

ECOPERSPECTIVES

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Avril 2026

2026-2027 Economic Outlook: Advanced Economies Facing the Risk of Stagflation

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by BNP PARIBAS

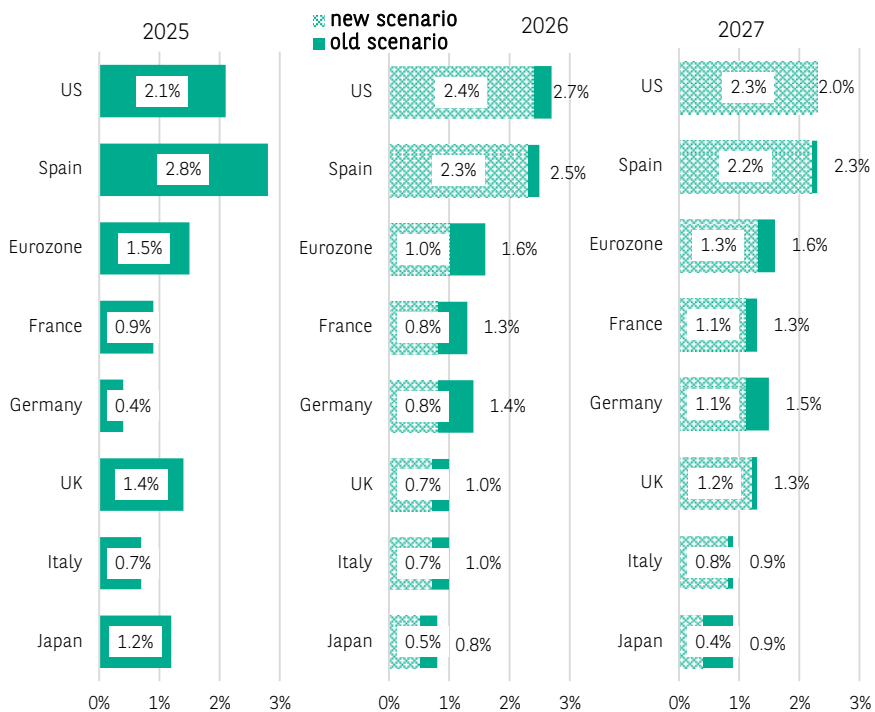


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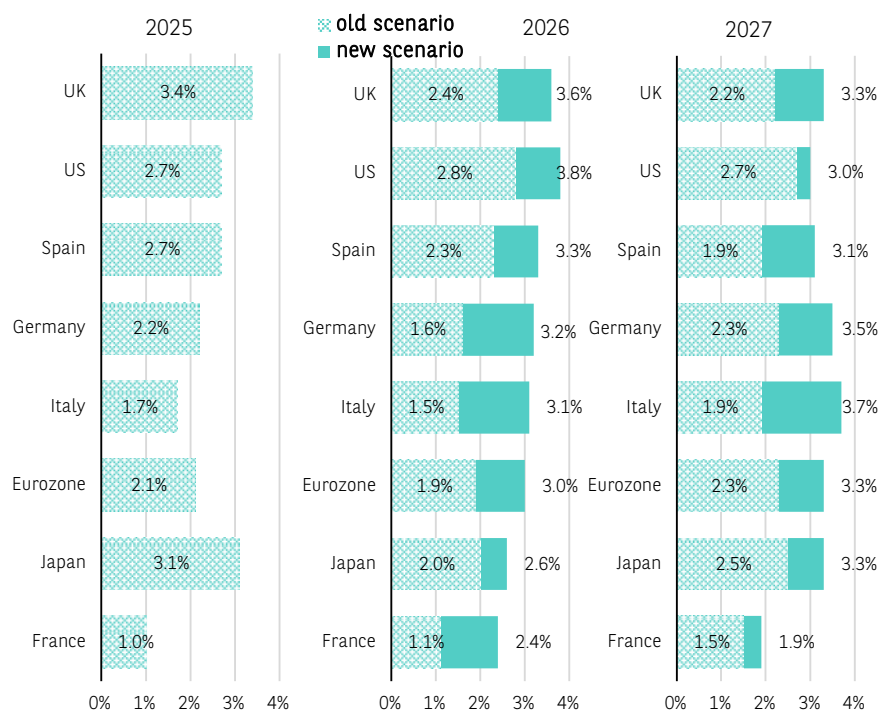
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2026-2027 Economic Outlook (as of 27 May 2026)

Growth forecasts
(annual average, %)



Inflation forecasts
(annual average, %)



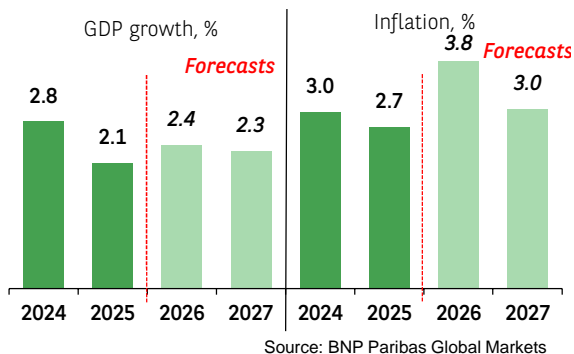
Source: National, BNP Paribas



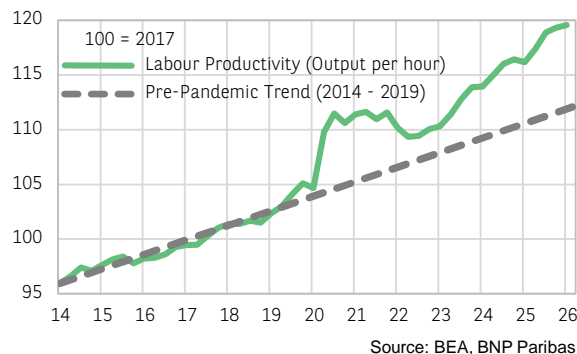
United States: Growth and Full Employment Tested by Uncertainty



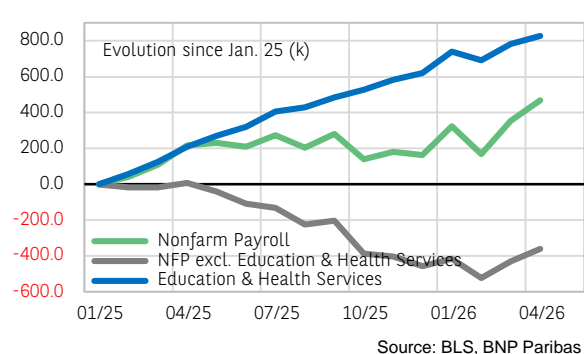
Growth above potential, inflation above target



