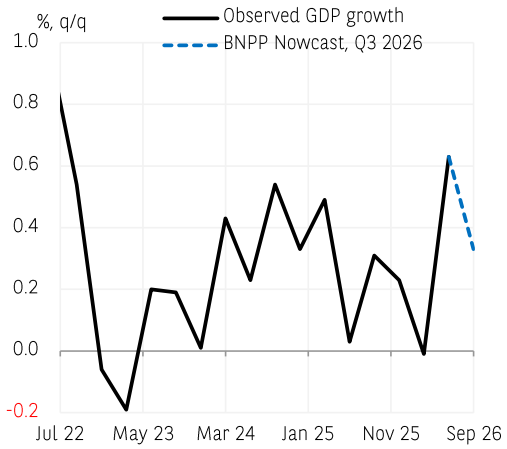
The scenario, forecasts and nowcasts of the Economic Research – 26 October 2026

NOWCASTS OF THE ECONOMIC RESEARCH

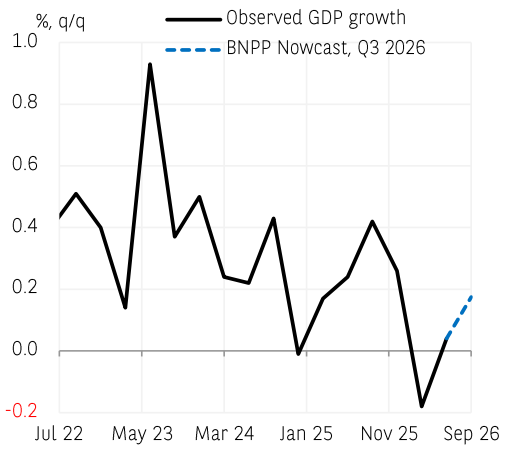
Eurozone



Source: Refinitiv, BNP Paribas

Our nowcast for Eurozone growth points to resilient growth in Q3 although we revised it lower (+0.3% q/q) on the back of the recent decline in industrial activity.

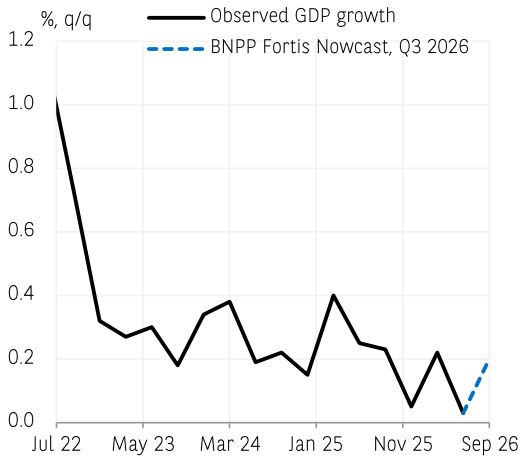
France



Source: Refinitiv, BNP Paribas

France is expected to return to growth in Q3 after teetering on the brink of recession in H1. However, we are lowering our nowcast for French growth from 0.3% to 0.2% q/q in Q2, due to persistent stagnation in industrial production.

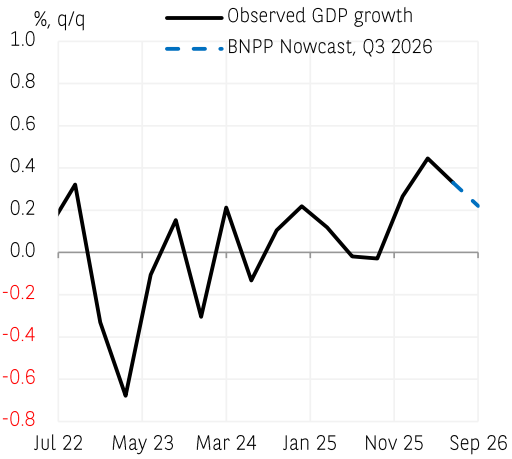
Belgium



Source: Refinitiv, BNP Paribas Fortis

Our nowcast for Belgium GDP growth suggests a mere growth performance in Q3 (0.2% q/q). The business climate is low, as inflation pressures bind.

