. But as we approach the next election in 2029 – a year when both tax hikes and austere spending plans feature in the budget plans – the political pressure to support the economy will inevitably grow. Beyond the next 12 months, borrowing projections are liable to upward revision.

Global bond markets at a tipping point

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If the music stopped now, the absolute level of long-end yields for many issuers looks reasonably fair. The problem is the music is still blaring. A lot is going on, and most of the pressure continues to point upwards for long rates. That does not have to be a drama, but then again, it could become one should it get pushed too far

Stop the music here and the absolute level of long-end yields looks reasonably fair. The problem is the music is still blaring

It can take a lot to awaken long-end yields, but when they get prompted into action, they can be quite flighty. We've seen various episodes of this in recent years for idiosyncratic reasons. Think UK gilts and French OATS and respective political post-pandemic wobbles, or the perception of joint liability attached to Italian BTPs and concern there pre-pandemic. The past number of months have been different, as we've seen a synchronised rot attach to long ends, in particular across many (or most) developed markets.

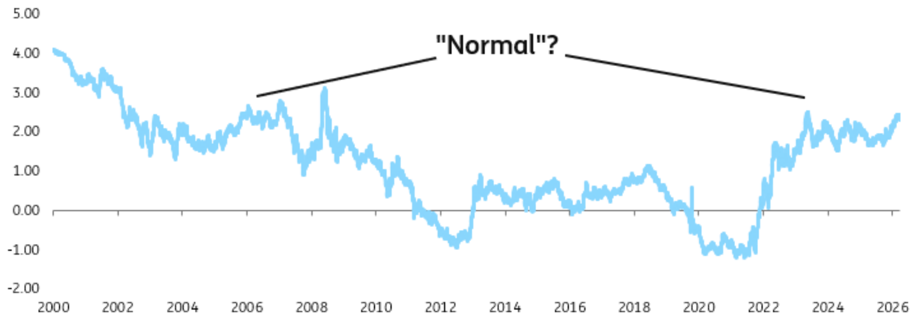
Japanese 30yr yield (%) – off the charts

Source: Macrobond, ING estimates

Japan: From zero to hero on the 30yr yield

One of the standouts here is the Japanese 30yr yield, which has touched 4.2%. That's four times the policy rate (currently 1%). There is clearly a tension between these two. The genesis of that is the evolution of a normalised inflation dynamic. The Bank of Japan (BoJ) has undershot versus this, so the long end has had to overreact. And that BoJ tension is also reflected in severe weakness attached to the Japanese yen. So much so that it prompted joint intervention between the US and Japan, in an effort to calm instability. But the root cause here is a slow BoJ. If that does not change, the pressure will remain.

US 10yr real yield (%) – back to 'normal', or slightly above



Source: Macrobond, ING estimates

US: The cross-over point that 5% on the 10yr suggests

We've opined on the link between this and US Treasuries here. Essentially, if the yen required aggressive enough offsetting selling of US dollars, it risks a sell US Treasuries narrative. And that's the last thing the US Treasury wants to see right now. Especially as Treasury Secretary Scott Bessent has made it known through a doubling of long-end buybacks that there is a degree of discomfort when Treasury yields hit elevated levels. The root problem here is the size of the fiscal deficit, and until that is properly addressed, the pressure attached to Treasury yields is set to remain. The US 10yr yield is now at 4.8%, with progress toward 5% quite probable ahead.

A key area to watch is 5% on the US 10yr yield. Breaks above that would likely be resisted by the US Treasury. If the 10yr yield does break above, remember that 5% is not particularly high. We hit that level back in 2023, and the long-run fair neutral value for the 10yr yield is in the area of 4.5% (see here). At '5%', we're above that. But we arguably should be, given where inflation (3.5%) and the fiscal deficit (6% of GDP) are printing.

A few things are going on here. First, we should not forget that the pandemic shocked developed markets into inflation generation, resulting in a logical tendency for interest rates to return toward normal (from being abnormally low). Second, the pandemic generated a material build in developed market government debt, and took already rocky debt dynamics to a more troubling place. The US is a clear case in point here.

Eurozone: Caught between cross-winds

Meanwhile, the US fiscal pressure, together with a changing political dynamic, has injected an increased defence need for European governments, in turn adding to fiscal spending requirements in the future. And various energy shocks have added to European inflation pressure. That, together with a far more troubling contemporaneous inflation dynamic, is forcing eurozone yields to the upside.

On the front end, the European Central Bank has hiked and is set to do more. On the back end, there is a relative value re-pricing required so that eurozone long-end rates sit appropriately versus alternatives. For example, in March this year, the 30yr Japanese yield moved above the 30yr German yield, and that spread has since widened to the 40bp area. That's a simultaneous relative value pressure.

Throw in the 30yr UK gilt yield at just short of 6% and there is a self-fulfilling path of least resistance higher that we need to remain concerned with.

AI: The productivity boom

The issue right now is that there is no material countervailing force to resist these moves. Also, they are being driven predominantly by higher real rates. Higher real rates are tougher to reverse, until or unless we get to a level where demand for elevated yields begins to kick in.

Fed Chair Kevin Warsh at the opening of the G20 finance meeting spoke of an upcoming discussion on what he described as a secular growth phase ahead. This is no doubt in reference to the productivity revolution that could come from the astonishing AI spend currently ongoing, which in itself is making a material contribution to macro-wide spending. That correlates with higher real yields, as does duration-heavy issuance pressure in this space.

Given this, it's tough to see the pressure for higher long-end yields magically dissipate. And even when it does for a period, the Iran war and energy price pressure provide an additional excuse to keep them elevated. This is especially a live problem for Europe to deal with, and for Asia, and indeed beyond. Given this weight of confluences, Treasury Secretary Bessent may well have his work cut out to ease the pressure through increased Treasury long-end buybacks (these start on 9 September). The risk is we may have to endure an overshoot before things structurally calm, as the current upside pressure on real rates remains intense.

Energy price forecasts revised higher amid stalemate

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We revise our oil and gas forecasts higher with little sign of a breakthrough in the deadlock between the US and Iran. The oil market remains tight, but refined product markets are even tighter, while the European gas market remains vulnerable to spikes higher as we move closer to winter

Our base case is that Brent averages $80/bbl in the fourth quarter of the year

Oil flowing through the Strait of Hormuz despite stalemate

The US-Iran Memorandum of Understanding (MoU) proved short-lived, and mediation efforts have yet to restart negotiations. Oil prices have consequently risen from late-June and early-July levels, with ICE Brent trading back around the $90/bbl level. Meanwhile, the brief flurry of Strait of Hormuz flows during the MoU period has eased.

Nevertheless, Persian Gulf producers appear increasingly willing to move oil through the Strait and offer more barrels outside it. Tracking remains difficult because vessels often switch off transponders during transit. US officials estimate flows near 10m b/d, while shipping trackers put them at 4-8m b/d, with estimates recently edging higher. Because a very large crude carrier can hold about 2m barrels, missing one or two vessels can materially distort daily estimates.

We assume Hormuz flows of around 5m b/d. Including pipeline bypass volumes, total Persian Gulf oil exports are roughly 50% of pre-war levels.

China continues to provide relief to the oil market in the form of weaker imports. While imports appear to have bottomed in June, they remain well below year-ago levels. Crude oil imports in July averaged 8.45m b/d, up 1.3m b/d MoM, but down 2.7m b/d year-on-year. Given strategic reserves in excess of 1.2bn barrels, China should be able to sustain these lower imports for the remainder of the year.

Updated oil price scenarios

Base case: Stalemate persists until shortly before the November US mid-term elections, followed by a limited stabilisation agreement covering Hormuz, military de-escalation and possible sanctions relief. Persian Gulf oil flows remain near 50% of pre-war levels in October, then recover to about 90% by December, including bypass volumes. Brent averages $80/bbl in the fourth quarter, up from our previous forecast of $74/bbl.

Optimistic case: A September agreement restores flows to pre-war levels by year-end, with Brent averaging $75/bbl in the fourth quarter.

