The scenario and forecasts of the Economic Research - 17 November 2025

GDP growth and Inflation

%	GDP Growth 2023	2024	2025 e	2026 e	Inflation 2023	2024	2025 e	2026 e
United States	2.9	2.8	1.9	1.9	4.1	2.9	2.8	3.1
Japan	1.2	0.1	1.3	0.6	3.3	2.7	3.2	2.5
United Kingdom	0.3	1.1	1.3	1.0	7.3	2.5	3.4	2.6
Euro Area	0.6	0.9	1.4	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	0.8	1.2	5.7	2.3	1.0	1.2
Italy	1.1	0.5	0.7	1.1	5.9	1.1	1.7	1.5
Spain	2.5	3.5	3.0	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	5.0	3.8

Source : BNP Paribas (e: Estimates & forecasts)
Last update: 17 November 2025
* Fiscal year from 4 April of year n-1 to March 31st of year n

Interest and exchange rates

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
	BONO 10y	3.43	3.55	3.70
UK	Base rate	3.75	3.50	3.50
	Gilts 10y	4.60	4.50	4.40
Japan	BoJ Rate	0.75	1.00	1.25
	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: 17/11/2025

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 +3.4% 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

The planned increase in military spending in Europe and significant budgetary support in Germany will provide a boost to the Eurozone in 2025 and in 2026. The robust labour market and moderate inflation will also support household consumption. However, margins for growth will be limited in the short term by trade tensions with the United States and China, persistent difficulties in industry, underlined by the still low, albeit improving, PMI indices, and uncertainty surrounding the Chinese economy. Inflation is expected to remain stable around the 2% target. With the deposit facility rate currently at 2%, we believe the cycle of interest rate cuts is over.

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 1.2% as a result of German growth recovery.

UNITED KINGDOM

Activity is expected to strengthen slightly in 2025, rising to 1.3%, before slowing to 1.0% 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. The policy mix (combination of fiscal and monetary policies) will remain restrictive, given the very gradual decline in interest rates and the implementation of more restrictive fiscal measures. Inflation is expected to remain well above the 2% target in 2025 and 2026, supported by wage growth and persistent supply-side pressures. We expect the BoE to cut its key interest rates again in December, followed by a final cut in Q1 2026.

JAPAN

Japanese growth has surprised to the upside in H1 2025 so far, notably in Q2 (+0.5% 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 +1.3%, 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 (+25bp) by year-end, in December, in front of persistent inflationary pressures.

EXCHANGE RATES

We expect the dollar to continue depreciating, in a generalised and gradual manner. Structural changes in fiscal policy and the expected strengthening of growth in Europe, coupled with the slowdown in the United States, underpins our forecast of a gradual and moderate rise in the EUR-USD for 2025 (1.20 in Q4 2025) and 2026 (1.22 in Q4 2026). The opposing monetary policy directions between the United States (easing) and Japan (rate hikes) will fuel a strengthening of the Japanese currency against the dollar. The GBP/USD is also expected to appreciate.