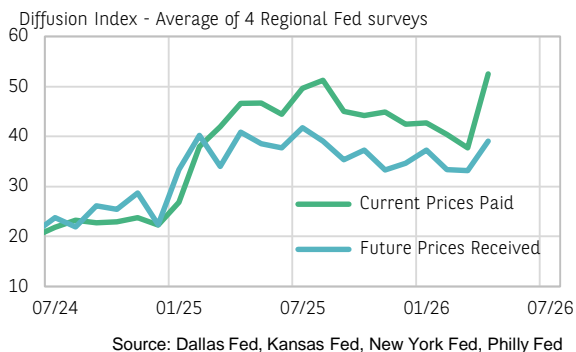
Above-trend productivity underpins growth



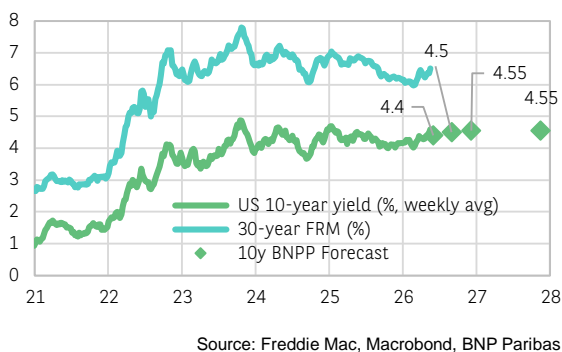
Slow payroll growth supported by healthcare



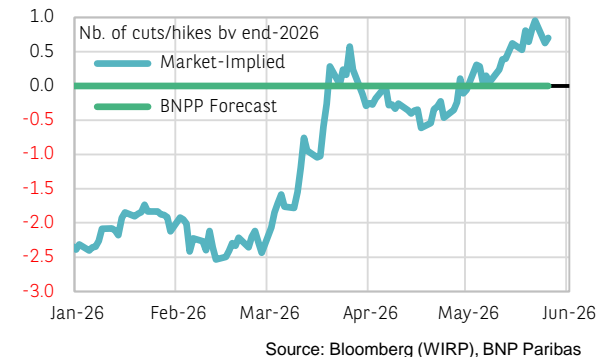
Prices: One shock follows another



Mortgage Rates: A short-lived relief?



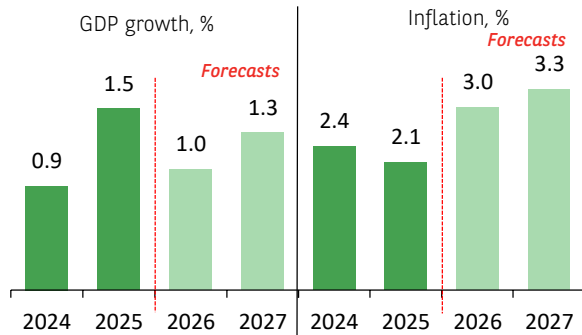
FOMC to hold through end-2026 with a less-dovish stance priced-in by markets



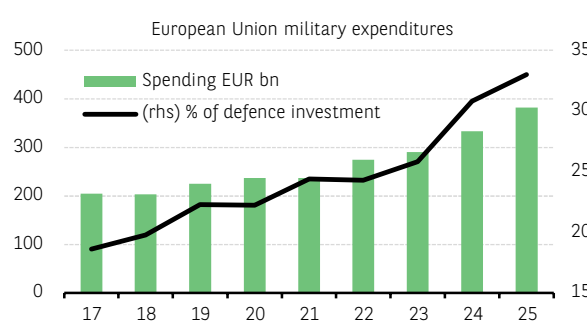
Euro area: Recovery fragile but not in doubt



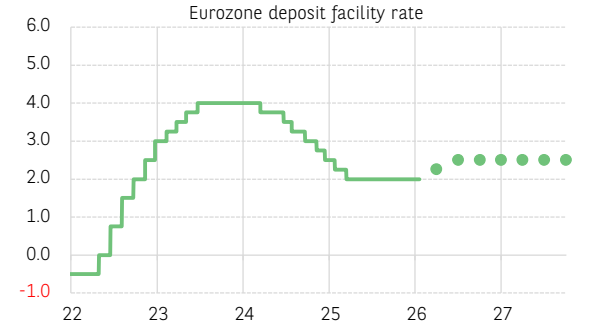
Growth hindered but structural strengths preserved



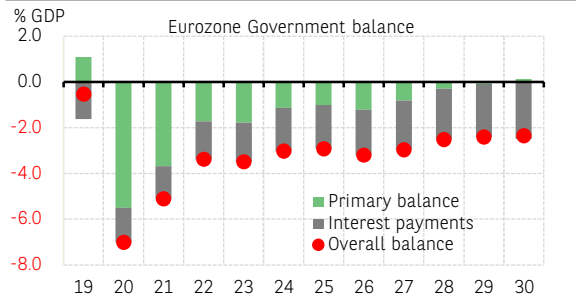
Structural factors supporting the recovery remain intact



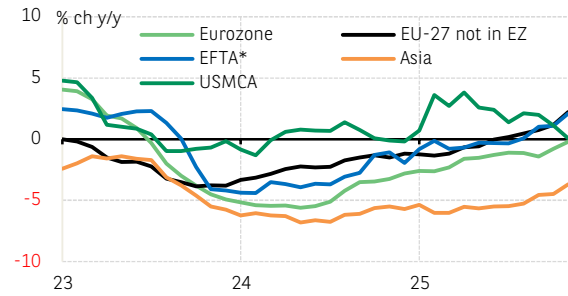
Interest rate rises brought forward to 2026



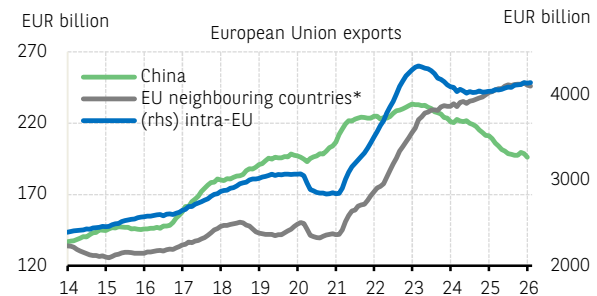
Moderate deterioration in public finances expected



Intra-EU trade expected to gain further momentum



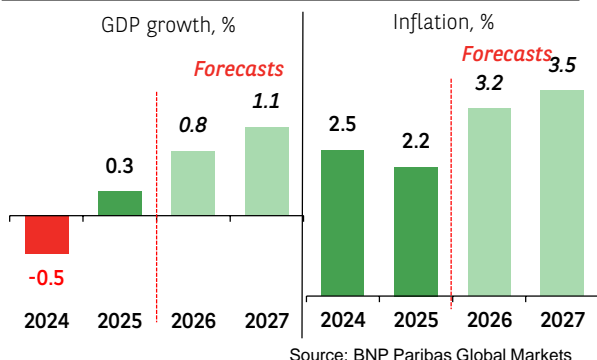
The reorganization of export flows will continue