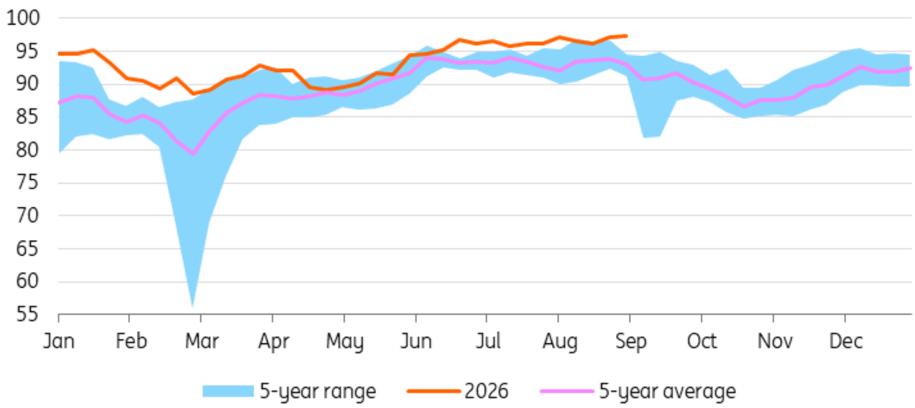
Pessimistic case: Escalation increasingly disrupts Hormuz and bypass routes, leaving year-end flows near 50% of pre-war levels and lifting fourth-quarter Brent to an average of $104/bbl.

Diesel tightness is more acute

Diesel and gasoil cracks have reached record highs as Persian Gulf disruptions coincide with reduced Russian supply. Following Ukrainian drone attacks on refineries, Russia has banned diesel exports until the end of September amid domestic supply concerns. This matters because Russia is the world's second-largest diesel exporter. Combined disruptions are equivalent to around 20% of global seaborne diesel trade. With little spare refining capacity, meaningful relief requires a recovery in Persian Gulf and/or Russian flows.

US refiners have been operating at near capacity this summer amid tightness in global diesel markets

US refinery utilisation rate (%)



Source: EIA, ING Research

European gas market increasingly vulnerable

European gas prices have recently exceeded EUR70/MWh, their highest since March. Lower Persian Gulf LNG supply has tightened the global market, while strong Asian spot buying pushed EU LNG imports down about 16% year-on-year between April and July. We believe imports should stabilise and recover on a month-on-month basis because freight economics now favour sending spot cargoes to Europe.

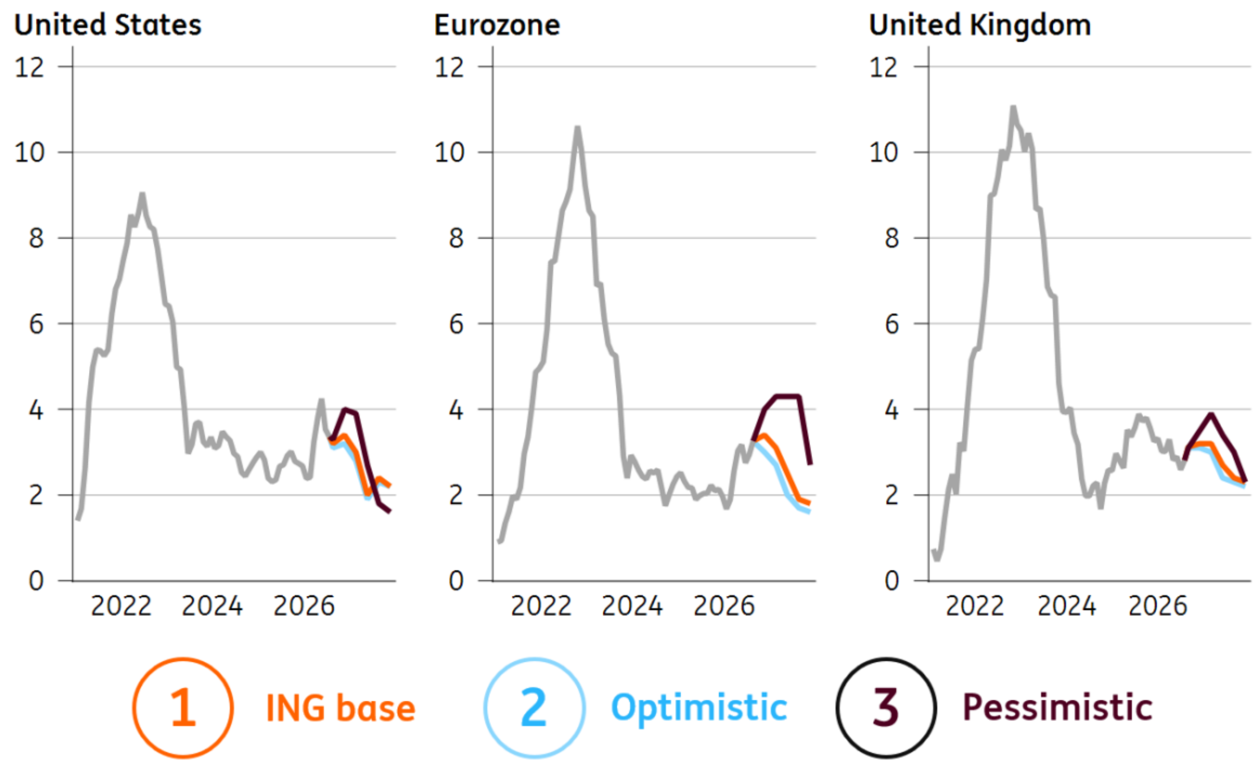
Slower injections left EU storage around 65% full at the end of August, versus a five-year average of 82% and below 2021 levels. Our balance points to inventories of 72-73% at the start of the heating season, well below the headline 90% target and potentially below the flexible 75% threshold. Some member states may therefore need to accelerate purchases, supporting prices as winter approaches. Low storage limits the downside for European gas prices under any of our Persian Gulf scenarios.

Three scenarios for energy markets

Scenario	Disruption rate (%) Jul	Aug	Sep	Oct	Nov	Dec	Brent forecast (USD/bbl) 3Q26	4Q26	1Q27	2Q27	TTF forecast (EUR/MWh) 3Q26	4Q26	1Q27	2Q27
ING base 1	51	51	51	51	26	11	90	80	75	68	60	65	65	32
Optimistic 2	51	51	26	16	6	0	85	75	70	65	55	55	50	30
Pessimistic 3	51	51	72	72	72	51	93	104	96	81	65	75	70	45

