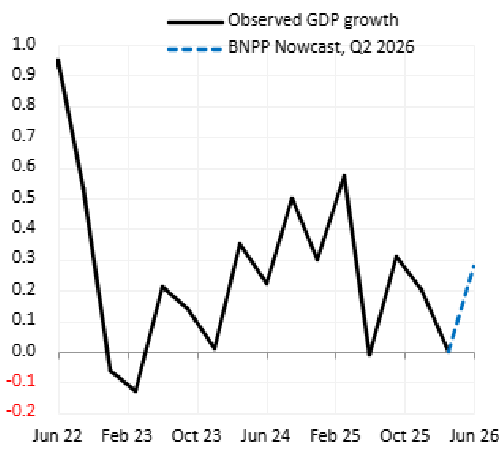
The scenario, forecasts and nowcasts of the Economic Research – 27 July 2026

NOWCASTS OF THE ECONOMIC RESEARCH

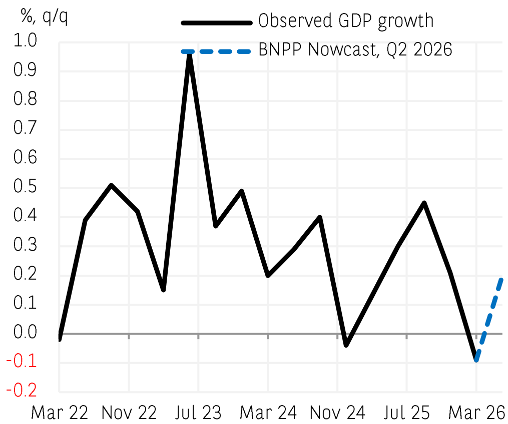
Eurozone



Source: Refinitiv, BNP Paribas

Our *nowcast* for Eurozone growth has been revised higher on the back of the improvement in the PMI data in June and lower Brent prices. It is now pointing to a 0.3% q/q GDP growth in Q2.

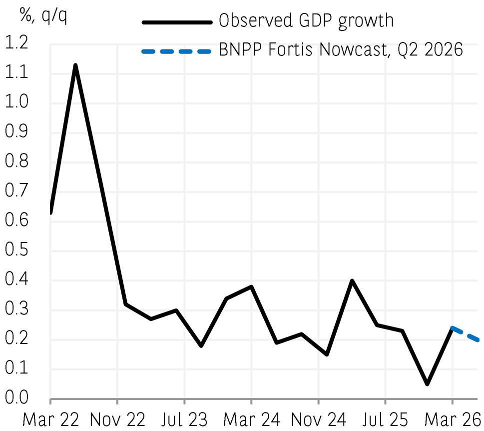
France



Source: Refinitiv, BNP Paribas

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).

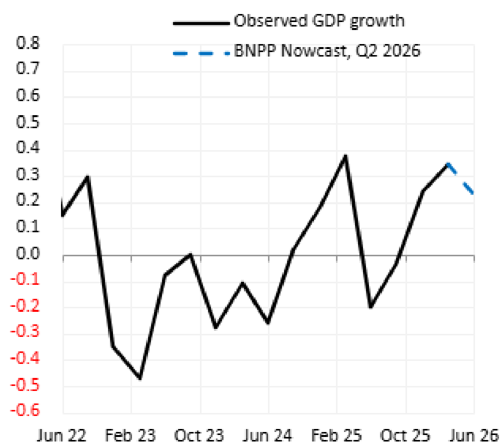
Belgium



Source: Refinitiv, BNP Paribas

Our *nowcast* for Q2 Belgium GDP growth suggests a stable growth in Q2 (0.2% q/q, a performance already observed in Q1). The transactions data suggests again a quite favorable performance in Q2, while uncertainty on the pass-through of energy inflation to other sectors implies a downside risk to the *nowcast*

Germany



Our Germany nowcast indicates that growth reached 0.2% q/q in the second quarter, marking a third consecutive quarter of growth (+0.2% q/q in Q4, +0.3% in Q1) – a performance not seen since 2022. Public spending (defense and infrastructure) is driving a recovery of industrial and construction activity.

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Read the [Nowcast methodology]

Tarik.rharrab@bnpparibas.com

ECONOMIC SCENARIO AND FORECASTS

GDP growth and Inflation

%	GDP Growth 2024	GDP Growth 2025	GDP Growth 2026 e	GDP Growth 2027 e	Inflation 2024	Inflation 2025	Inflation 2026 e	Inflation 2027 e
United States	2.8	2.1	2.4	2.5	2.9	2.7	3.2	2.5
Japan	-0.2	1.1	0.8	1.1	2.7	3.1	2.0	2.3
United Kingdom	1.0	1.4	1.0	1.2	2.5	3.4	3.2	3.1
Euro Area	0.9	1.5	0.8	1.6	2.4	2.1	2.7	2.6
Germany	-0.5	0.3	0.8	1.1	2.5	2.3	2.3	2.4
France	1.1	0.9	0.8	1.1	2.3	0.9	2.2	1.6
Italy	0.6	0.7	0.8	0.8	1.1	1.7	2.4	1.7
Spain	3.5	2.8	2.3	2.2	2.8	2.7	3.5	3.2
China	5.0	5.0	4.6	4.5	0.2	0.0	1.3	1.6
India*	7.1	7.7	3.7	6.8	4.6	2.1	5.1	4.3
Brazil	3.4	2.3	2.3	1.4	4.4	5.0	4.7	5.1