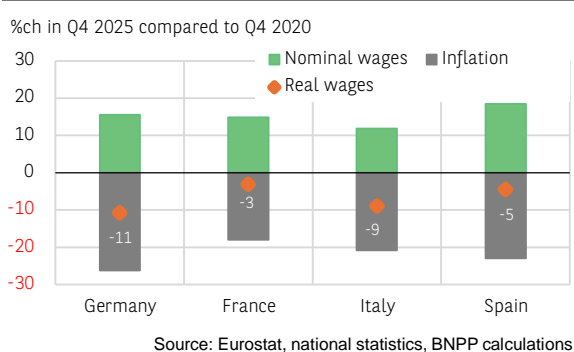
Germany: A modest recovery, but one that is expected to take hold



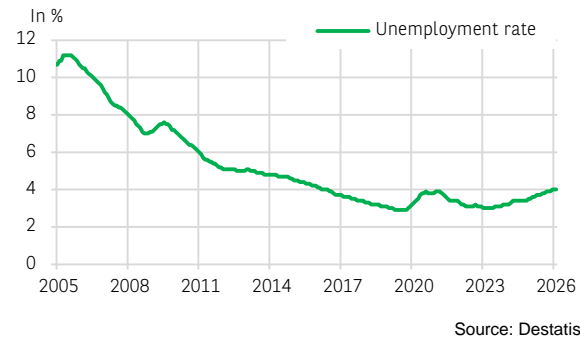
In 2026, the growth recovery should strengthen but inflation increase



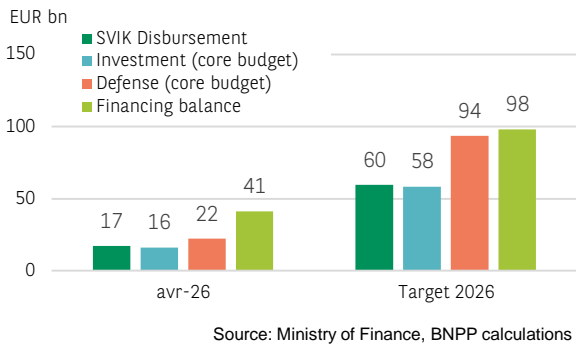
German wages have recovered less than in other countries to their pre-Covid inflationary crisis levels



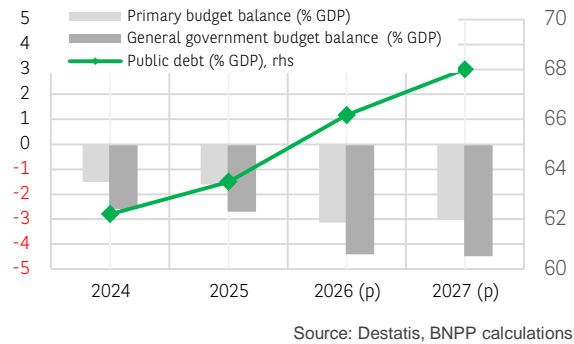
The labour market remains historically strong



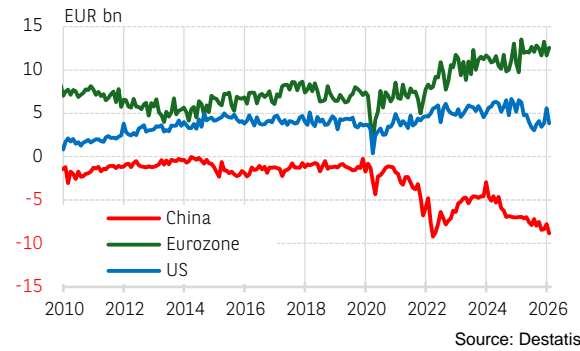
Domestic demand should stay the main growth driver



A fiscal trajectory largely unchanged at this stage



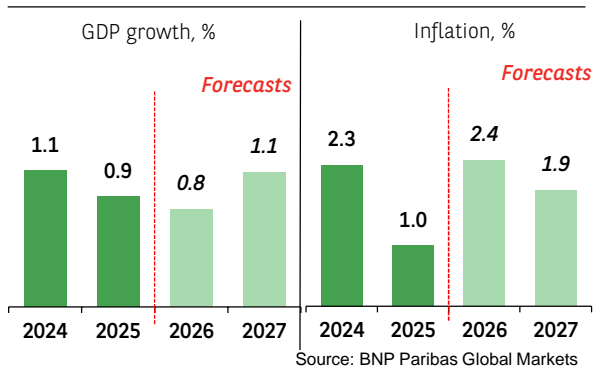
A rebalancing of foreign trade in underway



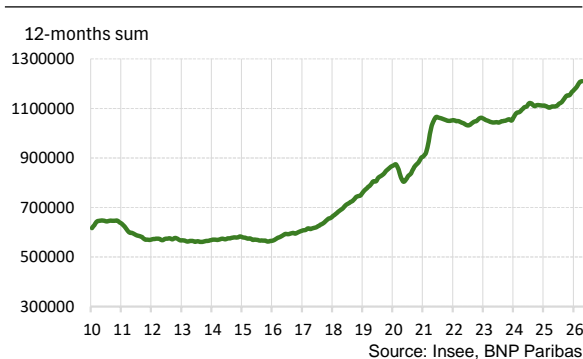
France: growth and public finance to stay on track despite the inflation shock



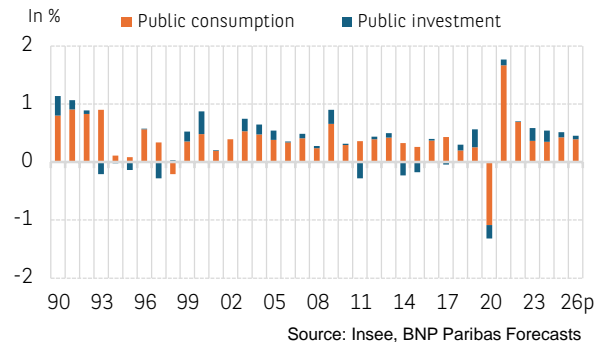
GDP Growth to be resilient despite the inflation shock



Business creations: a new wave (AI driven)