Germany



Source: Refinitiv, BNP Paribas

German growth is expected to remain stable in Q3 according to our nowcast, at +0.2% (following +0.4% in Q1 and +0.3% in Q2) due to the stabilisation of industrial activity. However, it is expected to remain supported by exports.

Read the Nowcast methodology

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ECONOMIC SCENARIO AND FORECASTS

GDP growth and inflation

	GDP Growth				Inflation			
%	2024	2025	2026 e	2027 e	2024	2025	2026 e	2027 e
United States	2.8	2.3	2.2	2.3	2.9	2.7	3.5	2.5
Japan	-0.2	1.2	1.0	1.2	2.7	3.1	1.9	2.6
United Kingdom	1.0	1.2	1.3	1.3	2.5	3.4	3.2	3.5
Euro Area	0.9	1.3	1.1	1.5	2.4	2.1	3.1	3.0
Germany	-0.5	0.3	1.1	1.3	2.5	2.3	2.8	3.0
France	1.1	0.9	0.5	1.0	2.3	0.9	2.5	2.4
Italy	0.6	0.7	0.9	0.8	1.1	1.6	3.2	2.6
Spain	3.5	2.6	2.7	2.3	2.8	2.7	4.0	4.0
China	5.0	5.0	4.6	4.5	0.2	0.0	1.0	1.2
India*	7.2	7.8	7.1	6.9	4.6	2.1	5.1	4.9
Brazil	3.4	2.3	1.9	1.3	4.4	5.0	4.5	4.6

Source : BNP Paribas (e: Estimates & forecasts)

Interest and exchange rates

Interest rates, %		2026	2027			
End of period		Q4	Q1	Q2	Q3	Q4
US	Fed Funds (upper limit)	4.25	4.50	4.50	4.50	4.50
	T-Note 10y	4.95	4.95	4.90	4.85	4.80
Eurozone	deposit rate	2.75	2.75	2.75	2.75	2.75
	Bund 10y	3.50	3.40	3.30	3.25	3.20
	OAT 10y	4.43	4.40	4.25	4.18	4.10
	BTP 10y	4.38	4.33	4.18	4.08	3.98
	BONO 10y	3.98	3.90	3.74	3.65	3.55
UK	Base rate	4.00	4.00	4.00	3.75	3.50
	Gilts 10y	4.90	4.80	4.70	4.65	4.50
Japan	BoJ Rate	1.50	1.75	1.75	1.75	2.00
	JGB 10y	2.90	2.95	2.95	3.15	3.25

Exchange Rates		2026	2027			
End of period		Q4	Q1	Q2	Q3	Q4
USD	EUR / USD	1.14	1.14	1.16	1.18	1.20
	USD / JPY	163	163	163	163	163
	GBP / USD	1.34	1.36	1.38	1.40	1.43
EUR	EUR / GBP	0.85	0.84	0.84	0.84	0.84
	EUR / JPY	186	186	189	192	196

Brent		2026	2027			
Quarter Average		Q4	Q1	Q2	Q3	Q4
Brent	USD/bbl	81	78	79	81	80

Source: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy)

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UNITED STATES

The US economy is expected to grow above its potential in 2026, with an average annual growth rate of 2.2%, close to the 2025 rate (2.1%). This apparent resilience to the uncertainty, tariff and energy shocks, together with above-trend productivity growth, masks K-shaped growth, driven by investment linked to AI-optimism and consumption by the wealthiest amid a wealth effect (historically high stock market valuations). Inflation overshooting is set to continue (3.5% in 2026) at least through 2028, largely because of the rise in oil prices and tariffs – although the impact of these latter appears to be less significant than expected. The labour market is showing clear signs of improvement that should bring the unemployment rate down toward 4.0%. Given this shift in price and employment risks amid dynamic growth, the FOMC proceeded with a first rate hike at September's meeting and we expect two further 25bp increases in December 2026 and January 2027, bringing the Fed Funds target range at 4.25% - 4.50%.

