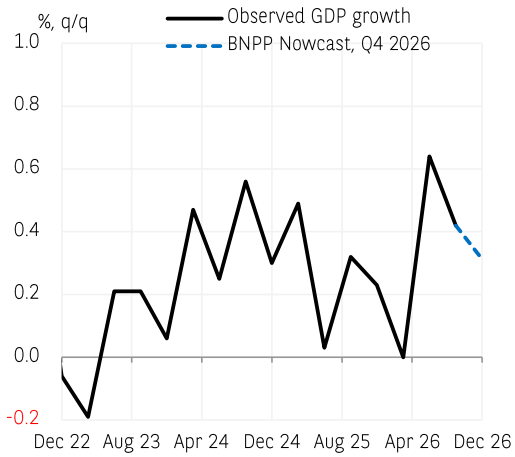
The scenario, forecasts and nowcasts of the Economic Research – 23 November 2026

NOWCASTS OF THE ECONOMIC RESEARCH

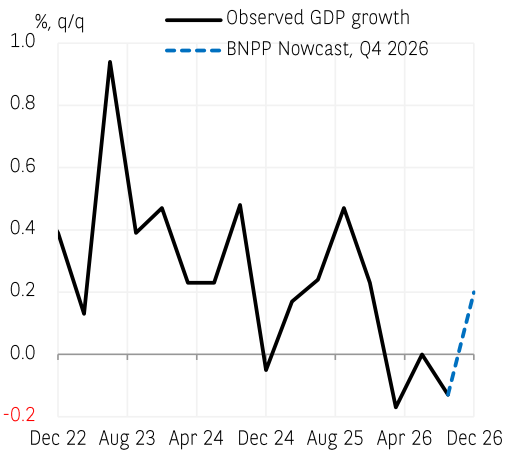
Eurozone



Source: Refinitiv, BNP Paribas

Our nowcast for Eurozone growth points to a moderate slowdown in Q4, albeit still robust, at 0.3 % q/q (following 0.4 % q/q in Q3), underpinned by positive survey data and an expected pickup in industrial production.

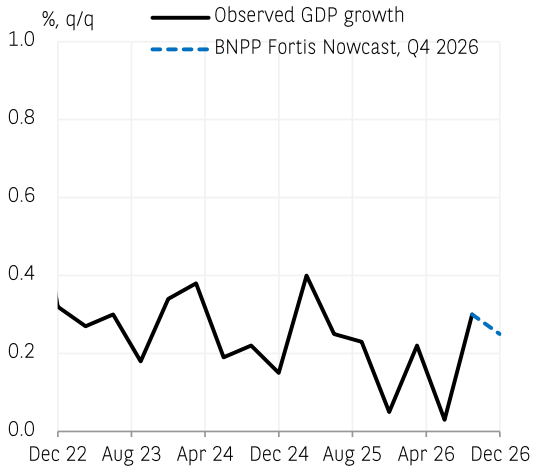
France



Source: Refinitiv, BNP Paribas

According to our nowcast, France GDP growth is expected to recover to 0.2% q/q in the 4th quarter. This growth is expected to be driven by a rebound in industrial production (particularly in the aeronautics sector) and continued favorable momentum in services.

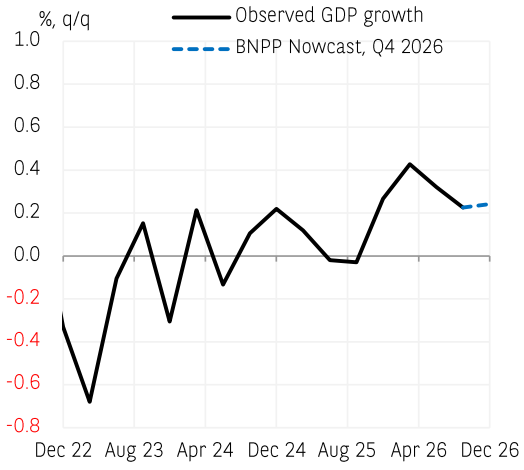
Belgium



Source: Refinitiv, BNP Paribas Fortis

Our nowcast for Belgium GDP growth suggests another positive growth performance in Q4 (0.25% q/q). The range of estimates has improved as (slow) growth solidifies, with none of the models pointing to negative growth now. Despite consumer sentiment going down, manufacturing and construction post more positive sentiment and an increase in activity levels, as measured by transaction data.

