

The scenario and forecasts of the Economic Research - 15 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	1.5	1.6	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	0.6	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: 8 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 expected to grow close to its potential pace in 2026, with an average annual growth rate of +1.9%, a stable result from one year to the next. This apparent resilience to uncertainty and tariff shocks masks K-shaped growth, supported by investment linked to AI-optimism and consumption by the wealthiest amid a wealth effect (historically high stock market valuations). Inflation is rising and is expected to peak at +3.3% y/y in mid-2026 due to tariffs, although the impact of these appears to be less significant than expected, and is likely to remain above target until at least the end of 2027. The labour market is experiencing a slowdown in both demand, linked to a less dynamic economy than after the post-pandemic reopening, and supply, due to the administration's immigration policy. The rebalancing of risks surrounding the Fed's dual mandate and its emphasis on the 'employment' component has triggered a new cycle of rate cuts. The FOMC implemented three rate cuts (-75 bps cumulative) in total in 2025. We anticipate a final rate cut in March 2026, bringing the terminal rate to 3.25% - 3.50%.

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. In spite of monetary and fiscal policy easing measures, domestic demand growth has remained weak, 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 has been much more solid than expected since the beginning 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 (1.5%), growth is expected to strengthen in 2026 (+1.6%). 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 is expected to slightly exceed its potential level, which is still subject to significant supply constraints, in 2026. In 2025, growth surprised on the upside in H1 2025, before correcting in Q3 (-0.6% q/q); and the average annual rate is expected to be +1.2% before slowing to +0.7% in 2026, when the actual, and still uncertain, consequences of US trade policy will become apparent. Inflation has exceeded the +2% y/y target since 2022. As a result, solid nominal wage increases, which are expected to continue in 2026, are proving insufficient to stem the decline in real incomes and support household demand. The level of public debt is contributing to bond pressure, illustrated by record 10-year and 30-year rates over more than two decades, probably reinforced by expansionary fiscal policy and the spacing of key rate hikes. In fact, in 2024, the Bank of Japan began a cycle of 'less accommodative' policy and raised its key interest rate to +0.5% (previously negative). We expect a further increase (+25 bp) in December 2025 and two more increases in 2026.

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).