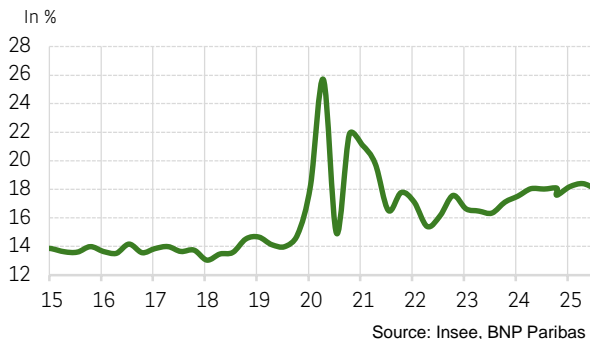
Military and social spending are boosting public contribution to GDP growth



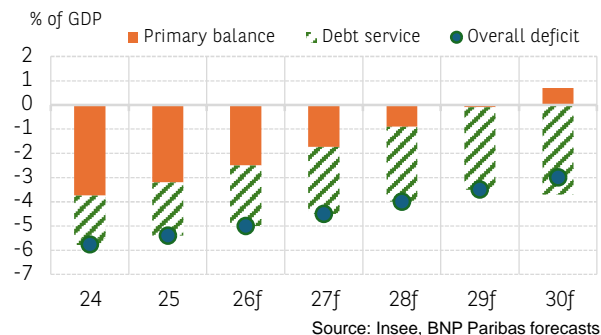
French exports are boosted by increased AI, military and aeronautics



Household savings to remain high as a result of purchasing power pressures



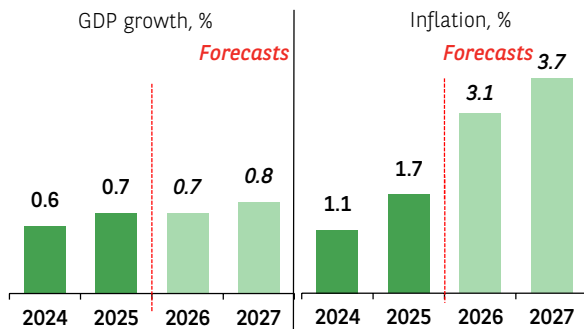
Fiscal consolidation should be increasingly constrained by the debt service



Italy: Navigating energy vulnerability, resilient trade and limited fiscal capacity

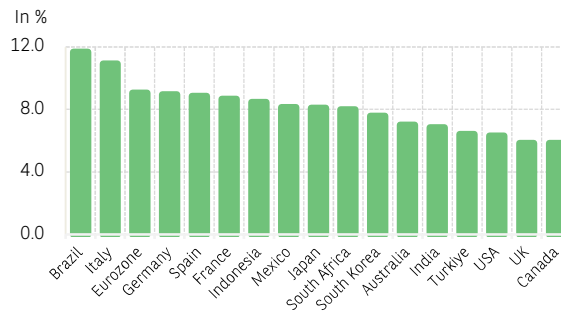


Growth is expected to stagnate while inflation surges



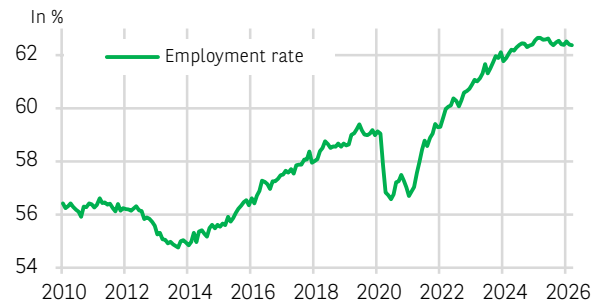
Source: BNP Paribas Global Markets

Energy accounts for a significant proportion of the consumer basket



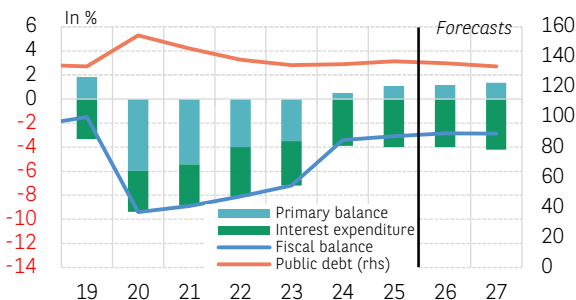
Source: OCSE, BNL Economic Research

The employment growth is beginning to run out of steam



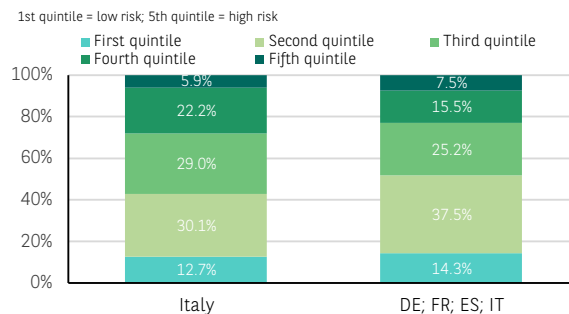
Source: Istat

Public finances: real progress, thin margins



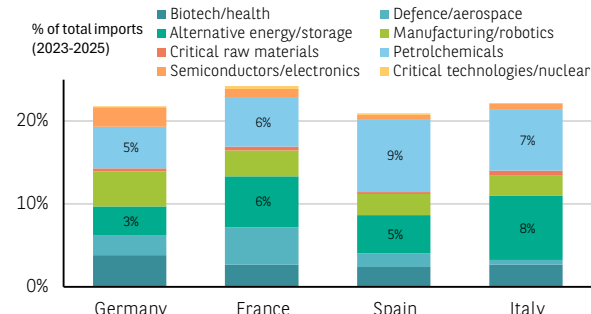
Source: Eurostat, BNP Paribas

Italy's strategic imports originate from countries that are politically riskier than its eurozone peers



Source: Istat

The import side remains vulnerable to potential disruptions in the supply of strategic goods