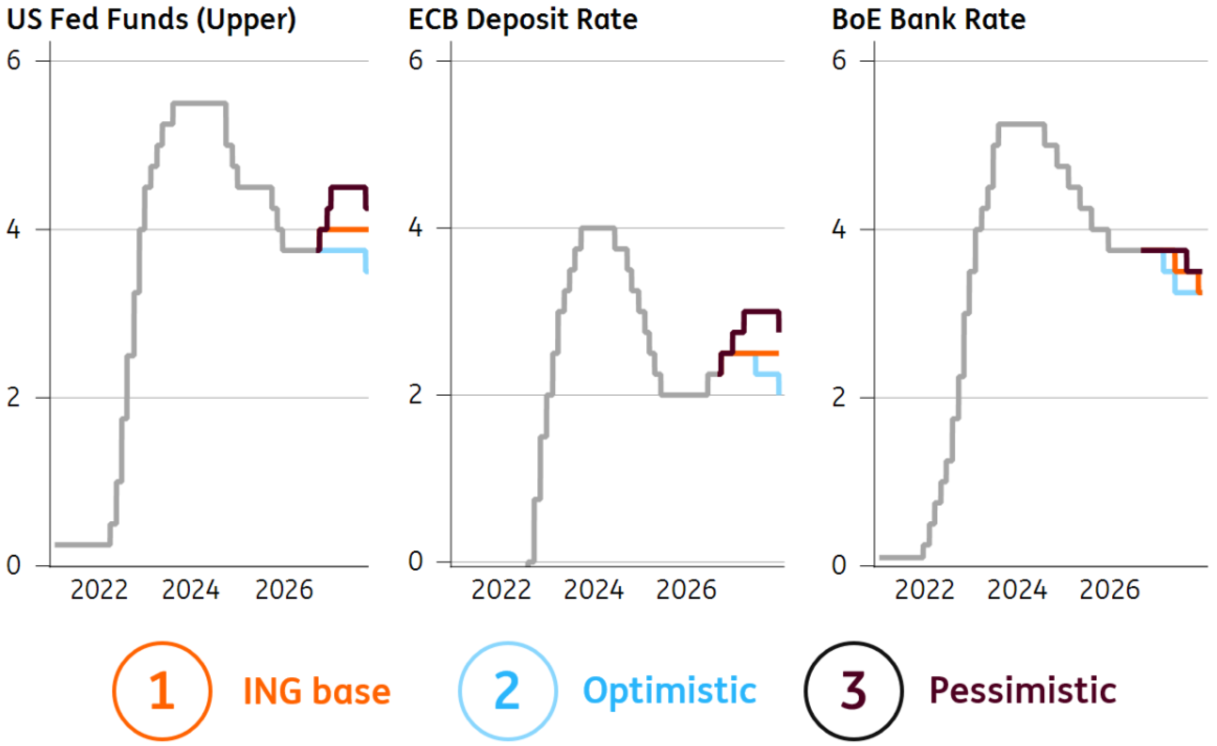
Source: ING

Three scenarios for inflation



Source: ING

Three scenarios for central banks



Source: ING

Three scenarios for markets

		① ING Base						② Optimistic						③ Pessimistic					
		2026		2027				2026		2027				2026		2027			
	2 Sep	Q3	Q4	Q1	Q2	Q3	Q4	Q3	Q4	Q1	Q2	Q3	Q4	Q3	Q4	Q1	Q2	Q3	Q4
Brent Crude (USD/bbl)	94	90	80	75	68	70	69	85	75	70	65	68	67	93	104	96	81	75	72
Dutch TTF gas (EUR/MWh)	73	60	65	65	32	31	32	55	55	50	30	28	32	65	75	70	45	35	33
US Inflation (YoY%)	3.4%	3.2	3.4	3.0	2.0	2.4	2.2	3.1	3.2	2.8	1.9	2.3	2.2	3.3	4.0	3.9	2.7	1.8	1.6
Eurozone Inflation (YoY%)	3.3%	3.3	3.4	3.1	2.5	1.9	1.8	3.2	3.0	2.7	2.0	1.7	1.6	3.8	4.0	4.3	4.3	4.3	2.7
ECB Deposit Rate (%)	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.25	2.00	2.50	2.75	3.00	3.00	3.00	2.75
Fed Funds Rate (%)	3.75	4.00	4.00	4.00	4.00	4.00	3.75	3.75	3.75	3.75	3.75	3.50	3.25	4.00	4.50	4.50	4.50	4.25	3.75
2Y EUR swap rate (%)	3.20	3.20	3.05	2.95	2.85	2.85	2.85	3.10	2.80	2.70	2.50	2.30	2.20	3.30	3.40	3.50	3.40	3.00	2.95
10Y EUR swap rate (%)	3.40	3.35	3.40	3.20	3.05	3.05	3.05	3.30	3.20	3.10	2.90	2.80	2.75	3.40	3.50	3.50	3.35	2.90	2.80
2Y USD swap rate (%)	4.25	4.20	4.10	4.00	3.75	3.65	3.35	4.10	3.90	3.80	3.50	3.25	3.25	4.25	4.50	4.40	4.20	3.50	3.10
10Y USD swap rate (%)	4.40	4.35	4.50	4.35	4.10	4.05	4.05	4.30	4.40	4.25	4.00	3.95	3.95	4.40	4.60	4.50	4.30	3.80	3.50
EUR/USD	1.16	1.15	1.16	1.16	1.18	1.19	1.20	1.17	1.18	1.18	1.20	1.21	1.22	1.13	1.14	1.14	1.16	1.18	1.20

Source: ING

Our latest views on the major central banks

Our take on what could be next for the Federal Reserve, the European Central Bank, the Bank of England and the Bank of Japan over the coming months

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Federal Reserve

We had been in the camp that felt the Fed could wait it out and inflation would return to 2% within the next 12 months. However, Chair Kevin Warsh's Jackson Hole speech suggested he is minded to take action, given inflation has run too hot for too long in an environment of full employment and where he suggests financial conditions aren't especially tight. We don't think anyone on the FOMC is hostile to the idea of a rate hike and, as such, we are now in an environment where it seems as though the Fed's position is to hike rates, unless the data justifies a pause, versus the previous position of holding rates steady unless the data justifies a hike. This suggests a 16 September rate hike is now the most probable outcome. Given our macro view of tepid job creation, on-trend growth and cooling inflation, we see this as a risk management move rather than the start of a series of hikes.

European Central Bank

The stage looks set for another rate hike at the ECB's September meeting. Not only because some ECB members actually advocated for a rate hike at the July meeting, but since the July meeting, the eurozone economy has shown an almost unexpected resilience to the war in the Middle East. This is partly due to good luck and to Asian competitors being hit harder by the closure of the Strait of Hormuz and losing orders to European competitors, but also to long-announced fiscal stimulus.

At the same time, headline inflation has continued to edge higher, even if other inflation measures like core and services currently provide no reason to panic. With oil prices remaining elevated and the risk of a fresh gas price shock increasing, most ECB policymakers are likely to see the case for another rate hike.

Even if the ECB doesn't like the term, the second rate hike this year would also fall into the category of 'insurance rate hike', or maybe more to the central bank's liking: a rate hike to strengthen its credibility and to preempt any possible indirect or even second-round effects from the current energy price shock.

Bank of England

We think the bar is still relatively high for a Bank of England rate hike. Markets are pricing three by next summer. While three of the nine-strong committee voted for a hike in July, the remaining six look fairly embedded in the 'on hold' camp. It was telling that Claire Lombardelli, the most obvious candidate to join that hawkish group, said that it wasn't a difficult decision to vote for no change at the last meeting. Officials have previously drawn a line in the sand at 4% inflation, which the Bank has argued is historically more likely to spark 'second round effects'. Even after the latest rise in natural gas prices, we're forecasting inflation to briefly peak at 3.5% next winter. That's below the peak we saw in 2022, a time when the Bank was still actively cutting rates. Unless the October budget sees a material loosening in fiscal policy, we expect two rate cuts in 2027.

Bank of Japan

It looks like the Bank of Japan will hike rates by 25bp in September, taking the policy rate to 1.25%. Most at the BoJ see the neutral policy rate close to 2.00% and see inflation sustainably above 2% over their policy horizon. The big question for the market is whether September's hike represents an acceleration of the tightening cycle or merely some quid pro quo for the US Treasury's support for the yen in late July. Our base case assumes two follow-up hikes in January and April next year, with the BoJ preferring to front-load tightening before April's large consumption tax kicks in. Thereafter, the optics of hiking as headline inflation falls become more difficult. 75bp of tightening over the next six months is far from a given, however. The government remains fully committed to its pro-growth agenda and will be wary of too much tightening too soon.

Warsh shift points to an 'insurance' Fed hike

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Kevin Warsh's Jackson Hole speech has shifted the Federal Reserve's position from hold unless you have to hike, to hike unless you can justify a hold. While our macro projections suggest the Fed can afford to be patient, the shift in stance indicates an appetite for a hike to help ensure inflation returns to target. We see no need for a series of hikes

Kevin Warsh's Jackson Hole speech has shifted expectations, making a September rate hike more likely than a pause as the Fed seeks to reinforce its inflation-fighting credentials

Chair Warsh signals a September hike is more likely than not

Ahead of the Federal Reserve's Jackson Hole Symposium, we were comfortable with the view that the Fed would be patient and hold rates steady well into 2027. However, Chair Warsh took a notably more hawkish stance in his keynote address. He emphasised a focus on inflation, which has been above target for 65 consecutive months, and a sense that financial conditions aren't tight in an environment of full employment. Given this, we need to change the way we think about the September Fed decision. Previously, it was that the Fed would hold unless the data justifies a hike. Now it is that the Fed will hike, unless the data justifies a pause. The shift is subtle, but significant.

There are two key August data points ahead of that decision; the 4 September jobs report and the 11 September CPI print. Before Jackson Hole, we would have said it requires a non-farm payrolls figure of 75k+, the unemployment rate holding at 4.1% with core CPI coming in at 0.3% month-on-month or above to result in a vote in favour of a rate hike. Now, we suspect it will likely require a jobs figure below 25k, possibly even net job losses, with a core CPI MoM reading below 0.2% MoM, to prevent/delay a hike.

While maintaining a forecast of a stable Fed funds rate through to 2027 could be justified based on our growth, inflation and jobs forecasts, the shift in stance needs to be taken on board. After having sounded hawkish in June and then backtracked in July, what would it mean to Warsh's credibility to have gone hawkish again in August only to turn more dovish in September? His emphasis on trends rather than individual data points also suggests he has made his mind up and, with no-one on the FOMC openly hostile to a rate hike, we have to say that a 25bp increase now looks more likely than a hold. With Treasury Secretary Scott Bessent watching nervously as longer-dated yields climb, he too is likely to be on board. Even President Trump has seemingly given him a pass, saying "he'll do what he has to do".

