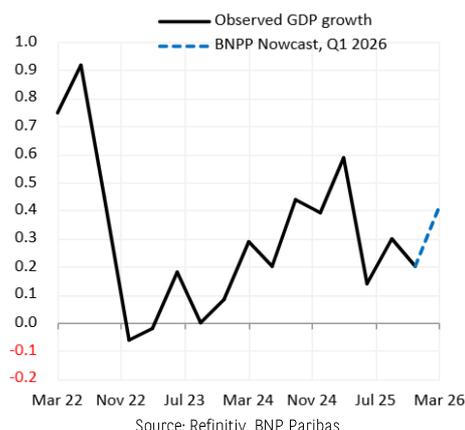


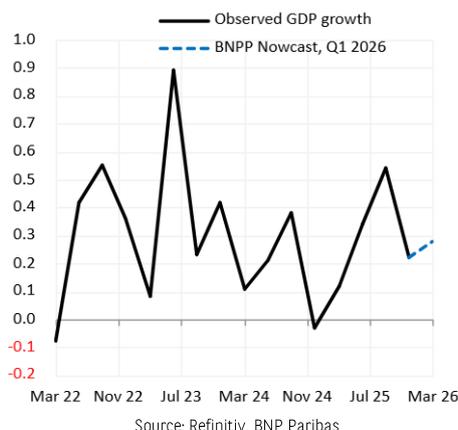
## The scenario, forecasts and nowcasts of the Economic Research - 23 March 2026

### NOWCASTS OF THE ECONOMIC RESEARCH

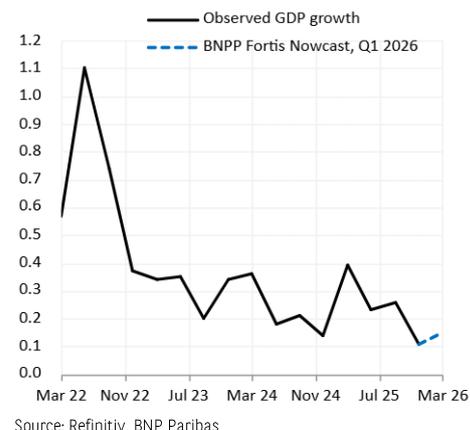
#### Eurozone



#### France



#### Belgium



Our nowcast for Eurozone growth points to an acceleration in Q1 2026 (+0.4% q/q) compared with Q4 2025 (+0.3%). This is due to stronger industrial momentum, as evidenced by the improvement in the manufacturing PMI in January-February.

Our nowcast for French growth suggests continued momentum in Q1 2026, at +0.3% q/q, which is the average level recorded since Q2 2025. This growth is supported by industry and an improvement in wholesale trade.

Business sentiment at its lowest level in 10 months and the cooling down of the labor market have led to a downward revision of our nowcast for Q1 Belgian GDP growth (from 0.3% to 0.15%). In parallel, business transactions (a proxy for activity levels) are trending down again since a couple of weeks.

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	2,1	2,9	2,0	2,9	2,7	3,0	2,7
Japan	0,1	1,2	0,8	0,9	2,7	3,1	1,9	2,5
United Kingdom	1,1	1,3	1,0	1,3	2,5	3,4	2,4	2,2
Euro Area	0,9	1,5	1,6	1,6	2,4	2,1	1,9	2,3
Germany	-0,5	0,4	1,4	1,5	2,5	2,2	1,6	2,3
France	1,1	0,9	1,3	1,3	2,3	1,0	1,1	1,5
Italy	0,5	0,7	1,0	0,9	1,1	1,7	1,5	1,9
Spain	3,5	2,8	2,5	2,3	2,8	2,7	2,3	1,9
China	5,0	5,0	4,7	4,5	0,2	0,1	0,9	1,0
India*	7,1	7,6	7,0	6,8	4,6	2,1	4,1	4,3
Brazil	3,4	2,2	1,8	1,4	4,4	5,0	4,0	3,8

Source : BNP Paribas (e: Estimates & forecasts)

Last update: 23 March 2026

\* Fiscal year from April 1 of year N to March 31 of year N+1

#### Interest and exchange rates

Interest rates, %		2026				2027
End of period		Q1	Q2	Q3	Q4	Q4
US	Fed Funds (upper limit)	3.75	3.75	3.75	3.75	3.75
	T-Note 10y	4.25	4.35	4.45	4.50	-
	deposit rate	2.00	2.25	2.75	2.75	-
	Bund 10y	2.90	3.00	3.05	3.10	-
	OAT 10y	3.55	3.65	3.80	3.87	-
Eurozone	BTP 10y	3.50	3.58	3.70	3.75	-
	BONO 10y	3.35	3.42	3.50	3.55	-
	Base rate	3.75	-	-	-	-
UK	Gilts 10y	4.50	4.50	4.40	4.30	-
	BoJ Rate	0.75	1.00	1.25	1.25	2.00
Japan	JGB 10y	1.90	2.00	2.05	2.10	-

Exchange Rates		2026				2027
End of period		Spot 20/03	Q2	Q3	Q4	Q4
USD	EUR / USD	1.15	1.18	1.19	1.20	1.22
	USD / JPY	159	158	159	160	160
	GBP / USD	1.33	1.30	1.29	1.30	1.30
EUR	EUR / GBP	0.87	0.91	0.92	0.92	0.94
	EUR / JPY	184	186	189	192	195

Brent		2026				2027
Quarter Average		Spot 20/03	Q2	Q3	Q4	Q4
Brent	USD/bbl	112	57	63	63	73

