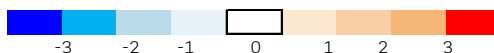


Japan: Strong growth in Q1

		Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26	Mar 26
Global	Composite Index	0.2	0.0	0.3	0.4	0.5	0.3	0.3	0.5	0.2	0.8	1.0	0.7
	Credit*												
	Interest rate on NFC loans, %	1.2	1.1	1.2	1.3	1.1	1.4	1.3	1.1	1.4	1.4	1.5	
	Outstanding NFC loans (annual change)	3.6	3.2	4.6	4.7	5.3	5.6	6.2	6.5	6.9	6.6	6.8	
Industry	Business Climate												
	Composite	-0.7	-0.4	-0.2	-0.6	-0.3	-0.8	-0.9	-0.7	-0.2	0.4	1.0	0.4
	Expected production	-0.3	-0.4	0.3	-0.6	-0.1	-0.7	-0.5	-0.1	-0.1	0.4	1.0	0.5
	Order books	-0.8	-0.3	-0.4	-0.4	-0.4	-0.6	-1.0	-0.9	0.0	0.5	0.8	0.4
	Export order books	-0.7	-0.5	-0.5	-0.4	-1.2	-0.5	-0.3	-0.4	-0.3	0.8	1.2	0.8
	Price expectations	0.3	0.2	0.3	0.8	0.2	0.5	0.5	0.6	0.5	1.2	0.9	1.1
	Employment expectations	-0.1	0.7	0.8	0.1	0.6	-0.5	-0.3	-0.2	-0.1	1.2	1.5	0.8
Services	Business Climate												
	Composite	0.5	0.2	0.3	0.8	0.6	0.7	0.6	0.7	0.3	0.8	0.8	0.7
	Expected activity	0.7	0.1	0.2	0.4	0.5	0.5	0.1	0.3	0.2	0.4	0.7	0.3
	Price expectations	1.2	1.2	1.7	0.9	0.9	0.8	1.3	1.0	1.1	1.5	1.9	1.5
	Employment expectations	0.9	0.2	1.0	-0.5	-0.7	0.2	0.1	1.0	2.3	1.7	1.1	0.5
Retail	Business Climate												
	Tankan: Retail trade - Expected activity	0.4	1.3	1.6	1.6	0.7	1.1	1.2	0.8	0.9	-0.2	-0.1	0.3
Construction	Business Climate												
	Tankan: Expected activity	0.9	1.1	0.5	0.6	0.4	0.5	0.5	1.0	1.0	1.1	0.6	0.6
	Credit*												
	Interest rate on housing loans, %	1.2	1.1	1.2	1.3	1.1	1.4	1.3	1.1	1.4	1.4	1.5	
	Outstanding housing loans (annual change)	3.7	3.7	3.6	3.4	3.4	3.4	3.5	3.4	3.5	3.5	3.6	
	New housing loans (annual change)												
	Existing home prices												
	Housing transactions	-0.4	-0.1	0.7	-0.1	-0.7	0.3	1.1	-0.4	0.3			
Consumption	Household Confidence & Credit*												
	Composite	-1.6	-1.2	-0.9	-1.0	-0.8	-0.7	-0.6	-0.3	-0.3	-0.2	0.3	-1.2
	Expected financial situation	-2.3	-1.6	-1.1	-1.3	-1.0	-0.9	-0.6	-0.2	-0.3	-0.1	0.5	-1.7
	Major purchases opportunity	-1.9	-1.6	-1.3	-1.4	-1.3	-1.2	-1.2	-0.9	-1.1	-1.0	-0.4	-1.7
	Price expectations	1.1	1.2	1.0	1.0	1.1	1.1	1.1	0.9	1.0	0.9	0.4	1.1
	Fears of Unemployment	0.7	0.4	0.3	0.4	0.2	0.1	0.1	0.0	0.0	-0.1	-0.4	0.5
	Outstanding consumer loans (annual change)	4.7	4.7	6.2	6.4	5.4	7.2	6.3	6.3	6.4	5.7	5.4	



Indicators are converted into z-scores, i.e. deviations from their long-term average (expressed in standard deviations). Positive (negative) values indicate that the indicator is above (below) its long-term average by a given number of standard deviations. Red shading corresponds to strong economic activity, elevated inflation expectations, and low unemployment fears, while blue indicates a slowdown in activity, moderate inflation expectations, and heightened unemployment fears.

*Credit indicators are neither standardised as z-scores nor associated with any colour coding: they are shown in levels (or as 12-month cumulative flows) and should be interpreted separately from the other indicators.

The economy was in good health before the energy shock. Business sentiment (PMI) reached a high not seen since 2013 in Q1 2026, but March data pointed to a slowdown. New household concerns were evident that same month in the decline in consumer confidence (following a post-COVID high in February), which was widespread across its sub-components (overall livelihood, willingness to buy durable goods). This brought an end to an upward trend spanning several months.

Financing is keeping pace with generally healthy growth. Outstanding loans to businesses are on an upward trajectory against a positive backdrop for the investment cycle (evident in GDP and business plans). Outstanding loans have also been rising steadily since the end of Q3 2025. Interest rates charged by domestic banks are on an upward trajectory, in line with monetary adjustment.

GDP: growth, carry-over and forecasts									
OBSERVED GROWTH (q/q)			CARRY-OVER	FORECAST (q/q)			ANNUAL FORECAST		
Q2 2025	Q3 2025	Q4 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	2025 (observed)	2026	2027
0.6	-0.7	0.3	0.1	0.4	0.3	0.2	1.2	0.8	0.9

Source: Cabinet Office, BNP Paribas

Growth above potential. According to our forecasts, GDP growth is expected to reach +0.4% q/q in Q1 2026, an improvement on Q4 2025 (+0.1pp). Retail sales, industrial production and the Tankan survey have all been positive. They do not yet show any sign of adverse consequences from the energy shock. However, this is plausible in Q2 2026, given the rise in oil prices.

Anis Bensaidani (completed on 14 April 2026)



BNP PARIBAS

The bank for a changing world