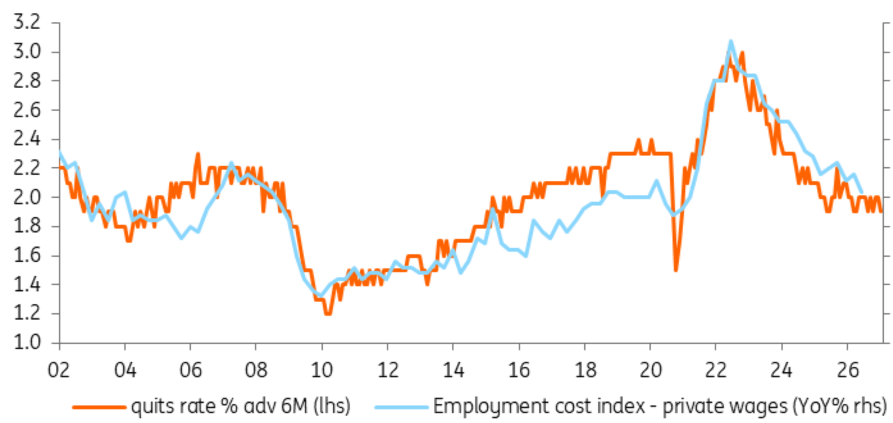
Although our macro projections suggest the Fed has the room to wait

Regarding the macro backdrop, the economy continues to look robust with high-income consumer spending and tech investment the key activity drivers amidst tepid job creation and weak consumer sentiment. Middle- and lower-income households remain under financial pressure, with real household disposable incomes having flatlined for 18 months and the savings ratio remaining close to historical lows at just 3%. Meanwhile, delinquency ratios for credit cards and auto loans are at record levels. Business capex outside tech remains subdued while imports are set to continue to be a drag as foreign-sourced products are utilised in the tech investment boom. Higher government borrowing costs are contributing to higher mortgage rates and corporate borrowing costs and this will act as a headwind to overall activity.

Inflation has been undershooting expectations recently, but as Kevin Warsh pointed out, it remains above target. The lack of progress surrounding oil and gas flows from the Strait of Hormuz means headline disinflation has stalled, but our geopolitical assessment is that the situation will improve, and oil prices will resume their declines later in the year. We also expect ongoing progress in the core metrics despite a re-escalation in trade tensions with Canada and anxiety over “chipflation” tied to semiconductor shortages.

After all, we remain in a less onerous tariff regime than 12 months ago and $166bn of International Emergency Economic Powers Act (IEEPA) tariff refunds continue to be a cash flow boost for corporate America. Computers, peripherals and telephone equipment (including smartphones) have a weighting of less than 0.7pp in the basket for CPI while the use of hedonic (quality adjustment) pricing will mitigate retail price increases. The shelter component, with a 35% weighting in the CPI basket, should continue to moderate given the stagnant property market and cooling private sector rents. Supply-side cost pressures should be further mitigated by subdued wage growth. We expect inflation to return to 2% in the summer of 2027.

Weak wage growth unless labour turnover increases



Source: Macrobond, ING

We expect this to be a one-off "risk management" hike

Ordinarily the assumption is that if the Fed hikes, they don’t do just one. However, this time around we think that may be the case as the soft jobs figures and cooling inflation data calm Fed worries. Market and consumer inflation expectations remain in check, so we see parallels with the late 1990s – cuts in early 1996 before a pause, then one 'risk management' hike in March 1997 before a long pause through late 1998.

Eurozone economy remains resilient

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The eurozone economy has weathered the energy shock better than anticipated, and moderate growth is likely to continue. With inflation now expected to remain above 3% until spring 2027, the European Central Bank is likely to raise rates in September, while an additional increase cannot be ruled out

A European Central Bank rate hike in September is likely

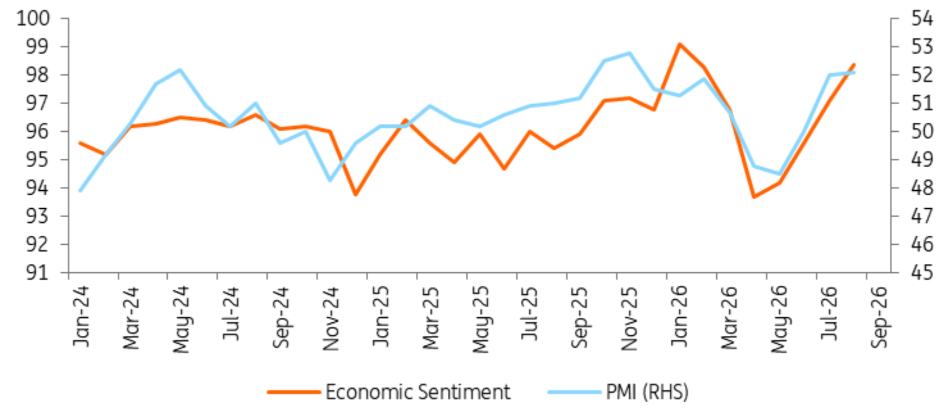
A surprisingly strong second quarter (though not everywhere)

Despite persistent uncertainty and the energy shock triggered by the war in the Middle East, eurozone GDP grew by a stronger-than-expected 0.4% in the second quarter. Excluding Ireland's volatile contribution, the eurozone has now expanded for four consecutive quarters at a pace of around 0.3% quarter-on-quarter. Germany, which had barely grown for three successive years, was among the eurozone's main growth drivers in the first half of 2026. Higher defence and infrastructure spending now appears to be gaining traction, which should support growth over the coming year. France, by contrast, recorded no growth at all in the first half of 2026. This does not bode well for the budget negotiations. With presidential elections due in 2027, putting together the necessary austerity package will be difficult, particularly against an unsupportive growth backdrop. In that context, renewed upward pressure on French bond spreads has become a material risk for the second half of the year.

Underlying growth momentum remains positive

Judging by sentiment indicators, the third quarter began on a firm footing, with both the PMI and the European Commission's sentiment indicator rising in July and August. Encouragingly, the employment expectations index also improved for a second consecutive month, a development reflected in lower unemployment expectations among European households. This should support consumption in the second half of the year. Admittedly, the exceptionally warm summer weather may have shaved some growth off the third quarter: in Germany, for example, low water levels on the Rhine disrupted supply chains. Nevertheless, barring a renewed escalation of the conflict in the Middle East, the underlying growth trend remains positive. Following the upward revision to first-quarter GDP and the stronger-than-expected second-quarter outcome, we have raised our 2026 growth forecast to 0.8%. For next year, we expect growth of 1.3%.

Business sentiment recovered



Source: LSEG Datastream

Inflation to remain above 3% until spring 2027

The renewed rise in energy prices pushed headline inflation to 3.3% in August. Energy is likely to keep inflation above 3% for the remainder of the year and going into 2027, especially as the replenishment of gas inventories in Europe has driven natural gas prices significantly higher over the past month. At the same time, the combination of El Niño and elevated energy costs is likely to cause food price inflation to accelerate towards year-end. Fortunately, underlying inflation remains relatively stable at 2.4% and selling-price expectations have not risen significantly in recent months.

ECB likely to raise rates at least once more

Taken together, these developments make a European Central Bank rate hike in September highly likely. With growth holding up and inflation set to remain above target for some time, several Governing Council members have suggested that a September increase is probable. The question now is whether the ECB will stop at 2.50%. We certainly cannot rule out a third rate hike in December. However, if our scenario of easing tensions in the Middle East materialises by then, the ECB may still decide against further monetary tightening. Wider government bond spreads, driven by deteriorating public finances in several countries, would also tighten financial conditions implicitly, partly doing the ECB's job.

Three German elections, one bill

The three state elections in September will not determine Germany's economic outlook, but they could change the price of everything the Merz government still wants to do, and how much time it has left to do it

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The clock is ticking on the Merz government's reform plans as key state elections approach

Germany votes three times in 15 days: Saxony-Anhalt this Sunday, Mecklenburg-Vorpommern and Berlin on 20 September. Together, these elections cover around 5.4 million voters, roughly 8% of the electorate. That may seem too small to matter nationally, but that would be a mistake. State elections can influence federal policymaking through two channels: directly via the Bundesrat, which can block legislation affecting state interests, and indirectly through the political signal they send to the governing parties. The second channel is the dangerous one.

The direct economic impact will be limited. New state governments could weaken support for the reform package CDU and SPD agreed before the summer and slow an implementation that is already cumbersome. That is a drag, not a rupture. The indirect impact is where the risk sits, and four triggers are worth watching.

1) The cordon sanitaire gets expensive. In two of the three states the AfD leads, and in none of them does the incumbent coalition still have a majority. In Saxony-Anhalt, where the AfD is polling above 42% and could supply the Federal Republic's first AfD state premier, exactly one non-AfD majority exists – CDU, Die Linke and SPD, with roughly a seat to spare. In Mecklenburg-Vorpommern, the arithmetic points the same way. Merz has held the line against cooperating with the AfD. September sends him the bill, in the form of an ugly internal argument about which taboo is load-bearing: the firewall, or the resolution ruling out the Left.

2) Leadership risk turns live. Merz is currently the least popular chancellor on record, and his own party has been queuing up to say so – the debt-brake U-turn, the gap between announcement and delivery, some clumsy personnel management. There was already speculation over the summer of a move against him after September. Easier said than done. But the debate itself is the signal.

