

The scenario and forecasts of the Economic Research - 1st December 2025

GDP growth and Inflation

%	GDP Growth				Inflation			
	2024	2025 e	2026 e	2027 e	2024	2025 e	2026 e	2027 e
United States	2.8	1.9	1.9	1.8	2.9	2.8	3.1	2.6
Japan	0.1	1.4	0.7	0.8	2.7	3.2	2.1	2.6
United Kingdom	1.1	1.4	1.1	1.3	2.5	3.4	2.6	2.2
Euro Area	0.9	1.4	1.5	1.6	2.4	2.1	1.9	2.1
Germany	-0.5	0.3	1.4	1.5	2.5	2.2	1.6	2.3
France	1.1	0.8	1.1	1.3	2.3	1.0	1.1	1.5
Italy	0.5	0.8	1.0	0.9	1.1	1.7	1.5	1.9
Spain	3.5	2.9	2.4	2.3	2.8	2.7	2.3	1.9
China	5.0	5.0	4.7	4.5	0.2	-0.1	0.9	1.0
India*	6.5	6.8	6.5	6.6	4.6	2.4	4.1	4.3
Brazil	3.4	2.2	1.8	1.4	4.4	5.0	3.8	3.8

Source : BNP Paribas (e: Estimates & forecasts)

Last update: 1 December 2025

* Fiscal year from 4 April of year n-1 to March 31st of year n

Interest and exchange rates

Interest rates, %		2026				2027
		Q1	Q2	Q3	Q4	Q4
US	Fed Funds (upper limit)	3.50	3.50	3.50	3.50	3.50
	T-Note 10y	4.25	4.35	4.45	4.50	-
Eurozone	deposit rate	2.00	2.00	2.00	2.00	2.50
	Bund 10y	2.90	3.00	3.05	3.10	-
	OAT 10y	3.55	3.65	3.80	3.87	-
	BTP 10y	3.50	3.58	3.70	3.75	-
UK	BONO 10y	3.35	3.42	3.50	3.55	-
	Base rate	3.50	3.50	3.50	3.50	3.00
Japan	Gilts 10y	4.50	4.50	4.40	4.30	-
	BoJ Rate	0.75	1.00	1.00	1.25	1.50
	JGB 10y	1.90	2.00	2.05	2.10	-
Exchange Rates		2026				2027
		T1	Q2	Q3	Q4	Q4
USD	EUR / USD	1.17	1.18	1.19	1.20	1.22
	USD / JPY	157	158	159	160	160
	GBP / USD	1.30	1.30	1.30	1.30	1.30
EUR	EUR / GBP	0.90	0.91	0.92	0.92	0.94
	EUR / JPY	184	186	189	192	195
Brent		2026				2027
		Q1	Q2	Q3	Q4	Q4
Quarter Average						
Brent		55	57	63	63	73

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities

Desk Strategy)

Last update: 01/12/2025

UNITED STATES

The US economy is facing a slowdown in 2025, contrasting with the remarkable dynamism displayed in 2024, illustrated with a +2.8% average annual growth rate (+2.9% in 2023). Household consumption was the main driver. Evidence of a slowdown appeared in GDP growth (-0.2% q/q) in Q1 and employment starting from Q2. While a rebound in growth has taken place in Q2 (+0.9% q/q), in 2025, the average annual growth rate should lower to +1.9%. This lower figure would result from the effect of uncertainty and tariff shocks on demand and the general macroenvironment. Developments in 2024 on the inflation front suggested a soft landing, with CPI moderating to +2.7% y/y in Q4 2024. However, changes in economic policy should lead to a rise in inflation, up to +3.3% y/y in Q2 2026. At the same time, the risks surrounding the labour market have sharply increased. This implies a rebalancing of the risks surrounding the Fed's dual mandate, which led to two cuts, so far, in H2 2025 (-50 bp cumulative). We anticipate one further cut in December, bringing the target range to +3.5% - +3.75% by year-end.

