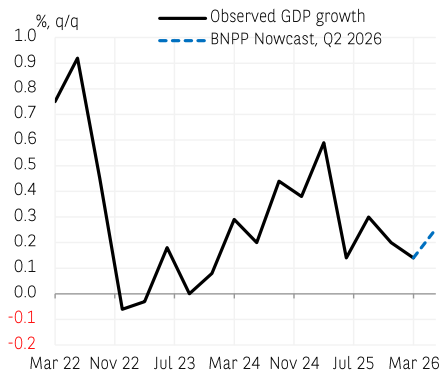


The scenario, forecasts and nowcasts of the Economic Research – 26 May 2026

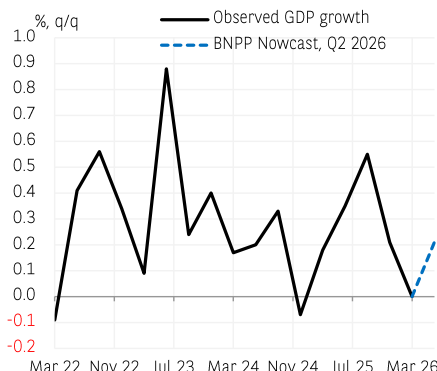
NOWCASTS OF THE ECONOMIC RESEARCH

Eurozone



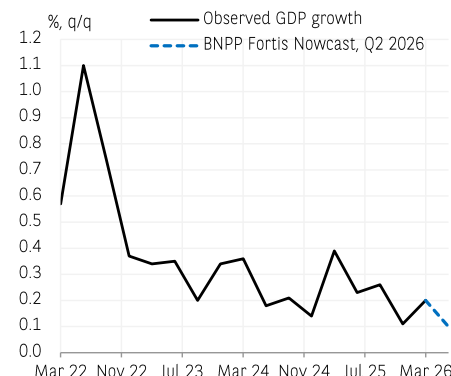
Source: Refinitiv, BNP Paribas

France



Source: Refinitiv, BNP Paribas

Belgium



Source: Refinitiv, BNP Paribas

Our nowcast for Eurozone growth has been revised downward due to the deterioration in confidence surveys (PMI, consumer confidence). It still points to a 0.2% q/q increase in activity in Q2, in line with our forecast.

Our *nowcast* for French GDP growth suggests a recovery in Q2 2026, at +0.2% q/q, driven by the one-off factors that weighed on Q1 GDP (aeronautics exports and construction output).

Our *nowcast* for Q2 Belgium GDP growth suggests a low figure (0.1% q/q), driven by the propagation of energy price shock throughout the economy, with 40% of construction and manufacturing firms announcing selling price hikes in the next 3 months.

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	2.4	2.3	2.9	2.7	3.8	3.0
Japan	0.1	1.1	0.5	0.5	2.7	3.1	2.4	3.4
United Kingdom	1.1	1.4	0.7	1.2	2.5	3.4	3.4	3.2
Euro Area	0.9	1.5	1.0	1.3	2.4	2.1	3.0	3.3
Germany	-0.5	0.3	0.8	1.1	2.5	2.2	3.2	3.5
France	1.1	0.9	0.8	1.1	2.3	1.0	2.4	1.9
Italy	0.5	0.7	0.7	0.8	1.1	1.7	3.1	3.7
Spain	3.5	2.8	2.3	2.2	2.8	2.7	3.3	3.1
China	5.0	5.0	4.6	4.5	0.2	0.0	1.3	1.4
India*	7.1	7.6	6.6	6.8	4.6	2.1	4.5	4.2
Brazil	3.4	2.3	2.0	1.6	4.4	5.0	4.7	4.5

Source : BNP Paribas (e: Estimates & forecasts)

Last update: 26 May 2026

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

Interest and exchange rates

Interest rates, %		2026				2027
		Spot 22/05	Q2	Q3	Q4	Q4
US	End of period					
	Fed Funds (upper limit)	3.75	3.75	3.75	3.75	3.75
	T-Note 10y deposit rate	4.59	4.40	4.50	4.55	4.55
	Bund 10y	2.00	2.25	2.50	2.50	2.50
	OAT 10y	3.13	3.15	3.20	3.35	3.10
Eurozone	BTP 10y	3.73	3.77	4.00	4.17	3.60
	BONO 10y	3.93	3.85	3.95	4.10	3.60
	Base rate	3.59	3.57	3.64	3.79	3.42
UK	Base rate	3.75	4.00	4.25	4.25	3.50
	Gilts 10y	5.11	4.70	4.60	4.50	4.30
Japan	Bol Rate	0.75	1.00	1.00	1.25	2.00
	JGB 10y	2.70	2.40	2.55	2.60	2.70
Exchange Rates		2026				2027
		Spot 22/05	Q2	Q3	Q4	Q4
USD	EUR / USD	1.16	1.19	1.20	1.21	1.25
	USD / JPY	159	159	159	160	160
	GBP / USD	1.34	1.35	1.35	1.35	1.36
EUR	EUR / GBP	0.87	0.88	0.89	0.90	0.92
	EUR / JPY	185	189	191	194	200
Brent	2026				2027	
	Spot 22/05	Q2	Q3	Q4	Q4	
Quarter Average						
Brent	USD/bbl	112	110	90	85	83