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy), Last update: 23/03/2026

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**BNP PARIBAS**

The bank for a changing world

**Our economic scenarios do not factor in the impact of the current shock; for an assessment of this impact, we invite you to follow our [Ecolnsights](#). The “Growth and Inflation” baseline scenarios will be updated in early April.**

## UNITED STATES

The US economy is expected to grow above its potential pace in 2026, with an average annual growth rate of +2.9%, a yearly improvement (+2.1% in 2025). This apparent resilience to uncertainty and tariff shocks, together with above-trend productivity growth, masks K-shaped growth, supported by investment linked to AI-optimism and consumption by the wealthiest amid a wealth effect (historically high stock market valuations). The inflation overshooting of the target is set to continue (+3.0% in 2026) until at least the end of 2027 due to tariffs – although the impact of these appears to be less significant than expected – and the rise in oil prices. The labour market is experiencing a slowdown in both demand and supply, linked to a less dynamic economy than after the post-pandemic reopening due to the administration's immigration policy. The rebalancing of risks surrounding the Fed's dual mandate and its emphasis on the ‘employment’ component has triggered a new cycle of rate cuts. The FOMC implemented three rate cuts (-75 bps cumulative) in total in 2025, and we expect the Fed Funds target range to be held steady à 3,5% - 3,75% throughout 2026.

## CHINA

Economic growth reached 5.0% in 2025, like in 2024, and is projected to decelerate very moderately in 2026. Domestic demand weakened in the last quarter of 2025, with a contraction in investment and a slowdown in retail sales growth, but then rebounded in the first two months of 2026. The crisis in the property sector continues and confidence of households and private investors remains low. The authorities will maintain supportive fiscal and monetary policies, and the strengthening of private consumption is one of their priorities. However, the central bank and the government will continue to implement cautious policy measures. Export growth performance remains strong, with the fall in sales to the US being offset by the increase in exports to the rest of the world. In the short term, Chinese goods are expected to remain competitive. Deflationary pressures persist. They might decline in 2026, partly thanks to higher global oil prices and anti-involution measures implemented by the authorities.

## EUROZONE

After holding up well in 2025 (1.5%), growth is expected to strengthen in 2026 (+1.6%). It is expected to grow at a stable quarterly rate of 0.5% over the year. Favourable carryover effect would keep the average annual unchanged in 2027 (1.6%), despite a lower quarterly profile (+0.3% q/q). The roll-out of fiscal measures in Germany and the planned increase in military spending and AI-related investment in Europe, against a backdrop of labour market resilience, underpin this scenario. This momentum will nevertheless be undermined by the energy shock linked to developments in the Middle East, which leads us to revise our monetary policy scenario for 2026, with risks remaining skewed to the upside: the ECB would implement three successive rate hikes (June, July, September), bringing the deposit rate to 2.75%. In this context, this tightening would increase uncertainty regarding our growth outlook, without invalidating it at this stage.

## FRANCE

GDP growth reached 0.2% q/q in Q4 (after 0.5% q/q in Q3), driven by private consumption (+0.3% q/q), household investment (+1.1% q/q) and the exports of aeronautics. Inflation was quite low in 2025 (1%) and should not accelerate in 2026 (1.1%). In 2026, GDP growth should increase to 1.3%, driven by demand (business investment, exports, private consumption), after a lower performance in 2025 (0.9%).

## UNITED KINGDOM

Activity is expected to slow slightly in 2026, to 1.1% due to unfavourable carryover effect, after a +1.4% GDP growth in 2025. Despite downside risks in the labour market and difficulties in industry, quarterly growth is expected to return to a higher and more stable pace in 2026 (+0.3% q/q on average) thanks to monetary easing. Increased defence spending in the United Kingdom and Europe will also support GDP, while downside risks related to trade tensions are mitigated by the agreement with the United States. Inflation would only return to target very gradually, and monetary policy would remain restrictive, despite a new rate cut in Q1 2026, bringing the Bank rate down to 3.5%. With inflation falling more sustainably towards the 2% target, a new phase of normalization would begin, with two further rate cuts in H1 2027.

## JAPAN

Japanese growth is expected to slightly exceed its potential level in 2026. In 2025, the average annual growth rate stood at +1.2% and is expected to slow to +0.8% in 2026, as fiscal policy should support activity while supply constraints and inflation temper it. Underlying inflation has exceeded the +2% y/y target since 2022. As a result, solid nominal wage increases, which are expected to continue in 2026, are proving insufficient to stem the decline in real incomes and support household demand. The level of public debt is contributing to bond pressure, illustrated by record 10-year and 30-year rates over more than two decades, probably reinforced by expansionary fiscal policy and the spacing of key rate hikes. In fact, in 2024, the Bank of Japan began a cycle of ‘less accommodative’ policy and the policy rate currently stands at +0.75% (previously negative). We expect the process to extend, including one hike in Q2 2026 (+25pb), until a +2.0% terminal rate is reached at the end of 2027.

## EXCHANGE RATES

We expect the dollar to continue depreciating against the euro. Structural changes in fiscal policy and the expected strengthening of growth in Europe, coupled with the slowdown in the United States, underpin our forecast of a gradual and moderate rise in the EUR/GBP exchange rate by the end of 2026 (1.20 in Q4 2026). Conversely, we anticipate a slight depreciation of the yen and the GBP against the dollar (USD/JPY 160 and GBP/USD 1.3 in Q4 2026).

