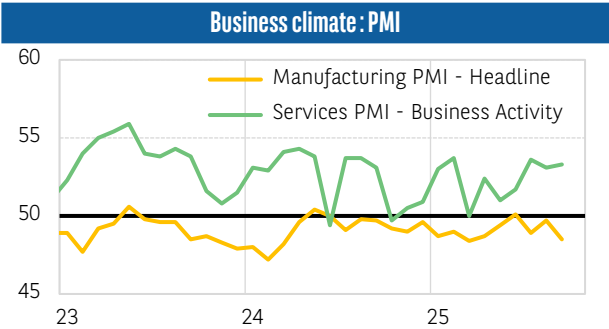
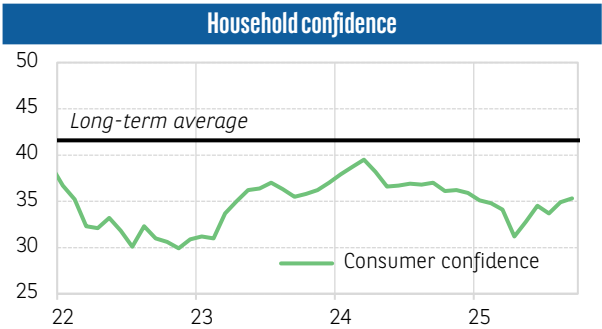


Japan: flat growth in Q3, no worries going forward



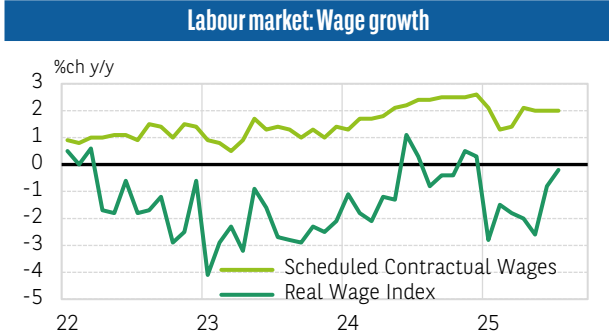
Source: Jibun Bank, BNP Paribas.

Favorable business climate. The Tankan survey reported an improvement in large manufacturing companies' sentiment (14, +1 point) in Q3, including in the motor vehicles sector (10, +2 points). The overall figure (all enterprises and all industries) remained stable (10). The Services PMI remained stable at a high level (53) in September, while the Manufacturing PMI (48.4, -1.3 pp) fell to a five-month low due to the first contraction in hiring (49.4, -2.5 pp) since November 2024 and a decline in output (47.3, -2.5 pp).



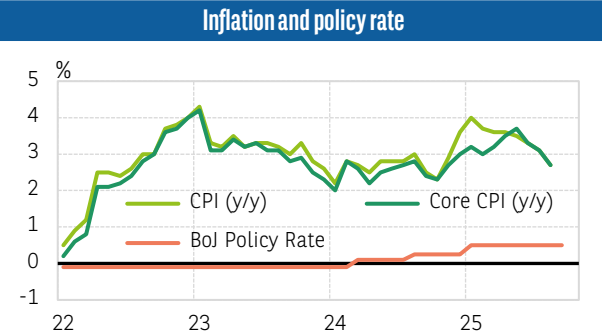
Source: Cabinet Office, BNP Paribas.

Household confidence improved in September, reaching its best annual result at 35.3 (+0.4 points). The increase was most pronounced in the propensity to purchase durable goods (28.8, +0.8 points).



Source: Cabinet Office, BNP Paribas.

The unemployment rate remained low, despite a peak in 2025, at 2.6% (+0.3pp) in August. Nominal wage growth reached a 2025 high of +3.4% y/y (+0.3pp) in July, thanks to bonuses and special payments (+6.3% y/y, +1.9pp). The underlying measure of scheduled contractual earnings is stable at +2.0% y/y. The real wage index improved (-0.2% y/y, +0.6pp) but remained negative for the seventh consecutive month.



Source: Macrobond, BNP Paribas.

Towards monetary tightening. In August, energy (-3.6% m/m) pulled total and core inflation (excluding fresh food) down, as both reached +2.7% y/y (-0.4pp). The "new core" index, which excludes energy, fell slightly less (-0.1pp to +3.3% y/y). The Bank of Japan (BoJ) kept its policy rate unchanged at +0.5% in September. However, two votes (out of nine) were in favour of a rate hike (and a programme to sell ETFs held by the central bank was announced), foreshadowing a rise in the policy rate in Q4, possibly as early as the 29-30 October meeting.

GDP growth q/q: actual, carry-over, forecasts										
Actual			Carry-over	Actual		Forecast (q/q)		Annual forecasts (y/y)		
Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2024 (observed)	2025	2026
0.5	0.6	0.5	0.8	0.1	0.5	0.0	0.1	0.1	1.3	0.6

Source: Cabinet Office, BNP Paribas

After a strong first half, growth is expected to weaken in the second. GDP growth surprised on the upside in Q2 (+0.5% q/q), supported by household consumption and non-residential investment. Flat growth is expected for Q3, following the contraction in manufacturing output and retail sales in both July (-1.0% m/m and -1.6% m/m respectively) and August (-0.9% and -1.1%).

Anis Bensaidani (completed on October 3, 2025)



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