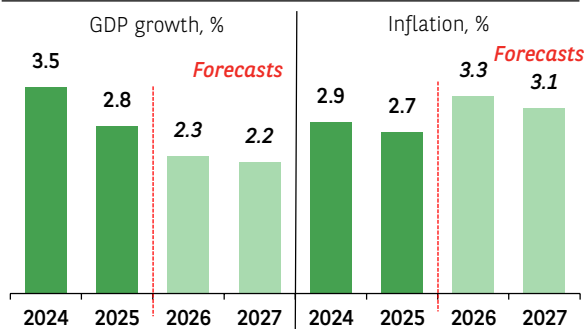
Source: Istat



Spain: Domestic demand is expected to continue to drive growth

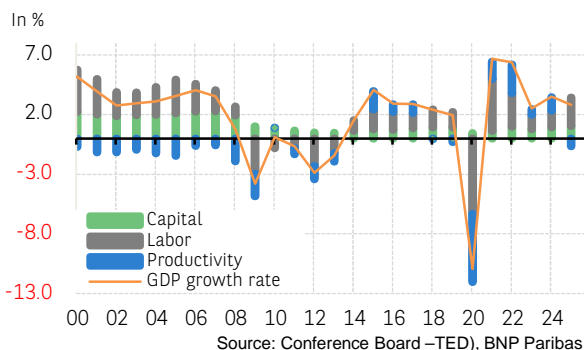


Growth is expected to remain strong and inflation is set to rise



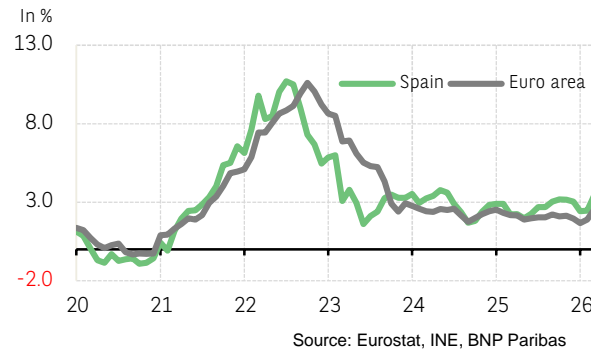
Source: BNP Paribas Global Markets

Growth driven by employment and held back by productivity



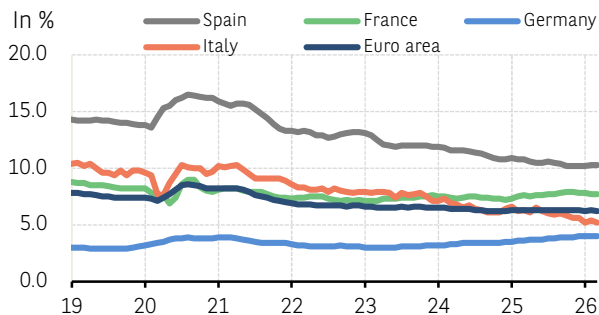
Source: Conference Board –TED, BNP Paribas

Inflation remains higher than in the eurozone

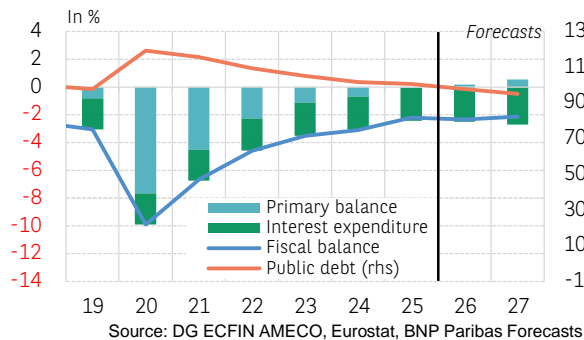


Source: Eurostat, INE, BNP Paribas

The unemployment rate remains above the Eurozone average

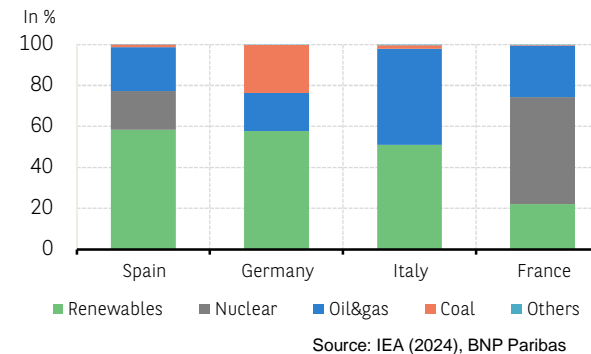


Strong nominal growth will reduce public debt



Source: DG ECFIN AMECO, Eurostat, BNP Paribas Forecasts

Renewable energy accounts for more than half of Spain's electricity generation



Source: IEA (2024), BNP Paribas



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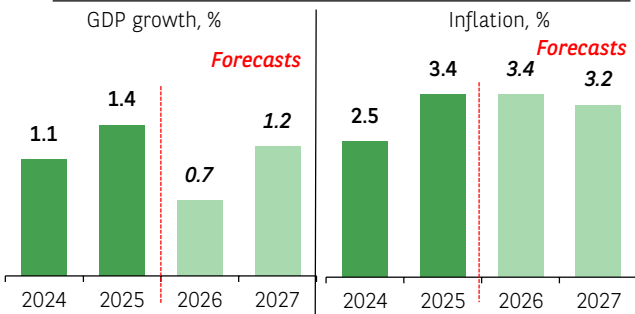
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United Kingdom: Risk of stagflation

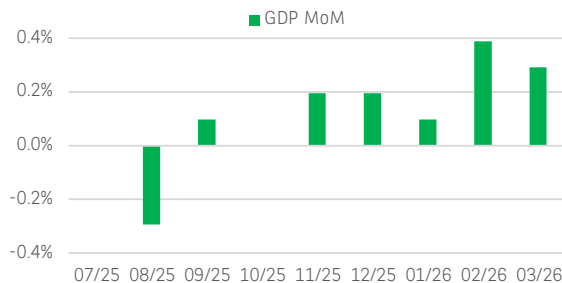


Significant growth slowdown, inflation rebound



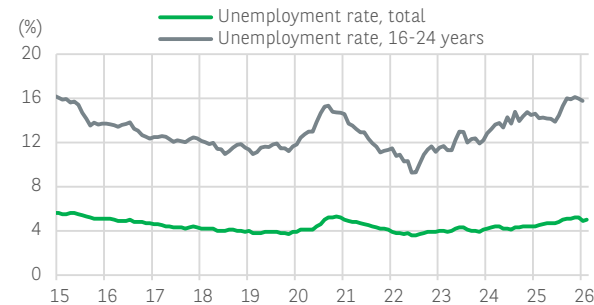
Source: BNP Paribas Global Markets

Strong early-year momentum is expected to offset weaker quarters later on, weighed down by private domestic demand



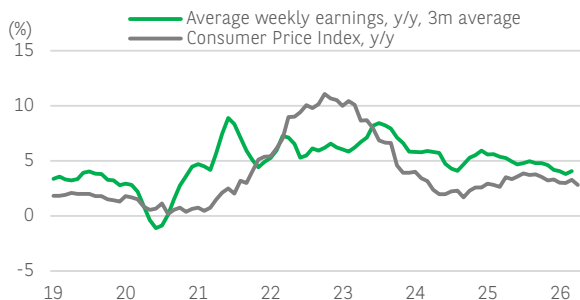
Source: ONS, BNP Paribas

Labour market stabilised at the start of the year after several months of deterioration, but is expected to weaken slightly



