

## The scenario and forecasts of the Economic Research - 15 September 2025

GDP growth and Inflation									Interest and exchange rates				
%	GDP Growth				Inflation								
	2023	2024	2025 e	2026 e	2023	2024	2025 e	2026 e					
United States	2,9	2,8	1,7	1,5	4,1	2,9	2,8	3,4					
Japan	1,3	0,1	1,3	0,6	3,3	2,7	3,2	2,5					
United Kingdom	0,4	1,1	1,3	1,0	7,3	2,5	3,5	2,7					
Euro Area	0,7	0,8	1,3	1,4	5,4	2,4	2,1	1,8					
Germany	-0,7	-0,5	0,3	1,4	6,0	2,5	2,2	1,3					
France	1,6	1,1	0,7	1,1	5,7	2,3	1,0	1,2					
Italy	0,8	0,5	0,6	1,1	5,9	1,1	1,7	1,5					
Spain	2,7	3,2	2,7	2,3	3,4	2,8	2,6	1,9					
China	5,2	5,0	5,0	4,5	0,2	0,2	0,0	1,0					
India*	9,2	6,5	6,2	6,4	5,4	4,7	3,2	4,4					
Brazil	2,9	3,4	2,3	1,6	4,6	4,4	5,1	4,4					

Source : BNP Paribas (e: Estimates & forecasts)  
 Last update: 15 September 2025  
 \* Fiscal year from 4 April of year n-1 to March 31st of year n

Interest rates, %				
End of period		Q4 2025	Q2 2026	Q4 2026
US	Fed Funds (upper limit)	3.75	3.25	3.25
	T-Note 10y	4.25	4.30	4.40
Eurozone	deposit rate	2.00	2.00	2.25
	Bund 10y	2.90	3.05	3.20
	OAT 10y	3.70	3.80	4.00
	BTP 10y	3.60	3.70	3.85
UK	BONO 10y	3.43	3.55	3.70
	Base rate	0.75	1.00	1.50
	Gilts 10y	4.60	4.50	4.40
Japan	BoJ Rate	3.75	3.50	3.50
	JGB 10y	1.80	2.00	2.10

Exchange Rates				
End of period		Q4 2025	Q2 2026	Q4 2026
USD	EUR / USD	1.20	1.21	1.22
	USD / JPY	145	143	141
	GBP / USD	1.38	1.38	1.39
EUR	EUR / GBP	0.87	0.88	0.88
	EUR / JPY	174	173	172

Brent				
Quarter Average		Q4 2025	Q2 2026	Q4 2026
Brent	USD/bbl	59	57	63

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy)  
 Last update: 15/09/2025

### UNITED STATES

The US economy is facing a marked 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 (-0.1% q/q) in Q1 and employment starting from Q2. While a rebound in growth has taken place in Q2 (+0.8% q/q), in 2025, the average annual growth rate should lower to +1.6%. This weakening 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 +3.6% a/a in Q2 2026. At the same time, the risks surrounding the labour market have increased. Under the circumstances, we expect the Fed to undertake three adjustment cuts in 2025, lowering the target range to +3.5% - +3.75%.

### CHINA

Economic growth slowed moderately in H1 and is now projected to reach the official target of 5% in 2025. Domestic demand remains held back by significant brakes, including the continued crisis in the property sector and low private-sector confidence. Yet, enterprises and households benefit from monetary and fiscal policy easing measures, which will continue to be implemented cautiously in the short term. The strengthening of private consumption is a key priority for the authorities in 2025, though support measures remain modest. Manufacturing activity was supported by the good performance of exports in H1 2025, but it is expected to lose momentum in the coming quarters as the export sector suffers from the rise in protectionism and the weakening of global demand. Deflationary pressures persist.



## EUROZONE

The increase in military spending in Europe, and the significant fiscal support in Germany will provide a boost to the euro area growth in 2025 and 2026. The moderation of inflation around the 2% target, the ECB's interest rate cut cycle, which is now over according to us, and the strengthening of the effects of NGEU funds will be additional supporting factors. Margins for growth will be limited in the short term by the trade tensions with the United States, persistent difficulties in industry, underlined by the still low, albeit improving levels of PMIs, and uncertainty about the Chinese economy.

## FRANCE

GDP growth reached 0.3% q/q in Q2, driven by the production of aeronautics and household investment, after 0.1% q/q in Q1). It remained stable compared with growth in the fourth quarter of 2024 excluding the Olympic Games effect (-0.1% in Q4, including the backlash of the Olympic Games impact). Disinflation is now visible and should continue 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 should decrease to 0.7% against a background of deterioration of the labor market and as a result of significant political uncertainty (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 at 1.3% in 2025 after growth of 1.1% in 2024. Increased defence investment in the UK and elsewhere in Europe will have a positive effect on GDP, while downside risks from trade tensions are mitigated by the agreement signed with the United States. The policy mix (a combination of fiscal and monetary policies) will remain restrictive given the very gradual decline in interest rates and the introduction of more restrictive fiscal rules. Inflation should remain significantly above the 2% target in 2025 and 2026, supported by wage growth and supply-side constraints. We forecast that the BoE will cut the bank rate at a pace of one cut per quarter in 2025, with the terminal rate not being reached until 2026.

## JAPAN

Japanese growth surprised to the upside in 2025 so far, but a lower pace is expected in the coming quarters. In 2024, the average annual growth rate decreased to +0.2%, mainly due to the negative 2023 carryover, and the contraction in Q1 due to one-off factors. In S1 2025, GDP growth surprised to the upside, mainly in Q2 (+0.5% q/q), but the pace of growth is expected to turn weak in the coming quarters, under the effect of uncertainty and the negative consequences on Japanese exports induced by the United States' trade policy. 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 +1.3%, 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 (+25 bps) by year-end, in Q4, in front of persistent inflationary pressures.

## EXCHANGE RATES

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 an increase in the EUR-USD for 2025 and 2026. The dollar's decline would be gradual but nevertheless limited by the restrictive monetary policy in the United States and the interest rate differential with the Eurozone.