CHINA

Economic growth stood at 5.3% y/y in H1 and slowed to 4.8% in Q3. It is now projected to reach the official target of 5% in 2025. Since the beginning of the year, domestic demand has been helped by monetary and fiscal policy easing measures, but it has also been strongly held back by the continued crisis in the property sector and low private-sector confidence. The strengthening of private consumption is a key priority for the authorities, though support measures remain modest. Manufacturing activity has been driven by export growth, which was much more solid than expected during the three first quarters of 2025, in spite of new US tariffs. However, export growth is expected to lose momentum in the coming months as the export sector suffers from the rise in protectionism and the weakening of global demand. Deflationary pressures persist. They might decline slightly in the short term thanks to anti-involution measures implemented by the authorities.



EUROZONE

After holding up well in 2025 (1.4%), growth is expected to strengthen in 2026 (+1.5%). It is expected to grow at a stable quarterly rate of 0.5% over the year. Favourable carryover effect would push the average annual for 2027 higher (1.6%), despite a lower quarterly profile (+0.3% q/q). The roll-out of fiscal measures in Germany and the planned increase in military spending in Europe, against a backdrop of labour market resilience, underpin this scenario. The EU-US trade agreement remains precarious and tensions with China are mounting, creating uncertainty around our forecasts. Inflation is expected to remain below the 2% target in 2026. Stronger economic activity will lead to a progressive acceleration in inflation in 2027, albeit a moderate one. This would lead the ECB to increase the policy rate in H2 2027, bringing the deposit facility rate to 2.5%.

FRANCE

GDP growth reached 0.5% q/q in Q3 (after 0.3% q/q in Q2), driven by the production and exports of aeronautics and non-financial corporate investment. Disinflation is now visible and continued in 2025 (the harmonized index should grow by 1% in 2025, compared to 2.3% in 2024) but household consumption growth remains disappointing. In 2025, GDP growth decreased to 0.8% against a background of significant political uncertainty and its impact on household confidence (after 1.1% in 2024). In 2026, growth should accelerate to 1.1% as a result of German growth recovery.

UNITED KINGDOM

Activity is expected to strengthen slightly in 2025, rising to 1.4%, before slowing to 1.1% in 2026 due to unfavourable carryover effect. Despite downside risks in the labour market and difficulties in industry, quarterly growth is expected to return to a higher and more stable pace in 2026 (+0.3% q/q on average) thanks to monetary easing. Increased defence spending in the United Kingdom and Europe will also support GDP, while downside risks related to trade tensions are mitigated by the agreement with the United States. Inflation would only return to target very gradually, and monetary policy would remain restrictive, despite two further rate cuts in December 2025 and Q1 2026, bringing the rate down to 3.5%. With inflation falling more sustainably towards the 2% target, a new phase of normalisation will begin, with two further rate cuts in H1 2027.

JAPAN

Japanese growth has surprised to the upside in H1 2025 so far, notably in Q2 (+0.6% q/q), before a correction in Q3 (-0.4% q/q). The pace of growth should generally remain muted due to the uncertainty and negative consequences for the export sector of the US trade policy. In 2024, the average annual growth rate decreased to +0.1%, mainly due to the negative 2023 carryover, and the contraction in Q1 due to one-off factors. Household consumption is facing inflation but is expected to benefit from the upward trend in wages, as the *Shunto* (wage negotiations) has exceeded the record set in 2024, against a backdrop of tensions on the labour market. Nevertheless, domestic demand remains structurally weak, while supply constraints are weighing on potential growth. The average annual growth rate is expected to land at +1.4%, notably thanks to the 2024 carryover effect. The Bank of Japan has started a cautious monetary tightening cycle in 2024, bringing the key rate to +0.5%. We anticipate one more hike (+25bp) by year-end, in December, in front of persistent inflationary pressures.

EXCHANGE RATES

We expect the dollar to continue depreciating against the euro. Structural changes in fiscal policy and the expected strengthening of growth in Europe, coupled with the slowdown in the United States, underpin our forecast of a gradual and moderate rise in the EUR/GBP exchange rate by the end of 2026 (1.20 in Q4 2026). Conversely, we anticipate a slight depreciation of the yen and the GBP against the dollar (USD/JPY 160 and GBP/USD 1.3 in Q4 2026).