3) The SPD's slow-motion crisis. At 12% nationally, the party risks missing the 5% threshold in Saxony-Anhalt entirely. The weaker it gets, the likelier an internal fight over whether to carry the reform agenda or unwind it and adopt a more French approach.

4) Could the AfD for the first time lead a regional state government? In Saxony-Anhalt it possibly could. But what would AfD economics actually be? Still a grab bag. The Halle Institute costed the party's Saxony-Anhalt programme in August: roughly €2.5bn annual financing needs against €243m provable savings, less than ten cents of every promised euro. At the same time, the party is still flirting with a euro exit. Not that this would happen via Saxony-Anhalt, but the question is whether international investors are able to make this distinction.

China's recovery stalls as K-shaped divergence widens

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China got off to a sluggish start in the second half of the year, with the economy's K-shaped divergence still widening, and policymakers signalling that stimulus will likely be incremental and targeted

Recent economic indicators point to renewed weakness in China

China's K-shaped divergence continues to widen

China's data has deteriorated again in recent weeks, underscoring that the slowdown hasn't bottomed as the third quarter gets underway.

China's K-shaped divergence is widening this year. External demand remains a strong leg, with exports up 18.5% year-on-year in the first seven months thanks to surging shipments of cars, ships, and chips. And despite an even bigger jump in imports, net exports have swung back into positive territory – a sign that trade is doing more heavy lifting as domestic momentum softens.

But domestic demand indicators once again missed forecasts across the board. Retail sales and fixed asset investment both slumped to post-pandemic lows, while the property sector and credit data continue to contract sharply year-on-year.

Modest policy support expected ahead

China's July Politburo meeting drew intense scrutiny for signs of fresh stimulus. The tone was upbeat enough, but the substance underwhelmed: leaders offered little in the way of new support and instead signalled a preference for incremental and targeted easing through existing tools.

On the fiscal front, the priority will be accelerating the use of already-approved funds, not rolling out new quotas. Bond issuance is expected to accelerate in the coming months to finish using this year's existing quotas.

The government announced a set of policy measures to support domestic demand at the start of August, centred on broadening the scope of interest subsidies for consumer loans.

The loan ceilings were also raised. The next few months of data will show whether the policy shift is gaining traction, but we expect any boost to be modest at best.

More help does appear to be coming. On 21 August, the Ministry of Finance signalled that additional fiscal measures are in the pipeline, with more spending aimed at households and consumption, and tighter coordination across fiscal, monetary, and industrial policy to amplify the impact. We still see a solid case for a 10bp rate cut before year-end, especially with inflation and growth momentum both fading and credit demand still soft.

Lowering growth and inflation calls as momentum stalls

Given the soft start to the second half and signs that policy support will remain relatively modest, we're trimming our 2026 GDP forecast slightly – to 4.6% YoY from 4.7%.

On the inflation side, we see persistent drags from food and rent, which are denting the reflation theme. Price competition for the economy as a whole remains significant despite "anti-involution" efforts in select industries. Higher energy prices and broadly steady core inflation should keep headline inflation comfortably positive this year, but we're trimming our full-year forecast to 0.9% YoY from 1.2%.

We're keeping our 6.67–6.92 USDCNY fluctuation band for the yuan in the second half of 2026. But risks are increasingly skewed toward CNY strength. Appreciation expectations remain firm, and China's current-account surplus and pent-up buying pressure from Chinese exports continue to support the CNY.

Bank of England to diverge from the Fed as inflation remains cool

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Contrary to market pricing, we think the combination of a fragile jobs market and cooling core inflation should help unlock Bank of England rate cuts in 2027

Markets see three Bank of England rate hikes ahead. We think at least one cut is more likely

The UK is not like the US – rates are still restrictive

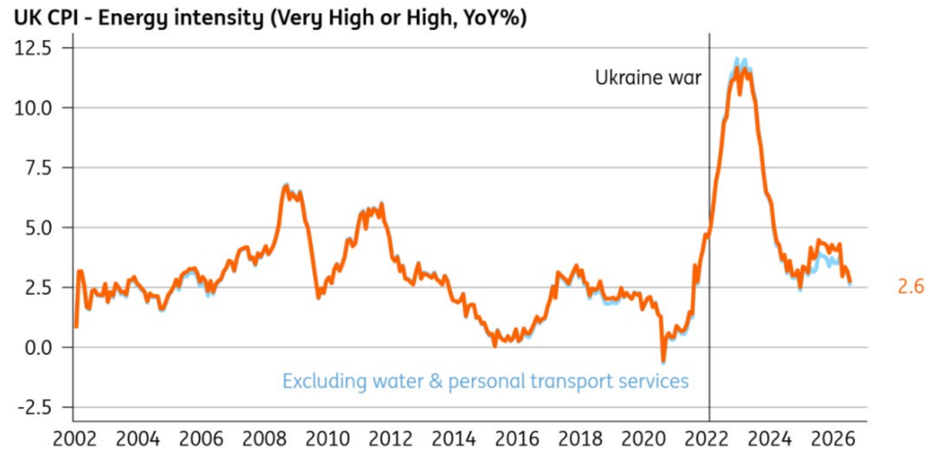
US Fed Chair Kevin Warsh's hawkish antics at Jackson Hole, together with the latest rise in energy prices, mean markets are now pricing three rate hikes from the Bank of England over the next 12 months.

We disagree; we think the Bank will have cut rates at least once by then. Warsh's argument that the level of US interest rates is no longer restrictive is much harder to make in Britain.

Take the jobs market. The good news is that private sector hiring, outside of hospitality and retail, is no longer falling, according to the payroll numbers. The bad news is that the hiring surveys generally still point to further reductions in headcount. And in consumer services, payroll numbers are falling in excess of 3% annualised, and that rate of decline, if anything, is still getting worse.

The result is that private sector wage growth, at 2.8%, is hitting new lows. And even after adjusting for so-called 'compositional effects' in the data, it has finally reached the 3.25% level which the BoE told us earlier this year is consistent with a 2% inflation target in the medium term. Forward-looking surveys don't point to an imminent turnaround.

'Energy intensive' inflation hasn't picked up



Based on energy intensity data from the ONS. Calculations by ING
Source: Macrobond, ING

Growth is likely to slow as the year goes on

All of that is hard to square with the solid growth data in the first half of the year. In part, that is simply because the inflation shock hasn't been as bad as it could have been. But there are three broader problems with this.

First, ever since 2022, growth has been much stronger in the first half of the year than the second – and the trajectory of monthly GDP this year has very much followed this familiar path. We, like many others, suspect that this is down to seasonal adjustment challenges. And that points to weaker growth in the second half of the year.

Second, growth is very concentrated. This isn't new, admittedly, but three sectors – IT, health/social care and transport – are contributing half of the UK's 1.1% annual growth rate, despite only making up 17% of economic output. Strong CapEx in the first half tentatively suggests the UK is benefiting from a scaled-down version of the AI data centre boom currently engulfing the US.

Third, construction has been very weak. Private housebuilding is still 20% below pre-Covid levels, a neat encapsulation of tight monetary policy in a rate-sensitive sector.

Then there's inflation. Our calculation of 'energy intensive' inflation has actually fallen so far this year, even accounting for the impact of last year's water and road tax hikes. There are lags involved, admittedly. But the fact that food inflation in particular has been falling should be welcome news for the BoE hawks. The Bank's favoured measure of "core services" inflation is also down so far this year.

Barring a sustained and material spike in energy prices, we think by early next year the BoE will be comfortable pivoting in a more dovish direction. A lot will depend on October's budget. But for now, we're pencilling in a rate cut for April 2027.

Asia: AI-led growth drives the region's outperformance

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Asia continues to outperform as AI-related investment, intra-regional trade and supply chain diversification support growth across both North and Southeast Asia. At the same time, rising inflation pressures are prompting central banks, particularly the Bank of Korea and Bank of Japan, to move further along the policy normalisation path

Strong domestic demand continues to power India's economy

AI, intra-Asia trade and supply chain diversification support growth

GDP growth remains strong across Asia. Not only is North Asia benefitting from AI-related capex, but the rise in intra-regional AI trade is also supporting Southeast Asian economies as they become increasingly integrated into regional supply chains. Interestingly, China+1 is no longer just a strategy adopted by the US and Europe, but is also increasingly visible within Asia itself. While China remains deeply integrated into regional supply chains, larger economies such as Japan and Korea are expanding their manufacturing footprint elsewhere in the region.