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy), Last update: 26/05/2026



UNITED STATES

The US economy is expected to grow above its potential in 2026, with an average annual growth rate of 2.4%, a yearly improvement (up from 2.1% in 2025). This apparent resilience to energy, uncertainty and 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 (3.8% in 2026) at least through 2028, largely because of the rise in oil prices and tariffs – although the impact of these appears to be less significant than expected. The labour market is experiencing a slowdown in both demand and supply, reflecting a less dynamic economy than after the pandemic and the administration's tighter immigration policy. We expect the Fed Funds target range to remain steady at 3.5% - 3.75%, with a FOMC shifting to a 'two-sided outlook', signaling equal readiness to implement rate hikes or cuts if warranted.

CHINA

Economic growth accelerated to +5.0% y/y in Q1 2026, vs. +4.5% in Q4 2025. It stood at 5% in 2025 as a whole and it is expected to slow moderately in 2026. Growth remains characterized by a K-shaped trajectory. On the one hand, exports are still dynamic, and Chinese goods are likely to remain competitive in the short term. On the other hand, domestic demand remains sluggish. It rebounded in the first two months of 2026 but has weakened significantly since March. 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, but their measures may continue to be modest, even in a less supportive global environment. Deflationary pressures are expected to decline in 2026, notably thanks to higher global energy prices and anti-involution measures implemented by the authorities.

EUROZONE

Eurozone growth would slow due to spillovers from the Middle East conflict. In Q1 2026, GDP growth disappointed as a result of one-off factors (France and Ireland) but remained resilient in Germany and Italy. In 2026, consumption, would be held back by falling real wages. GDP growth, which reached 1.5% in 2025, would slow down to 1.0% in 2026 and 1.3% in 2027, while inflation would rebound to 3.0% in 2026 and 3.3% in 2027 (compared to 2.1% in 2025). Activity would nevertheless withstand the energy shock, supported by investment in defence, AI, and electrification, which should continue to boost intra-EU trade. As inflation rebounds, two 25-basis-point hikes in the ECB's policy rate would take place in 2026 – with the first hike expected in June – pushing the deposit facility rate to 2.5%. As inflation rebounds, two 25-basis-point hikes in the ECB's policy rate would take place in 2026 – with the first hike expected in June – pushing the deposit facility rate to 2.5%.

FRANCE

GDP growth deteriorated to 0% q/q in Q1 (after 0.2% q/q in Q4) as a result of one-off factors, including low aeronautics exports (-20% q/q despite an increase of the output) and construction output (-1.5% q/q). From Q2 2026, growth should be affected by the impact of higher oil prices on inflation (2.4% in 2026, after 1% in 2025) and household purchasing power (with a likely impact on their consumption). In 2026, GDP growth should reach 0.8% in 2026 (after 0.9% in 2025), driven by public spending and private investment in AI. Higher inflation (2.4% in 2026, after 1% in 2025) would weigh on GDP growth.

UNITED KINGDOM

Economic activity is expected to slow down in 2026, with growth limited to 0.7% after 1.4% in 2025; following a forecasted +0.4% q/q in Q1, the average quarterly pace would fall to around +0.1%. This slowdown would occur against a backdrop of renewed inflationary pressures triggered by the war in Iran: inflation would reach 3.6% y/y before easing only gradually to 3.3% y/y in 2027, remaining well above BoE's target. In this context, and contrary to the initially envisaged easing scenario, monetary policy would shift toward a tightening of 50 basis points in 2026. 10y gilt yields will remain elevated in 2026, before falling to 4.30% in 2027 on reduced net supply, a decline in political risk premia and a market starting to eye BoE rate cuts.

JAPAN

The energy shock is set to impact the strong momentum of the Japanese economy negatively. We expect annual GDP growth to stand at 0.5% in 2026, down from 1.1% in 2025. Higher inflation and production costs are expected to weigh on the economy's overall performance. On the other hand, the latter is still tempered by structural supply constraints and supported by fiscal policy and wage growth. Inflation has generally overshoot the 2% y/y target since 2022 and is expected to stay there through at least 2028. Accordingly, the Bank of Japan initiated a process of "adjustment in the degree of monetary accommodation" in 2024, lifting the policy rate to 0.75% so far (previously negative). We expect the process to extend, including one hike (25pb) in Q2 2026, until a 2.0% terminal rate in end-2027. 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

In our base-case scenario (gradual normalisation of the Middle East situation with persistent price tensions), we expect the USD depreciation against the EUR to resume, albeit very gradually, amid broader diversification away from the dollar. We forecast EUR/USD to reach 1.21 by Q4 2026 and 1.25 by Q4 2027. We anticipate stabilisation of the yen and the GBP against the dollar in 2026 (USD/JPY 160 and GBP/USD 1.35 by Q4 2026) and 2027.