Source : BNP Paribas (e: Estimates & forecasts)
Last update: 24/07/2026
* 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		Spot 20/07	Q2	Q3	Q4	Q4
US	Fed Funds (upper limit)	3.75	3.75	3.75	4.00	4.50
	T-Note 10y	4.37	4.55	4.65	4.75	4.85
Eurozone	deposit rate	2.25	2.25	2.50	2.50	2.50
	Bund 10y	3.09	3.15	3.20	3.35	3.10
	OAT 10y	3.82	3.77	4.00	4.17	3.60
	BTP 10y	3.90	3.85	3.95	4.10	3.60
	BONO 10y	3.54	3.57	3.64	3.79	3.42
UK	Base rate	3.75	3.75	4.00	4.00	3.50
	Gilts 10y	5.03	4.70	4.60	4.50	4.30
Japan	BoJ Rate	0.75	1.00	1.00	1.25	2.00
	JGB 10y	2.68	2.70	2.85	2.85	3.10

Exchange Rates		2026				2027
End of period		Spot 20/07	Q2	Q3	Q4	Q4
USD	EUR / USD	1.14	-	1.15	1.16	1.20
	USD / JPY	164	-	163	165	165
	GBP / USD	1.33	-	1.32	1.32	1.36
EUR	EUR / GBP	0.85	-	0.87	0.88	0.88
	EUR / JPY	186	-	187	191	198

Brent		2026				2027
Quarter Average		Spot 20/07	Q2	Q3	Q4	Q4
Brent	USD/bbl	101	89	72	78	79

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy), Last update: 24/07/2026

Contacts

Stephane.colliac@bnpparibas.com
Tarik.rharrab@bnpparibas.com

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 (3.2% 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 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, we expect the FOMC to start a cycle of three rate hikes (+25pb each) before the end of 2026, bringing the Fed Funds target range at 4,25% - 4,50% in Q1 2027.

CHINA

Economic growth slowed to 4.3% y/y in Q2 2026 vs. 5.0% in Q1. It is projected to reach 4.6% in 2026 as a whole, down from 5% in 2025. Growth remains characterized 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 even widened this year. Domestic demand rebounded in the first two months of 2026 but has weakened significantly since March. The crisis in the property sector continues and household confidence remains low. Fiscal and monetary policy measures aimed at supporting economic growth are expected to continue but remain modest. CPI inflation has rebounded slightly since 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 would slow in 2026 due to spillovers from the Middle East conflict. In Q1 2026, GDP was stable mainly due to the volatility of Ireland's GDP data. In 2026, consumption would be held back by falling real wages. GDP growth, which reached 1.5% in 2025, would slow down to 0.8% in 2026, before picking up at 1.6% in 2027. Activity would nevertheless withstand the energy shock, supported by investment in defence, AI, and electrification, which should continue to boost intra-EU trade. Inflation would rebound to 2.7% in 2026 (compared to 2.1% in 2025) on the back of the energy shock and plateaued at 2.6% in 2027. As inflation rebounds, we continue to expect one further 25-basis-point hikes in the ECB's policy rate in Q3 2026– pushing the deposit facility rate to 2.5%.

FRANCE

GDP growth deteriorated to -0.1% 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 (2.2% in 2026, after 1% in 2025) would weigh on GDP growth.

UNITED KINGDOM

Economic activity is expected to slow in 2026, with growth decelerating to 1% from 1.3% in 2025; following +0.4% q/q in Q1 and -0.1% m/m in April, growth increased by +0.1% m/m in May, bringing the average quarterly pace for the remainder of the year down to approximately +0.1%. This slowdown is set against a backdrop of renewed inflationary pressures triggered by the war in Iran: inflation is projected to reach 3.2% y/y, and to remain sticky and well above BoE's target at +3.1% in 2027. In this context, and contrary to the initially envisaged easing scenario, monetary policy would shift toward a 25bp rate hike in H2 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

We expect annual GDP growth to stand at 0.8% in 2026, down from 1.1% in 2025. 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 1.0% so far (previously negative) – the highest since 1995. We expect a 25pb hike about every four to five months until a 2.50% terminal rate in 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

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 1.16 by Q4 2026 and 1.20 by Q4 2027. We anticipate a depreciation of the yen and the GBP against the dollar in 2026 (USD/JPY 165 and GBP/USD 1.32 by Q4 2026) and 2027.