For example, Korea is increasingly investing in Indonesia's battery sector, Vietnam's electronics industry and Singapore's role as a regional logistics hub, while Japanese investment has become more focused on India. Overall, the combination of AI-driven trade, stronger intra-regional investment and supply-chain diversification is helping support growth across the region and has kept Asia outperforming most other major economies.

Moreover, countries such as India, which are more dependent on domestic consumption, are also delivering strong growth. India's GDP growth accelerated to 7.8% year-on-year in the second quarter, exceeding expectations and highlighting the resilience of domestic demand. Despite headwinds to global trade, export growth has also strengthened significantly, driven by greater export diversification and a broader-based expansion across sectors and markets.

Inflation pressures are building across Asia

Inflation is gradually ticking higher across Asia, driven by a combination of higher fuel prices and firmer demand-side pressures, particularly in Korea, Japan and Singapore. In Japan, rising crude oil prices are increasingly being passed through to consumer goods, while in Singapore, higher fuel costs are feeding into services inflation, especially airfares and food services.

Looking ahead, we see upside risks to the inflation outlook and expect core inflation to accelerate further in the coming months. The growing risk of El Niño could raise imported food costs, adding to inflationary pressures in Singapore given its heavy reliance on food imports. At the same time, robust AI-related investment and data centre activity should continue to support domestic demand and keep services inflation firm. As such, we believe the October Monetary Authority of Singapore meeting remains live and cannot rule out further modest policy tightening.

Korea and Japan remain on a faster-than-expected tightening path

We now expect the Bank of Japan to deliver a 25bp rate hike to 1.25% at its 18 September meeting, reflecting growing confidence that underlying inflation pressures will persist. Beyond September, we continue to see scope for further tightening, with core CPI likely to remain elevated and peak only in 1Q27 before gradually moderating.

While the export-led growth story remains intact across Asia, central banks are increasingly looking for signs that external demand is feeding through to domestic consumption. Korea is emerging as one of the clearest examples of this dynamic, with strong export growth spilling over into domestic demand and driving a sharp pickup in core inflation. This has already prompted the Bank of Korea to deliver back-to-back rate hikes in July and August to the current 3.0%.

While recent BoK communication suggests an October move is unlikely, the sharp upward revisions to GDP growth forecasts point to a stronger growth backdrop than previously anticipated. We therefore continue to expect a further 50bp of tightening, taking the terminal rate to 3.5% in 1Q27.

CEE: Resilient growth meets fiscal and geopolitical headwinds

Poland remains resilient despite energy and fiscal risks; Czech growth is firm and inflation contained, but the Czech National Bank remains vigilant; Hungary's recovery may revive assets, while Romania still faces stagflation and political uncertainty

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Poland: The economy weathered the Middle East turmoil well in 2Q26, but headwinds remain

Despite a spike in energy prices, Poland's GDP growth reached 3.9% year-on-year in the second quarter. Fixed investment finally gained momentum, rising by 8.4% YoY, while net exports made a surprisingly positive contribution to growth despite a surge in import prices for energy commodities, triggered by the conflict in the Middle East. As expected, households were hit by higher fuel prices amid a continued slowdown in wage growth, pushing private consumption growth below 3% YoY. Although economic activity remained robust in 2Q26 and the outlook for fixed investment in 2H26 is favourable given the final stage of Recovery and Resilience Facility implementation, risks stemming from tensions in the Persian Gulf may weigh on private consumption and business confidence in the second half of the year. We therefore maintain our relatively conservative GDP growth forecast of 3.4% for 2026.

Fuel prices continue to exert upward pressure on headline inflation, even as the government seeks to cushion the impact of higher oil prices on retail fuel prices through temporary cuts in excise duty and VAT. Headline inflation is close to the upper bound of the National Bank of Poland's tolerance band around the inflation target (2.5% +/-1ppt), leaving no room for rate cuts this year. Price pressures appear largely confined to fuels and closely related CPI categories. With no signs of broader inflationary pressures and food price deflation, there is no immediate case for monetary tightening either.

The 2027 draft budget confirmed a continuation of expansionary fiscal policy, although the authorities refrained from introducing sizeable tax cuts or additional social spending ahead of the 2027 elections, reflecting limited fiscal space for voter-friendly measures. The general government deficit is projected to remain close to 7% of GDP in both 2026 and 2027, keeping public debt on an upward trajectory and maintaining pressure on asset swap spreads (ASW).

Czech Republic: Modest inflation amid a still sub-potential output

Given the rather disappointing real GDP figures over the first half of the year, we marginally lower our economic performance outlook for this year to just below 2%. The protracted tensions around the Strait of Hormuz, along with energy prices not meaningfully falling, imply a more gradual pickup to stronger growth dynamics over the next year. The expansion will be mostly driven by the improving performance of the Czech industrial base, which is entering solid ground. Meanwhile, the rising cost of living will dampen consumers' ability to spend on discretionary items, as the expected ample nominal wage growth will be partially offset by a sharper increase in general price levels. Continuously elevated fuel prices, along with renewed price growth in the regulated and foodstuffs segment, will simply bite into the real purchasing power of households, mostly via mandatory expenses.

The Czech National Bank will closely follow wage dynamics, which will also be affected by planned generous government spending. Price developments in the housing market and construction sector will play a central role, as these will continue to be the decisive drivers of core inflation. The forces of potentially stronger-than-expected wage and rent growth on the one hand, and the possibly disappointing overall economic performance on the other, will shape the appetite for another rate hike or for leaving the policy rate unchanged. For now, we take the position that none of these opposing drivers are likely to take the upper hand soon and opt for policy rate stability as our base case scenario.

However, with still-elevated oil prices and their potential to propel headline inflation, we see the odds of a tighter monetary policy as potent. The Czech National Bank's traditional resentment of expansionary fiscal policy could only add to such an outcome, while the budget draft will be shaped over the coming weeks. There is still a chance the threshold of a 3% deficit-to-GDP ratio would not be crossed substantially.

Hungary: Local stories to reignite interest in Hungarian assets

Although it may not sound like a Cinderella story at first, the 1.7% year-on-year GDP growth during the first half of 2026 is still a success. The economy is recovering after more than three years of stagnation, and this recovery is not accompanied by high inflation. In fact, headline inflation hit a 10-year low of 1.2% in August. We expect some acceleration due to the recent weakening of the forint, as well as the spillover effects of geopolitical issues and adverse weather conditions. However, our full-year forecast predicts an average price increase of 1.7% in 2026. Coincidentally, this matches our latest GDP forecast for this year, which was revised downwards due to the energy crisis, resulting in a drastic reduction in the country's sole nuclear power plant's energy output, voluntary production reductions among manufacturers, and increased energy imports.

Nevertheless, both consumer and business confidence remain high, and surveys indicate anchored inflation expectations. Against this backdrop, the National Bank of Hungary cut the base rate to 5.50% in August. While the Monetary Council has remained non-committal on further cuts, we believe that all the data point to the possibility of three more rate cuts before the end of the year. The most interesting developments will be the presentation of the mid-term budget plan by the Ministry of Finance and the central bank’s findings on its inflation-target revision. Both are expected in the autumn and will present the country's path to the eurozone. If the plans are credible and transparent, as we expect, and EU funds start to flow in, rating agencies could improve the sovereign rating outlook. In this scenario, we would expect to see a resurgence in the rally of Hungarian assets, which have mostly been dragged down by global geopolitical events.

Romania: The macro story is yet to improve

Romania’s growth picture still remains shaped by stagflationary pressures. After a flash release showing that the economy is down 0.8% in annual terms over the first half of the year, detailed GDP figures for the second quarter should reaffirm that private consumption was the main culprit while investments provided a much-needed, partly offsetting, cushion. Looking at inflation, we expect price pressures to end the year at 6.5% and average 8.5% throughout 2026.

With the Recovery and Resilience Facility in the rear-view mirror now, in the near term, public investments should nevertheless continue as part of other EU programmes like Security Action for Europe (SAFE) and Cohesion funds, albeit at a likely smaller pace. On the fiscal front, the deficit has shrunk visibly compared to last year, remaining the key positive factor supporting Romania's credit story. As of July, the fiscal balance stood at 2.34% of GDP (vs 3.99% in July 2025). We still expect it to end the year at 6.0%, although risks are tilted to the downside.

Meanwhile, the protracted political uncertainty continues to make headlines and remains a key flashing red signal for both rating agencies and markets. After narrowly escaping a downgrade through the summer, our base case is that we will continue to do so this autumn, provided that a government with full powers and proof of reform continuity are in place relatively soon.

