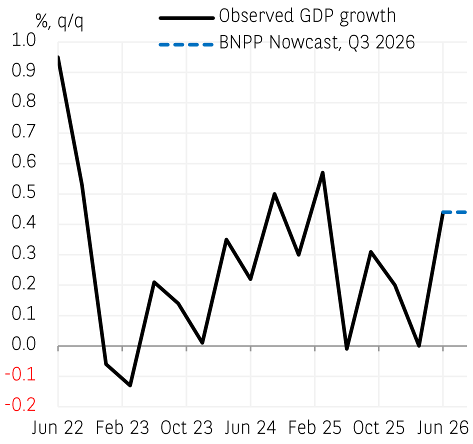
The scenario, forecasts and nowcasts of the Economic Research – 7 September 2026

NOWCASTS OF THE ECONOMIC RESEARCH

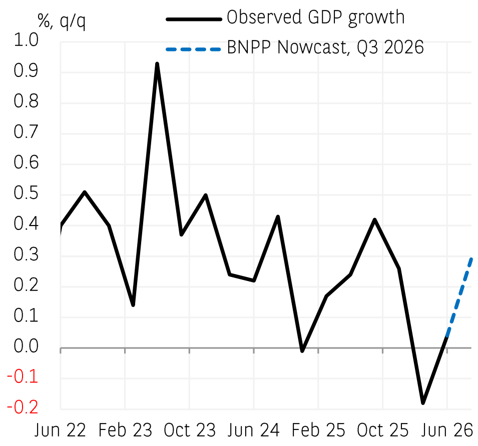
Eurozone



Source: Refinitiv, BNP Paribas

Our nowcasts for Eurozone growth point to resilient growth in Q3 (+0.4% q/q) driven by the improvement in the PMI surveys.

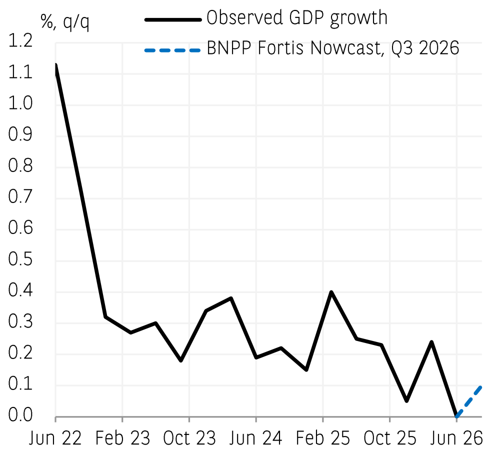
France



Source: Refinitiv, BNP Paribas

Our nowcast for French GDP growth suggests a recovery in Q3 2026, at +0.3% q/q, albeit the impact of the heat wave on agricultural production is a downside risk.

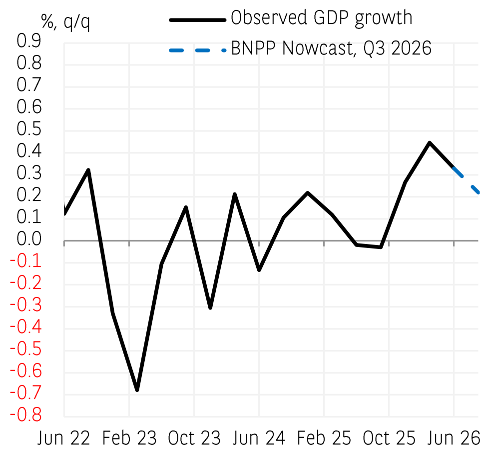
Belgium



Source: Refinitiv, BNP Paribas Fortis

Our nowcast for Belgium GDP growth suggests a mere growth performance in Q3 (0.1% q/q, after 0% in Q2). The business climate is low, as inflation pressures bind.

Germany



Source: Refinitiv, BNP Paribas

Our Germany nowcast indicates that growth should slow slightly in Q3 to +0.2% (after +0.4% in Q1 and +0.3% in Q2). It is expected to remain supported by exports. Industrial production remains strong at the start of the quarter but could be affected by the weather conditions recorded in August.

