

## The scenario and forecasts of the Economic Research - 29 September 2025

GDP growth and Inflation									Interest and exchange rates				
%	GDP Growth				Inflation				Interest rates, %				
	2023	2024	2025 e	2026 e	2023	2024	2025 e	2026 e	End of period	Spot 26/09/2025	Q4 2025	Q2 2026	Q4 2026
United States	2.9	2.8	2.0	1.8	4.1	2.9	2.8	3.2	US Fed Funds (upper limit)	4.25	3.75	3.25	3.25
Japan	1.2	0.1	1.3	0.6	3.3	2.7	3.2	2.5	T-Note 10y	4.16	4.25	4.30	4.40
United Kingdom	0.4	1.1	1.3	1.0	7.3	2.5	3.5	2.7	Eurozone deposit rate	2.00	2.00	2.00	2.25
Euro Area	0.5	0.8	1.3	1.4	5.4	2.4	2.1	1.8	Bund 10y	2.70	2.90	3.05	3.20
Germany	-0.7	-0.5	0.3	1.4	6.0	2.5	2.2	1.3	OAT 10y	3.49	3.70	3.80	4.00
France	1.6	1.1	0.7	1.1	5.7	2.3	1.0	1.2	BTP 10y	3.59	3.60	3.70	3.85
Italy	0.8	0.5	0.6	1.1	5.9	1.1	1.7	1.5	BONO 10y	3.25	3.43	3.55	3.70
Spain	2.5	3.5	2.7	2.3	3.4	2.8	2.6	1.9	UK Base rate	4.00	3.75	3.50	3.50
China	5.2	5.0	5.0	4.5	0.2	0.2	0.0	1.0	Gilts 10y	4.75	4.60	4.50	4.40
India*	9.2	6.5	6.2	6.4	5.4	4.7	3.2	4.4	Japan BoJ Rate	0.50	0.75	1.00	1.50
Brazil	2.9	3.4	2.3	1.6	4.6	4.4	5.1	4.4	JGB 10y	1.65	1.80	2.00	2.10
Source : BNP Paribas (e: Estimates & forecasts) Last update: 29 September 2025 * Fiscal year from 4 April of year n-1 to March 31st of year n									Exchange Rates				
									End of period	Spot 26/09/2025	Q4 2025	Q2 2026	Q4 2026
									USD EUR / USD	1.17	1.20	1.21	1.22
									USD / JPY	150	145	143	141
									GBP / USD	1.34	1.38	1.38	1.39
									EUR EUR / GBP	0.87	0.87	0.88	0.88
									EUR / JPY	175	174	173	172
									Brent				
									Quarter Average	Spot 26/09/2025	Q4 2025	Q2 2026	Q4 2026
									Brent USD/bbl	70	59	57	63
									Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy) Last update: 29/09/2025				

### 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 +2.0%. 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 +3.5 a/a 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 the first rate cut (-25 bp) since December 2024 in September. We anticipate two further cuts by year-end, bringing the target rate to +3.5% - +3.75%.

### CHINA

Economic growth stood at 5.3% y/y 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 planned increase in military spending in Europe and significant budgetary support in Germany will provide a boost to the Eurozone in 2025 and even more so 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, 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 0.3% 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 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 November, followed by a final cut in Q1 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 +0.1%, 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

We expect the dollar to be weak across the board, but more pronounced against the euro. 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.