CIS-4: Currencies remain supported, selective rate cuts still possible

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Higher fuel prices and persistent carry trade reinforce our constructive near-term FX outlook for commodity exporters and high-yielding CIS markets. Inflation risks are also rising, but domestic buffers should prevent a uniformly hawkish shift, keeping regional rate decisions selective – between a hold and a cut

Azerbaijan, which is benefiting from higher fuel prices

Commodity support uneven

The revised global outlook combines a higher near-term fuel price trajectory with renewed Black Sea disruptions. Azerbaijan is the clearest beneficiary: stronger hydrocarbon revenues reinforce already substantial fiscal and external buffers, leaving the budget and current account in high surplus while keeping the manat firmly pegged.

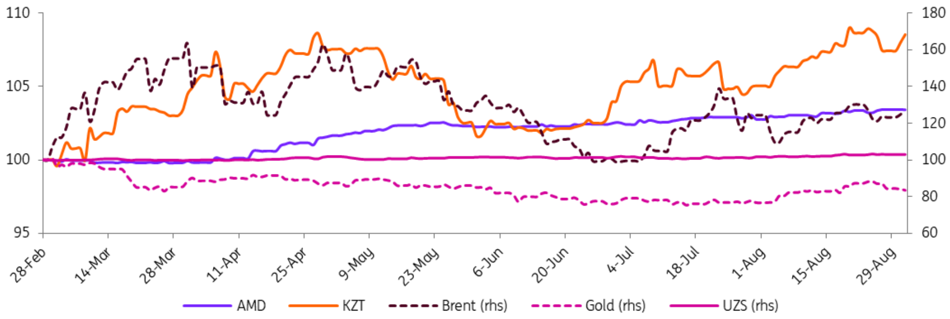
Kazakhstan receives a less straightforward boost. Higher oil prices support nominal export receipts, but disruptions to the CPC route have forced the authorities to lower the 2026 production target. Even so, according to our estimates, annualised crude exports remain around 10% above their 2021-22 post-pandemic level, cushioning the external accounts and the tenge.

The tenge also benefits from portfolio inflows. Kazakhstan's large interest rate differential, declining inflation and prospects of Euroclear access have strengthened demand for local government debt. Non-resident holdings have been growing rapidly since 4Q25 and reached $5.4bn as of July 2026, or 8.9% of the overall market. This supports our constructive near-term KZT view, while also increasing sensitivity to any reversal in carry flows, especially given the declining state involvement in the forex market.

Uzbekistan's soum has also outperformed. Gold exports restarted at $1.3bn in July, restoring an important source of foreign currency supply and partly offsetting softer gold prices. Persistently high real interest rates provide additional support for capital inflows. We have therefore improved our near-term UZS expectations alongside the KZT.

KZT and UZS keep outperforming underlying commodities thanks to portfolio inflows

Dynamics of commodities and floating CIS FX vs. USD (rebased) since the outbreak of the Iran war



Source: Refinitiv, CEIC, national sources, ING

Inflation risks rise, but from different starting points

Higher global energy and food prices, combined with upward pressure on core rates, raise risks to inflation and policy-rate trajectory across the CIS-4. The implications are not uniform, however.

Inflation in Armenia and Azerbaijan is rising from a relatively low base of 4-6%. Much of the incoming pressure is cost-driven, reducing the urgency for an immediate policy response. In Armenia, continued dram strength and improved fiscal performance provide additional disinflationary offsets. We expect both central banks to keep policy rates unchanged at 6.50% for an extended period.

Kazakhstan and Uzbekistan are on the opposite side of the spectrum, as their price growth is currently slowing from much higher levels. Kazakhstan's annual CPI returned to single digits (9.8% year-on-year) in August, keeping a gradual easing cycle in play despite renewed external price risks. Uzbekistan's central bank has also indicated that there may be room for a rate cut in 2026, as inflation gradually slowed to 6.4% YoY in July from double digits in 2024-25 amid fiscal consolidation and the rally of the soum.

The KZT and UZS appear well-supported, but mostly by portfolio inflows, as Kazakhstan and Uzbekistan's exports are affected by transport disruptions and volatile gold export volumes. But the global inflation and rates backdrop argues against broad-based monetary policy easing. FX resilience should allow selective policy rate cuts in Kazakhstan (from 16.75%) and Uzbekistan (from 14.00%), whereas Armenia and Azerbaijan are likely to remain on hold at 6.50%.

Yield curve dynamics drive the dollar

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It looks like the US yield curve is becoming increasingly important for dollar pricing. In simple terms, it seems a flatter curve is dollar-positive and a steeper curve is dollar-negative. In light of a more hawkish Fed outlook, we now expect the dollar to stay stronger for longer

Fed hawkishness and a flatter yield curve should help the dollar

Fed hawkishness versus the debasement trade

EUR/USD continues to bounce around in a broad 1.13-1.18 range – largely determined by US policy settings. In effect, the dollar has done a round trip on the hawkish-dovish-hawkish communication this summer by new Fed Chair Kevin Warsh.

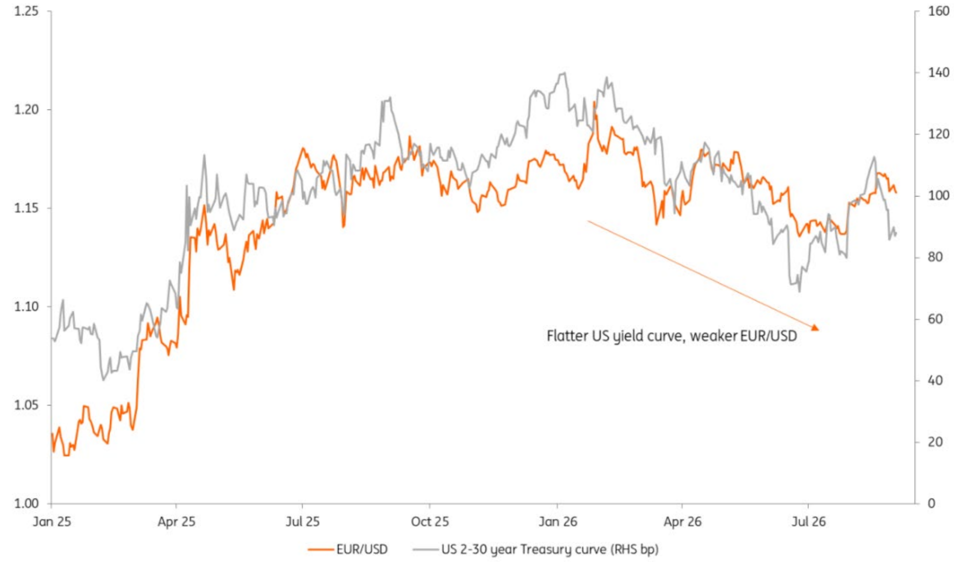
In light of ING's house view switching to a rate hike in September, short-dated US yields well over 4.00% look like they can keep the dollar broadly supported into year-end. That is why we are dropping our year-end 2026 EUR/USD forecast to 1.16 from 1.18 and raising the USD/JPY profile to 160 from 158.

A Fed hike and presumably a hawkish Fed stance into year-end will go some way towards dissuading investors from the debasement trade, which since 2025 has favoured the likes of the Swiss franc, gold and bitcoin at the expense of the dollar.

On the subject of the debasement trade, the recently announced US Treasury liquidity measures at the long end of the curve have unnerved investors and weighed on the dollar. Our forecasts of a stable/stronger dollar into year-end assume that the sell-off at the long end is relatively contained – tighter Fed policy should help. If we're wrong and 30-year Treasury yields surge through 5.50%, steepening the yield curve, then the dollar probably comes lower. Such a move would likely see a generalised rise in volatility and unnerve carry trade positions in high-yield FX.

As to the timing of the next leg lower in the dollar? On a cyclical view, we are now delaying our forecast dollar decline to the second quarter next year. That is when US inflation should have dropped back to 2% and Fed policy expectations can swing back from tightening to easing.

EUR/USD versus the US 2-30 year Treasury curve



Source: Refinitiv, ING

Intervention just got more difficult

Japanese authorities have little to show for the close to $100bn spent in USD/JPY selling intervention in late July/early August. The success of intervention in 2024 was primarily a function of timing Fed policy settings superbly well ahead of a Fed easing cycle which started in September that year.

Fast-forward to today and what should be imminent Fed tightening will work against recent FX intervention and place the burden squarely on the BoJ to surprise hawkishly. A 50bp hike in September seems unlikely, as do back-to-back hikes. Instead, and if the government does place a high priority on a stronger yen, we will need to see some fresh policy initiatives to encourage more investment in domestic assets. A redirection of GPIF investments domestically would be a surprise but would be consistent with the government's local investment drive. Unless something like this is seen, it looks like the Bank of Japan and probably the US Treasury too will be called upon again to sell USD/JPY in the 163/165 region.

