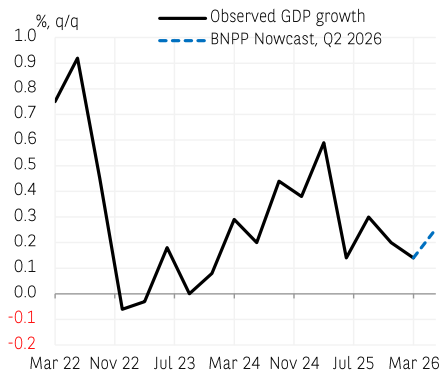


The scenario, forecasts and nowcasts of the Economic Research – 29 June 2026

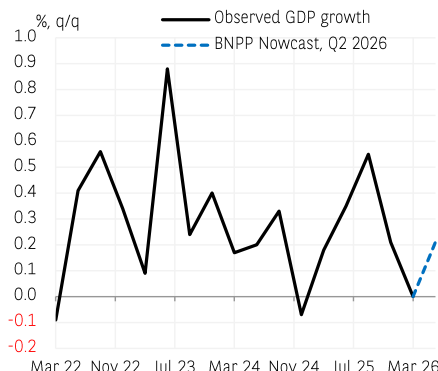
NOWCASTS OF THE ECONOMIC RESEARCH

Eurozone



Source: Refinitiv, BNP Paribas

France



Source: Refinitiv, BNP Paribas

Belgium



Source: Refinitiv, BNP Paribas

Our nowcast for Eurozone growth has been slightly revised higher on the back of the improvement in the PMI data in June. It still points to a 0.2% q/q increase in activity in Q2, against a forecast of 0.3% q/q.

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 slight deterioration (0.15% q/q) from Q1. The momentum in the manufacturing sector is proving more resilient than first feared. Costs are rising faster than previously expected, especially in the service sector.

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	2.3	2.4	2.9	2.7	3.7	2.8
Japan	-0.2	1.1	0.8	1.1	2.7	3.1	2.1	2.1
United Kingdom	1.0	1.4	1.0	1.2	2.5	3.4	3.2	3.1
Euro Area	0.9	1.5	0.6	1.6	2.4	2.1	2.7	2.6
Germany	-0.5	0.3	0.8	1.1	2.5	2.2	2.3	1.9
France	1.1	0.9	0.8	1.1	2.3	1.0	2.2	1.6
Italy	0.6	0.7	0.8	0.8	1.1	1.7	2.8	1.5
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: 29/06/2026

* 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 26/06	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
	deposit rate	2.25	2.25	2.50	2.50	2.50
	Bund 10y	2.85	3.15	3.20	3.35	3.10
Eurozone	OAT 10y	3.52	3.77	4.00	4.17	3.60
	BTP 10y	3.59	3.85	3.95	4.10	3.60
	BONO 10y	3.29	3.57	3.64	3.79	3.42
UK	Base rate	3.75	3.75	4.00	4.00	3.50
	Gilts 10y	4.74	4.70	4.60	4.50	4.30
Japan	BoJ Rate	0.75	1.00	1.00	1.25	2.00
	JGB 10y	2.58	2.70	2.85	2.85	3.10
Exchange Rates		2026				2027
End of period		Spot 26/06	Q2	Q3	Q4	Q4
USD	EUR / USD	1.14	-	1.15	1.16	1.20
	USD / JPY	162	-	163	165	165
	GBP / USD	1.32	-	1.32	1.32	1.36
EUR	EUR / GBP	0.86	-	0.87	0.88	0.88
	EUR / JPY	184	-	187	191	198
Brent		2026				2027
Quarter Average		Spot 26/06	Q2	Q3	Q4	Q4
Brent	USD/bbl	72	110	90	85	83

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy). Last update: 29/06/2026

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BNP PARIBAS

The bank for a changing world

UNITED STATES

The US economy is expected to grow above its potential in 2026, with an average annual growth rate of 2.3%, 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 (3.7% 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 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 in 2026 due to spillovers from the Middle East conflict. In Q1 2026, GDP growth contracted 0.2% q/q mainly due to the volatility of Ireland's GDP data, but growth in the rest of the Eurozone remained resilient (+0.2% q/q). In 2026, consumption would be held back by falling real wages. GDP growth, which reached 1.5% in 2025, would slow down to 0.6% 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 1.4% in 2025; following +0.4% q/q in Q1, growth dipped to -0.1% m/m in April, 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 still tempered by structural supply constraints and supported by fiscal policy, wage growth, the benefits of AI-related investment. 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 1.0% so far (previously negative) – the highest since 1995. We expect the process to extend, including one hike (25pb) in H2 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 1.16 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.

