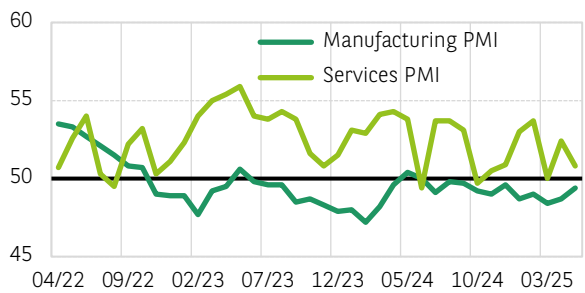


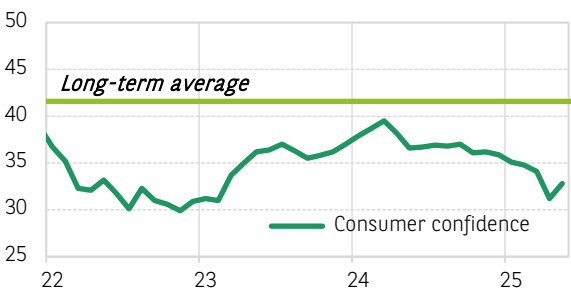
Business climate - PMI



Source: S&P Global, BNP Paribas.

Poor trend in business surveys. According to the May JibunBank survey, the Composite PMI moved into contraction at 49.8 (-1.4pp). The slight rise in the manufacturing PMI – still in contraction territory at 49.0 (+0.3pp) -- was not enough to offset the steep decline in the services PMI (50.8, -1.6pp).

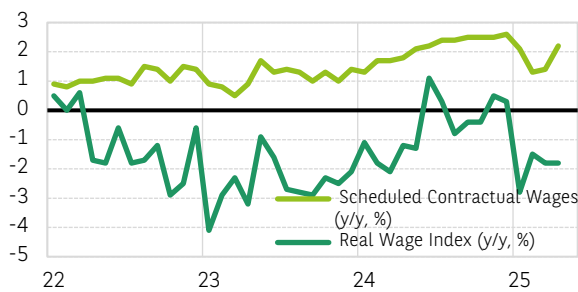
Household confidence



Source: Cabinet Office, BNP Paribas.

Household confidence up. According to the Cabinet Office survey, the household confidence index rose by 1.6 points to 32.8 in May. The largest improvement (+2.9 points) was in the “overall livelihood” sub-component, while the most favorable sentiment was “income growth”.

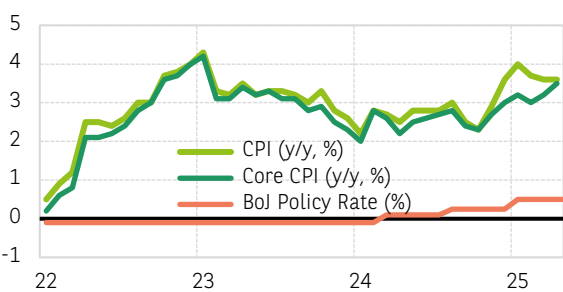
Labour market



Source: Cabinet Office, BNP Paribas.

A subdued Q1 end on the salary front. In March, growth in scheduled contractual wages rose marginally to +1.4% y/y (+0.1pp). At the same time, total earnings slowed (+2.3% y/y, -0.4pp) and the fall in the real wage index accelerated (-1.8% y/y, -0.3pp). The unemployment rate was stable at +2.5%.

Inflation



Source: Macrobond, BNP Paribas.

Tension on inflation. Core inflation accelerated (+0.7% m/m, +0.3pp) in May and reached +3.5% y/y (+0.3pp) -- the highest since January 2023. The cost of rice (+98.4% y/y) is a cause for concern. Overall, headline inflation came in at +3.6% y/y. However, services inflation has slowed to +1.3% y/y (-0.1pp). The BoJ's Summary of Opinions (May) reported expectations of a fall in core inflation against the backdrop of a slowing economy, with risks nevertheless tilted to the upside.

GDP growth q/q: actual, carry-over, forecasts

Actual				Carry-over	Actual	Forecast		Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
-0.4	+0.9	+0.2	+0.6	+0.8	-0.2	+0.1	-0.1	+0.2	+0.7	+0.4

Source: Cabinet Office, BNP Paribas

GDP contraction. Growth was negative in Q1 2025, at -0.2% q/q (compared with +0.6% in Q4 2024). Falling exports (-0.6% q/q) and a sharp rise in imports (+2.9% q/q) were the main negative forces at work, while household consumption stagnated. Conversely, investment and changes in inventories made a positive contribution. We expect GDP growth to rebound modestly by 0.1% q/q in Q2.

Anis Bensaidani (completed on June 2, 2025)