CHINA

Economic growth rebounded to 4.5% y/y in Q3 2026 (1.2% q/q) after 4.3% y/y in Q2 and 5.0% in Q1. It is projected to reach 4.6% in 2026 as a whole, down from 5% in 2025. Growth remains characterised by a K-shaped trajectory, and the gap between the strong performance of exports and the fragility of sectors that rely on domestic demand has widened this year. Retail sales barely increased in the first nine months of 2026, the crisis in the property sector has continued and household confidence remains low. Fiscal policy measures aimed at supporting investment and private consumption will increase over the last months of the year. CPI inflation has rebounded slightly since last March, mostly due to the rise in global energy prices, as well as due to the increase in electronic good prices and anti-involution measures implemented by the authorities. Deflationary pressures persist, however, given weakness in domestic demand.

EUROZONE

Eurozone growth is expected to slow to 1.1% in 2026 (from 1.3% in 2025), before strengthening to 1.5% in 2027, supported by higher defence and infrastructure spending as well as the global AI capex cycle. The economy has proven resilient to the energy shock, notably thanks to the increasingly tangible impact of German defence spending on the real economy. Elevated energy prices in the autumn (especially for natural gas), combined with resilient growth, are set to accelerate inflation to a peak around the turn of the year. Annual average inflation is thus expected to reach 3.1% in 2026 (from 2.1% in 2025), before easing to 3.0% in 2027. Given persistent inflation and resilient growth, we anticipate another 25bp hike from the ECB in December 2026, bringing the deposit rate to 2.75%, followed by an extended pause. That said, stronger than expected second-round effects could lead to more tightening than our current baseline.

FRANCE

GDP growth remained low in Q2 (0% after -0.2% in Q1) as a result of deteriorated agricultural and construction output, as well as higher inflation (2.5% in 2026 according to our forecast, after 0.9% in 2025). In 2026, GDP growth should reach 0.5% (after 0.9% in 2025), driven mainly by exports.

UNITED KINGDOM

UK GDP growth would improve slightly to 1.3% in 2026 and remain at this level in 2027 (1.2% in 2025). The economy has so far weathered both the energy price shock and domestic political volatility. That said, growth is expected to decelerate in the second half of the year, while inflation is set to remain stubbornly above target (averaging 3.2% in 2026 and 3.5% in 2027), driven by higher energy prices and mounting second-round effects. In response, we expect the BoE to deliver a single insurance hike in November 2026, bringing the Bank Rate to 4.00%. The BoE is then expected to resume easing in H2 2027, with two cuts taking the Bank Rate to 3.50% by end-year.

JAPAN

Following 1.2% in 2025, Japan's GDP growth is expected to decelerate to 1.0% in 2026, before rebounding to 1.2% in 2027. Higher inflation and production costs associated with the energy shock are expected to weigh on the economy's overall performance. On the other hand, the latter is supported by fiscal policy and AI-related investment. Inflation has generally overshot the 2% y/y target since 2022. Accordingly, the Bank of Japan initiated a cautious process of "adjustment in the degree of monetary accommodation" in 2024, lifting the policy rate to 1.25% so far (previously negative) – the highest since 1995. We expect two more hikes by the end of Q1 2027, followed by a return to a more cautious pace until the terminal rate of +2.5% is reached in H2 2028. Japan is facing long-term rates pressure, illustrated by historically high 10- and 30-year yields, probably fueled by the level of public debt and the pace of monetary adjustment.

EXCHANGE RATES

We expect Fed hikes to temporarily offset structural headwinds and support the dollar. EUR/USD would target 1.14 by end-2026, before the dollar's structural downtrend resumes toward 1.20 by end-2027, although political and fiscal risk may weigh on the euro next year. The USD/JPY appreciation would continue but at a more moderate pace, with the BoJ still behind the curve despite its hikes. By contrast, GBP/USD would see relative support underpinned by a modest fiscal risk premium under the new Labour government, and resilient growth.