Germany



Source: Refinitiv, BNP Paribas

German growth is expected to remain stable in Q4 according to our nowcast, at +0.2% (following +0.3% in Q2 and +0.2% in Q3).

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	2.7
Japan	-0.2	1.2	0.9	1.0	2.7	3.2	1.9	2.7
United Kingdom	1.0	1.2	1.6	1.3	2.5	3.4	3.2	3.5
Euro Area	0.9	1.3	1.1	1.6	2.4	2.1	3.1	3.2
Germany	-0.5	0.3	1.0	1.3	2.5	2.3	2.7	2.8
France	1.1	0.9	0.3	0.8	2.3	0.9	2.5	2.4
Italy	0.6	0.7	0.8	0.8	1.1	1.6	3.4	3.1
Spain	3.5	2.6	2.6	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	1.5	0.6	4.4	5.0	4.5	5.5

Source : BNP Paribas (e: Estimates & forecasts)
* 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		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			
Quarterly 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 further 25bp increases at the three upcoming meetings (December 2026, January and March 2027), bringing the Fed Funds target range at 4.50% - 4.75%.

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 continues to widen. Retail sales barely increased in the first ten months of 2026, the crisis in the property sector continues and household confidence remains low. Yet new fiscal policy measures could help support investment and private consumption in the very short term. Deflationary pressures are persisting, given weakness in domestic demand. Energy prices and electronic goods prices are increasing, producer price inflation is accelerating (5.7% y/y in October), but consumer price inflation remains low (0.7% y/y).

EUROZONE

The economy has shown resilience in the face of the energy shock: GDP grew by 0.4% q/q in Q3, and the 1.0% growth carry-over for 2026 supports our forecast of 1.1% for the year as a whole (compared to 1.3% in 2025) with the risk tilted to the upside. Growth is expected to strengthen to 1.6% in 2027, bolstered by increased spending on defence and infrastructure, as well as the global investment cycle in AI. Annual average inflation is thus expected to reach 3.1% in 2026 (from 2.1% in 2025), and 3.2% 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 contracted by 0.1% q/q in Q3 2026 (following stagnation in Q2), weighed down by a decline in aeronautics production (delay in the delivery of inputs) but supported by service sector output and purchases of electric vehicles. Overall, growth is expected to slow to 0.3% in 2026 (after 0.9% in 2025) before rebounding to 0.8% in 2027. In parallel, inflation should reach 2.5% in 2026 (compared with 0.9% in 2025), before edging down slightly in 2027 (2.4%).

UNITED KINGDOM

UK GDP growth would accelerate to 1.6% in 2026 (1.2% in 2025). The economy has so far weathered both the energy price shock and domestic political volatility, boosted by domestic demand, notably investment. After a series of strong prints from Q1 to Q3, real GDP growth is expected to decelerate in the last quarter of the year, as higher energy prices should feed inflation. It should then slow to 1.3% in 2027 on the back of higher inflation and more restrictive monetary conditions. Inflation should climb to 3.8% in Q4 2026, peaking in Q1 2027 (at 4.4%) before gradually slowing. Still, it is set to remain stubbornly above target, leading to mounting second-round effects risks. In response, the BoE has finally raised its Bank Rate to 4.00% early November. If a second-rate hike looks likely in February, this is not, for now, our call and our baseline scenario projects that diminishing inflation will allow monetary easing to resume in the second half of 2027, with two cuts taking the Bank Rate down to 3.50% by year-end.

JAPAN

Following 1.2% in 2025, Japan's GDP growth is expected to decelerate to 0.9% in 2026, before rebounding to 1.0% 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.