GDP forecasts

QoQ% Annualised (avg)	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	2026F	2027F	2028F
US	1.5	3.4	2.3	2.2	1.9	2.2	2.2	2.2	2.3	2.1
Japan	1.1	0.4	1.2	0.8	1.2	1.2	0.8	0.7	1.0	0.9
Germany	1.3	0.4	0.8	1.2	1.5	1.5	1.5	1.0	1.2	1.5
France	0.2	0.8	0.8	0.8	1.0	1.2	1.2	0.5	0.9	1.2
UK	1.7	1.0	0.6	1.4	1.4	1.1	1.1	1.2	1.2	1.2
Italy	0.7	0.6	0.6	0.8	1.0	0.9	1.0	0.9	0.8	0.7
Canada	3.3	1.4	1.6	2.2	2.0	2.1	2.0	1.0	2.0	1.9
Australia	1.8	1.6	1.5	2.1	2.1	2.1	2.1	1.9	2.1	2.0
Eurozone	1.8	0.6	1.1	1.3	1.5	1.5	1.4	0.8	1.3	1.3
Austria	0.0	0.8	1.2	1.5	1.7	1.6	1.5	0.8	1.3	1.3
Spain	1.0	1.7	1.3	1.8	2.1	2.0	2.0	2.2	1.7	-
Netherlands	1.6	1.2	1.3	1.2	1.5	1.2	1.3	1.4	1.3	1.4
Belgium	0.1	0.8	1.2	1.2	1.6	1.2	1.2	0.6	1.2	1.2
Greece	0.8	1.5	1.5	1.3	2.9	1.6	1.7	1.7	1.7	1.8
Portugal	1.3	1.3	1.6	2.0	2.0	2.0	2.0	2.0	1.8	-
Switzerland	6.1	0.6	1.2	1.2	1.6	1.6	1.2	1.9	1.6	1.5

Emerging Markets, (YoY% growth)	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	2026F	2027F	2028F
Bulgaria	2.7	2.6	2.3	2.3	2.2	2.3	2.3	2.6	2.3	2.0
Croatia	2.2	2.1	1.2	1.8	1.9	2.0	2.0	1.9	1.9	1.7
Czech Republic	1.9	1.9	1.7	2.1	2.3	2.3	2.4	1.9	2.3	2.4
Hungary	1.7	1.3	2.3	2.0	3.1	3.5	3.5	1.7	3.0	2.9
Poland	3.9	3.4	2.9	3.6	3.5	3.0	2.9	3.4	3.2	3.0
Romania	-2.0	-1.1	1.5	1.8	2.5	2.4	2.1	-0.5	2.2	2.4
Turkey	2.3	3.2	3.6	3.4	3.8	4.1	4.6	3.0	4.0	4.0
Serbia	3.6	3.3	2.8	3.3	3.0	3.4	3.4	3.3	3.3	2.8
Azerbaijan	1.7	3.0	3.3	3.0	3.5	2.0	3.5	1.9	3.0	2.3
Kazakhstan	5.0	5.5	6.5	5.5	5.0	4.5	4.0	5.0	4.8	4.5
Russia	1.3	0.9	0.5	1.5	1.0	0.0	0.5	0.5	0.8	1.3
Uzbekistan	8.4	7.0	7.0	6.5	6.3	6.7	6.5	7.8	6.5	6.0
Ukraine	0.6	1.5	1.8	4.2	3.0	2.5	2.8	0.8	3.1	3.4
China	4.3	4.5	4.5	4.0	4.8	4.4	4.3	4.6	4.4	4.2
India	7.8	6.5	6.4	6.5	6.5	6.5	6.5	7.1	6.5	6.8
Indonesia	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.1	5.0	5.0
Korea	3.7	3.6	4.4	3.0	3.0	2.2	2.0	3.9	2.5	2.1
Philippines	2.3	5.5	6.0	5.5	5.5	5.5	5.5	4.2	5.5	6.0
Singapore	5.9	3.0	2.2	2.7	2.7	2.7	2.7	4.5	2.7	2.5
Taiwan	12.9	11.4	6.4	6.5	6.2	7.4	8.6	11.1	7.2	5.2

Norway: Forecasts are mainland GDP

Source: ING estimates

CPI Forecasts (pa)

YoY% (avg)	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	2026F	2027F	2028F
US	2.7	3.8	3.2	3.4	3.0	2.0	2.4	2.2	3.3	2.4	2.0
Japan	1.4	1.6	1.8	1.9	2.4	2.6	2.3	2.0	1.7	2.3	2.1
Germany	2.2	2.7	3.0	3.3	3.1	2.6	2.3	2.0	2.8	2.5	1.9
France	1.1	2.4	2.5	2.4	2.3	2.0	1.5	1.3	2.1	1.8	1.5
UK	3.1	2.8	3.1	3.2	3.2	2.7	2.4	2.3	3.0	2.7	1.9
Italy	1.4	3.0	3.2	3.3	2.9	2.1	1.9	1.9	2.7	2.2	2.0
Canada	2.2	2.9	3.0	2.9	2.5	2.0	1.7	1.8	2.8	2.0	2.2
Australia	4.1	3.9	4.0	4.0	3.5	3.5	3.2	3.2	4.0	3.4	3.0
Eurozone	2.0	3.2	3.3	3.4	3.1	2.5	1.9	1.8	3.0	2.3	2.1
Austria	2.5	3.4	3.0	3.1	3.1	2.5	2.1	2.0	3.0	2.4	2.1
Spain	2.7	3.6	3.8	4.0	3.5	2.4	2.2	2.2	3.5	2.6	-
Netherlands	2.3	2.8	3.1	3.2	3.3	2.8	2.4	2.2	2.9	2.7	2.4
Belgium	1.4	3.8	3.9	4.5	4.5	3.8	2.8	1.8	3.4	2.9	1.5
Greece	3.1	4.4	2.9	3.0	2.8	2.1	3.0	2.7	3.4	2.7	2.2
Portugal	2.2	2.9	2.9	3.3	2.7	2.1	2.0	2.0	2.8	2.2	-
Switzerland	0.2	0.6	0.7	0.8	0.8	0.6	0.8	0.8	0.6	0.7	0.8
Bulgaria	3.6	6.4	5.0	5.4	5.0	2.6	2.7	2.6	5.1	3.3	3.2
Croatia	4.0	5.2	4.0	3.9	3.0	2.4	2.8	3.2	4.3	2.8	3.6
Czech Republic	1.6	2.0	2.0	2.9	3.5	3.0	2.7	2.3	2.1	2.9	2.4
Hungary	1.8	1.8	1.3	2.0	2.2	2.6	3.1	3.0	1.7	2.8	3.0
Poland	2.4	2.9	3.3	3.6	3.4	3.0	2.0	2.0	3.1	2.6	2.1
Romania	9.6	10.6	7.2	6.6	6.0	5.0	4.0	3.6	8.5	4.7	3.5
Turkey	30.9	32.1	29.8	29.2	26.4	23.7	22.4	22.0	30.9	23.7	20.4
Serbia	2.6	3.2	2.6	3.4	3.7	3.5	3.9	4.3	2.9	3.9	5.0
Azerbaijan	5.7	5.6	5.8	5.9	5.8	5.8	5.4	5.4	5.8	5.6	5.3
Kazakhstan	11.6	10.4	9.8	10.2	10.3	10.4	9.9	9.3	10.5	10.0	8.4
Russia	5.9	5.6	6.2	6.6	5.6	5.6	5.3	5.0	6.1	5.5	4.4
Uzbekistan	7.2	6.3	6.6	6.8	6.9	7.1	6.5	6.9	6.7	6.8	6.5
Ukraine	7.6	8.0	8.0	8.5	8.0	7.3	6.1	6.1	8.0	6.9	5.2
China	0.8	1.1	0.8	0.6	0.9	1.2	1.3	0.9	0.9	1.1	1.0
India	3.1	3.9	4.8	5.5	4.5	4.8	4.8	5.0	4.4	5.0	4.5
Indonesia	3.9	2.9	3.3	3.4	2.8	2.8	3.0	3.0	3.4	2.9	2.5
Korea	2.1	3.0	3.4	3.3	3.1	2.3	2.0	1.7	3.0	2.3	1.8
Philippines	2.8	6.8	6.0	5.7	3.5	3.5	3.5	3.5	5.3	3.5	3.0
Singapore	1.5	1.8	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Taiwan	1.2	2.2	2.5	2.6	2.4	1.9	1.6	1.6	2.1	1.9	1.8

*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)

	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	2026F	2027F	2028F
Brent ($/bbl)	78	97	90	80	75	68	70	69	86	71	72
Dutch TTF (EUR/MWh)	40	46	60	65	65	32	31	32	53	40	27

Source: ING estimates

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