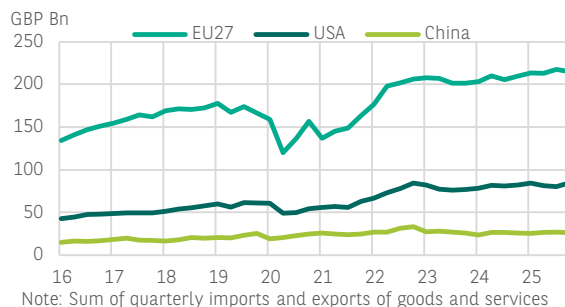
Source: ONS, BNP Paribas

As labour market conditions have loosened, nominal wage growth has been decelerating and could undershoot inflation



Source: ONS, BNP Paribas

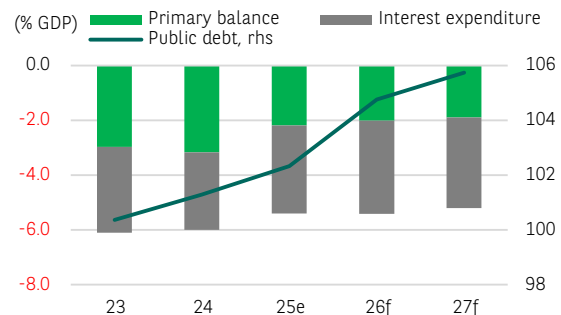
Trade intensity (exports and imports of goods and services) underscores realignment with the EU



Note: Sum of quarterly imports and exports of goods and services

Source: ONS, BNP Paribas

Limited fiscal room for manoeuvre constrains the government's ability to respond to new shocks



Source: ONS, BNP Paribas



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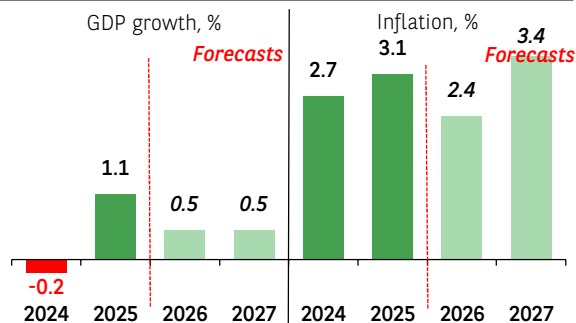
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Japan: Strong momentum, already under threat

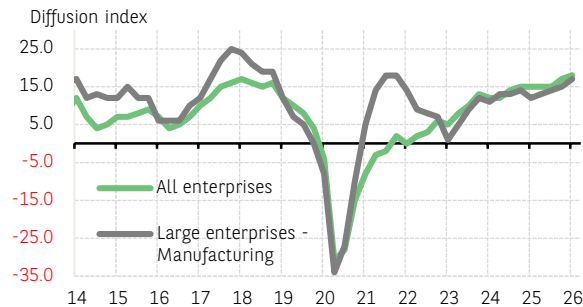


Energy shock weighting on the outlook



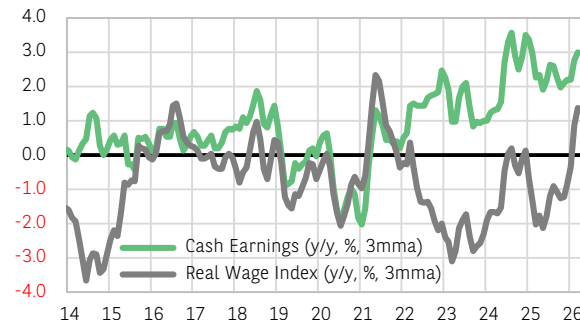
Source: BNP Paribas Global Markets

A sustained improvement in the business climate, undeterred by the tariff shock



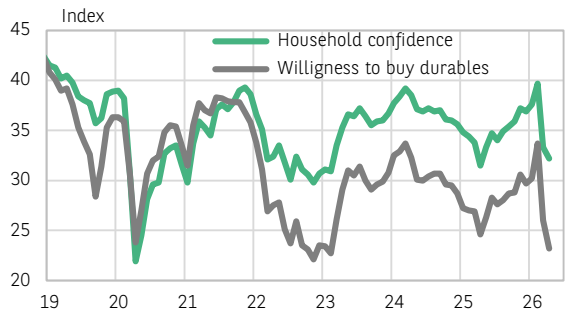
Source: BoJ, BNP Paribas

Real wages are struggling to move into positive territory



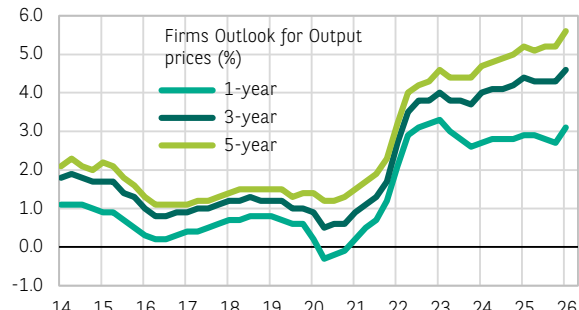
Source: Japanese Ministry of Health, Labour and Welfare, BNP Paribas

Abrupt change in consumer confidence



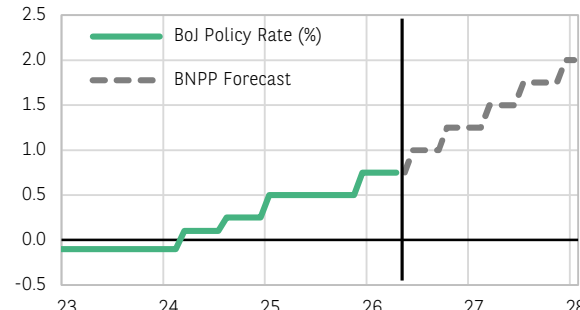
Source: Cabinet Office, BNP Paribas

Shift in firms' price-setting behavior



Source: BoJ, BNP Paribas

A cautious adjustment of the degree of monetary accommodation



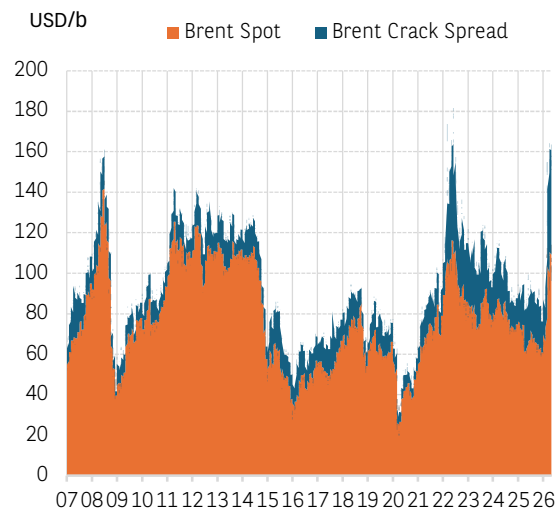
Source: Bank of Japan, BNP Paribas Global Markets