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Read the Nowcast methodology

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ECONOMIC SCENARIO AND FORECASTS

GDP growth and Inflation

%	GDP Growth 2024	2025	2026 e	2027 e	Inflation 2024	2025	2026 e	2027 e
United States	2.8	2.1	2.2	2.5	2.9	2.7	3.3	2.4
Japan	-0.2	1.1	0.9	1.2	2.7	3.1	2.0	2.5
United Kingdom	1.0	1.4	1.2	1.2	2.5	3.4	3.2	3.2
Euro Area	0.9	1.5	0.9	1.6	2.4	2.1	2.7	2.6
Germany	-0.5	0.3	1.0	1.0	2.5	2.3	2.6	2.7
France	1.1	0.9	0.5	1.1	2.3	0.9	2.2	1.6
Italy	0.6	0.7	0.9	0.8	1.1	1.6	2.5	1.9
Spain	3.5	2.8	2.6	2.2	2.8	2.7	3.6	3.3
China	5.0	5.0	4.6	4.5	0.2	0.0	1.3	1.6
India*	7.2	7.8	6.7	6.9	4.6	2.1	5.0	4.6
Brazil	3.4	2.3	2.3	1.4	4.4	5.0	4.5	4.8

Source : BNP Paribas (e: Estimates & forecasts)
Last update: 07/09/2026
* 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 05/09	Q3	Q4	Q4
US	Fed Funds (upper limit)	3.75	3.75	4.00	4.50
	T-Note 10y	4.77	4.65	4.75	4.85
Eurozone	deposit rate	2.25	2.50	2.75	2.75
	Bund 10y	3.31	3.20	3.35	3.10
	OAT 10y	4.08	4.00	4.17	3.60
	BTP 10y	4.15	3.95	4.10	3.60
	BONO 10y	3.72	3.64	3.79	3.42
UK	Base rate	3.75	4.00	4.00	3.50
	Gilts 10y	5.13	4.60	4.50	4.30
Japan	BoJ Rate	1.00	1.25	1.50	2.00
	JGB 10y	2.88	2.85	2.85	3.10

Exchange Rates		2026			2027
End of period		Spot 05/09	Q3	Q4	Q4
USD	EUR / USD	1.16	1.15	1.16	1.20
	USD / JPY	156	163	165	165
	GBP / USD	1.35	1.32	1.32	1.36
EUR	EUR / GBP	0.86	0.87	0.88	0.88
	EUR / JPY	181	187	191	198

Brent		2026			2027
Quarter Average		Spot 05/09	Q3	Q4	Q4
Brent	USD/bbl	96	72	78	79

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy), Last update: 07/09/2026

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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 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 (3.3% 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) at the September 2026 FOMC meeting, bringing the Fed Funds target range at 4,25% - 4,50% in January 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 policy measures aimed at supporting economic growth are expected to increase in the second half of the year. CPI inflation rebounded slightly in H1 2026, 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 to 0.9% in 2026 due to a weak Q1 (mainly due to the volatility of Ireland's GDP data), but quarterly activity is expected to be solid in the following quarters (+0.4% q/q in Q3 and Q4 2026), despite the Middle East conflict. Growth would then pick up at 1.6% in 2027. We expect the euro area to 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 would plateau at 2.6% in 2027. Against the backdrop of persistent inflation and resilient economic activity, our baseline scenario forecasts two additional 25-basis-point hikes in the ECB's policy rate – in September and December 2026 – bringing the deposit-facility rate to 2.75 %.

FRANCE

GDP growth remained low in Q2 (0% after -0.2% in Q1) as a result of deteriorated agricultural and construction output, as well as higher inflation (2.2% in 2026 according to our forecast, after 1% in 2025). In 2026, GDP growth should reach 0.5% (after 0.9% in 2025), driven mainly by exports.

UNITED KINGDOM

UK GDP growth is expected to ease slightly to 1.2% in 2026 from 1.3% in 2025. Activity proved more resilient than expected in H1, expanding by 0.6% q/q in Q1 and 0.4% in Q2, leaving a statistical carry-over of around 1.1% y/y if output remains at its June level. Services remained the main growth driver, while Q2 also benefited from temporary factors, including favorable weather and the World Cup. The outlook appears much weaker for H2, with quarterly growth expected to remain subdued as higher energy prices, weaker purchasing power, tighter monetary policy and political tradeoffs should weigh on activity. Renewed energy-related inflationary pressures are expected to push inflation to 3.2% on average in 2026, reaching 3.8% in Q4 and peaking at around 4% in Q1 2027. Inflation should remain above target at 3.2% in 2027, prompting a 25bp BoE rate hike in H2 2026. Ten-year gilt yields should remain elevated in 2026 before falling to around 4.30% in 2027, supported by lower net supply, easing political risk premia and markets gradually pricing BoE rate cuts.

JAPAN

We expect annual GDP growth to stand at 0.9% in 2026, down from 1.2% 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 three 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

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.