Oil prices: a significant rise, but one that should be put into perspective

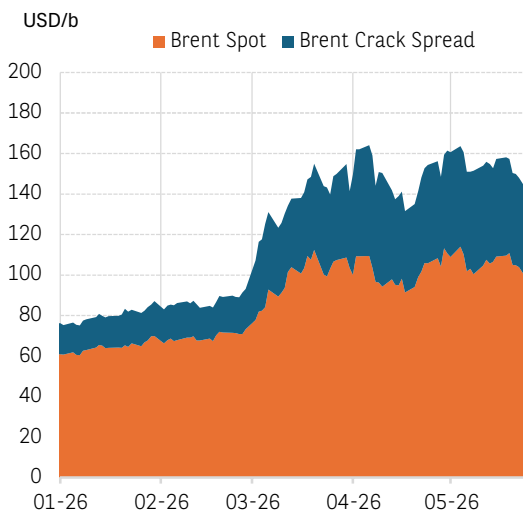
Will the shock have the same impact as it did in 2022? – Energy shock: Dashboard 2026 vs. 2022

When the crack spread is added to the spot oil price, the total approaches the highs reached in 2008 and 2022



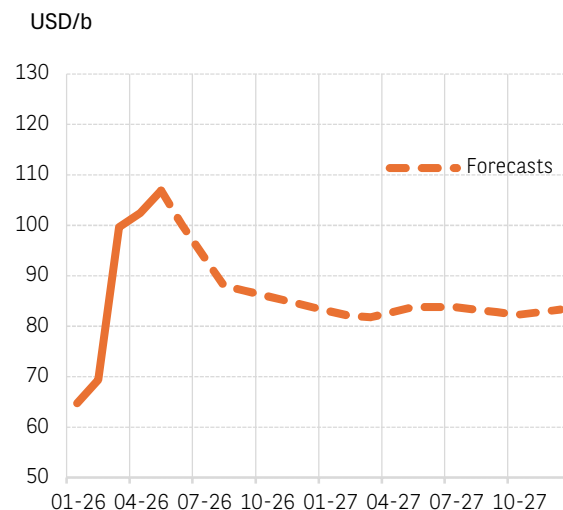
Source: ICE, Macrobond, BNP Paribas

In 2026, for consumers, the rise in oil prices is driven more by the crack spread than by the increase in spot prices



Source: ICE, Macrobond, BNP Paribas

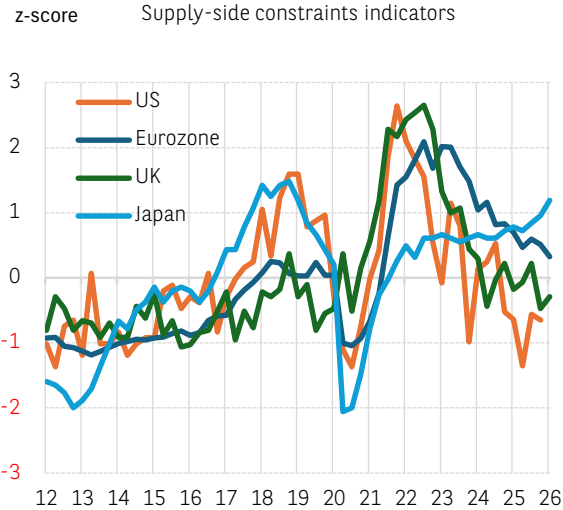
Our baseline scenario for Brent prices does not anticipate any easing of tensions before the end of the second quarter



Source: BNP Paribas

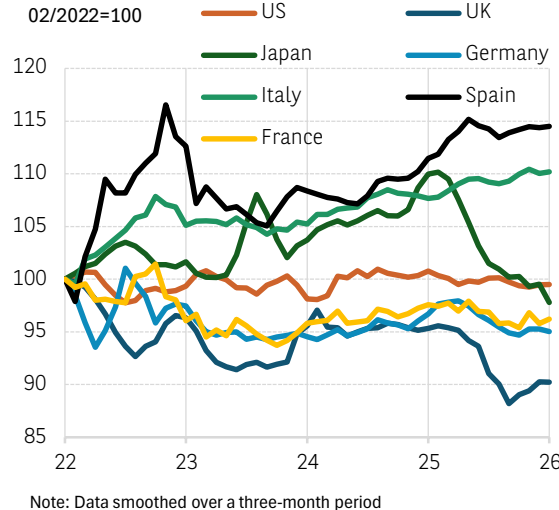
The impact of the shock will be different from 2022

Supply constraints are limited except in Japan



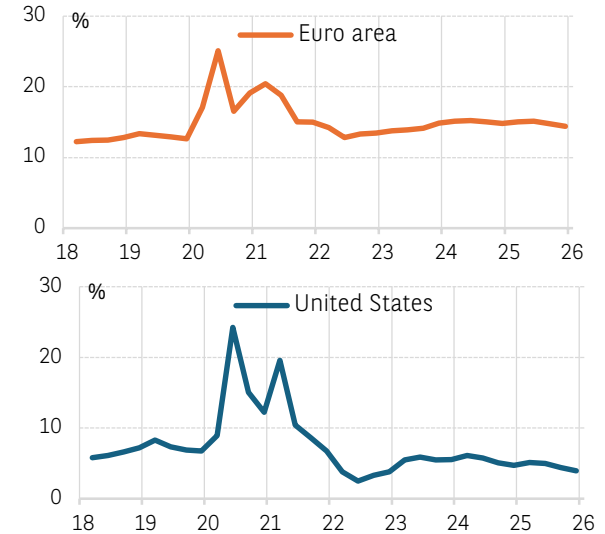
Source: National statistics, BNP Paribas

The decline in fuel consumption took some time to materialize following the 2022 energy crisis



Source: National statistics, Macrobond, BNP Paribas

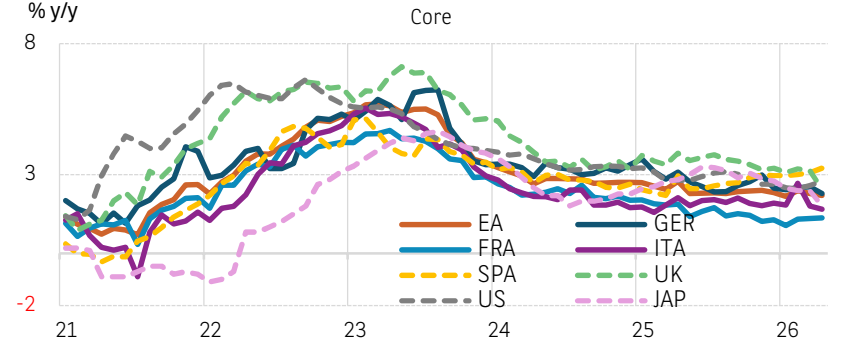
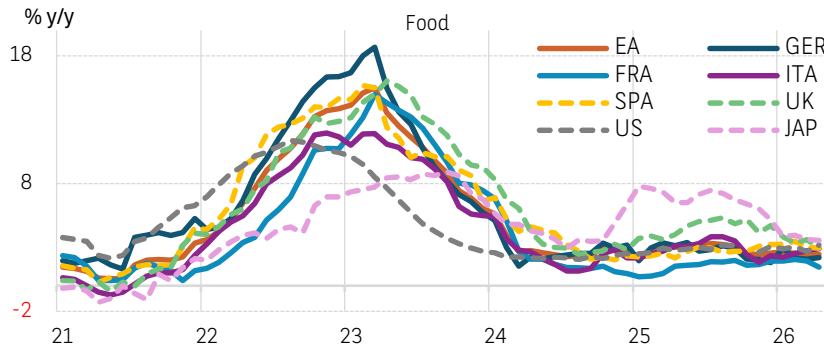
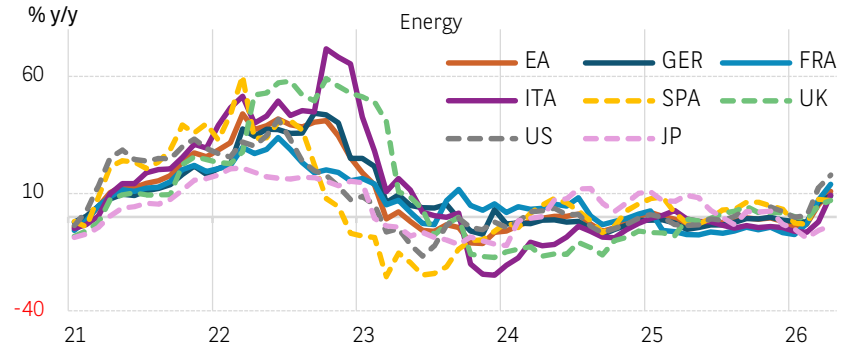
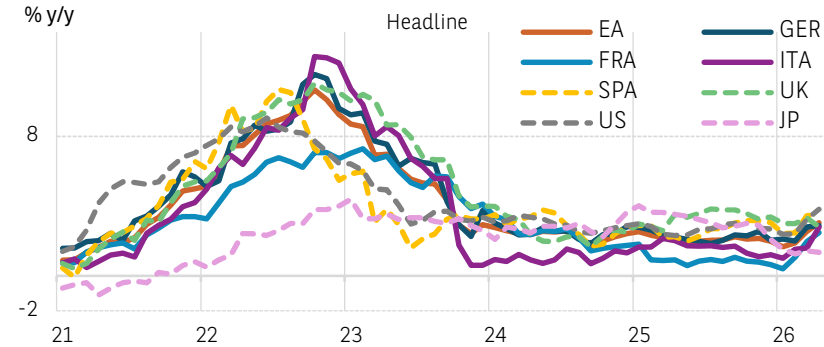
The household savings rate is higher than pre-Covid levels in the Eurozone and significantly lower than that level in the United States



Source: BEA, Eurostat, BNP Paribas

An impact on inflation limited for now

Energy inflation is just beginning to pick up, while inflation in other categories shows no signs of accelerating at this stage



Source: National statistics, BNP Paribas



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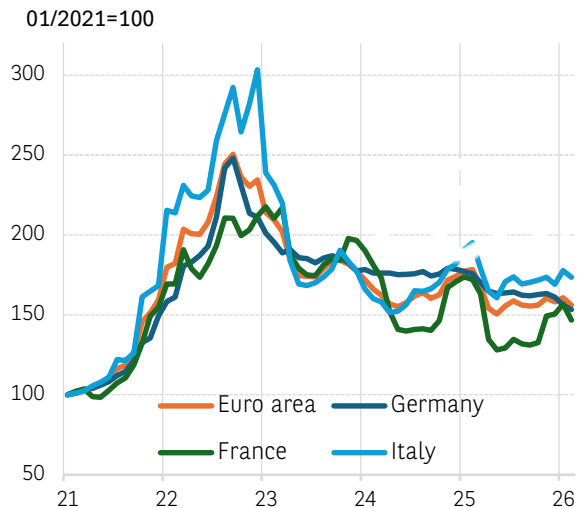
Source: National statistics, Macrobond, BNP Paribas

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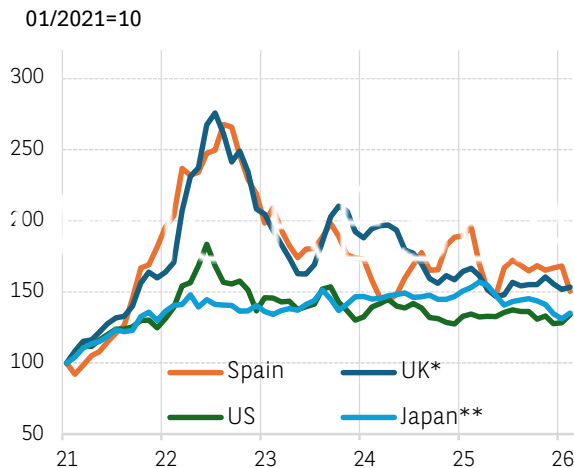
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A low impact for the time being on energy producer prices and a boost for electrification

After peaking in 2022, energy producer prices have stabilized



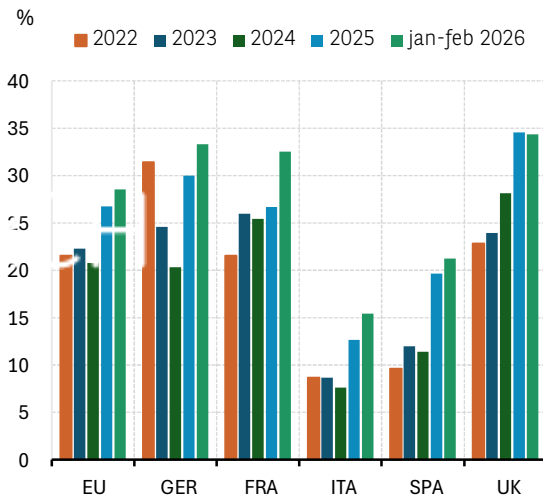
Source: National statistics, BNP Paribas



*coke and refined petroleum products ** petroleum products and coal derivatives

Source: National statistics, BNP Paribas

New green transition measures are expected to boost the share of EVs in the automotive market



Source: ACEA, BNP Paribas



