ECOPULSE

ECONOMIC RESEARCH
January 2026

Growth is rising everywhere

Quarterly Pulse of the Economic Conjuncture

Eurozone (macroeconomics and credit) – Germany – France – Italy – Spain – United Kingdom – United States – Japan – China

Nowcast

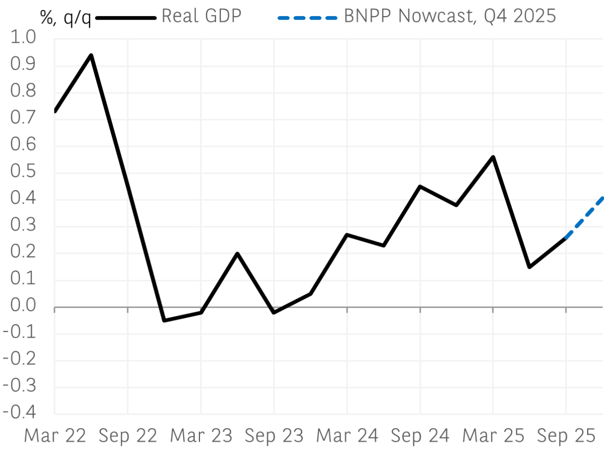
Eurozone – France – United States – Germany

BNP PARIBAS

The bank for a changing world

GDP Growth: *Nowcasts* and estimates

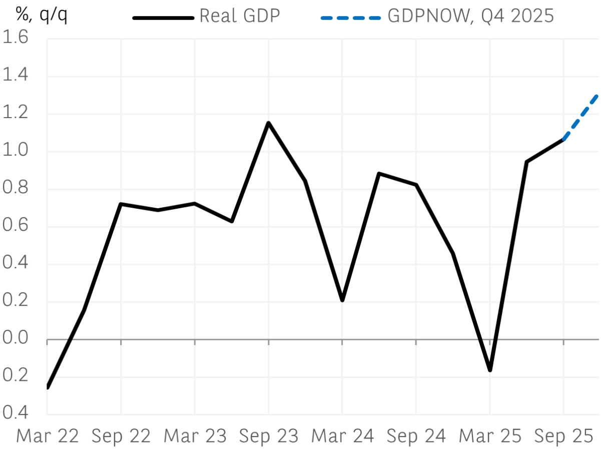
Eurozone



Sources : Refinitiv, BNP Paribas.

Our nowcast highlights an acceleration in growth in the Eurozone in Q4 (+0.4% q/q). This is mainly due to an improvement in Germany (growth at +0.3% q/q in Q4 after a stagnation in Q3).

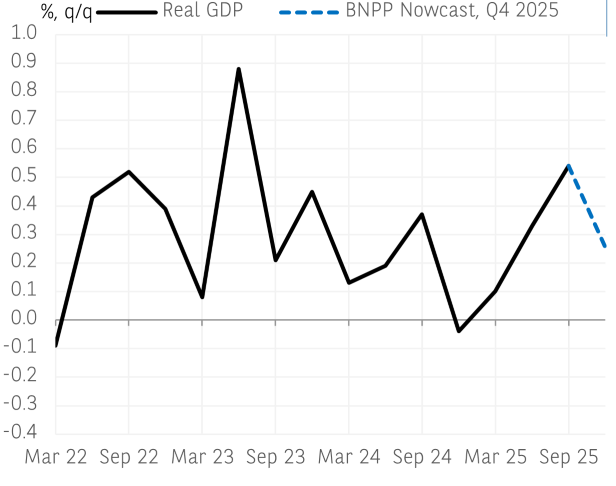
United States



Sources : Refinitiv, Atlanta Fed, BNP Paribas.

The Atlanta Fed's GDP Now shows continued strong growth in Q4 (+1.3% q/q, after +1.1% growth in Q3), supported by consumption. However, this estimate could overstate Q4 growth due to the weight given to the particularly low trade deficit for October 2025 and the possibly uncaptured effects of the government shutdown.

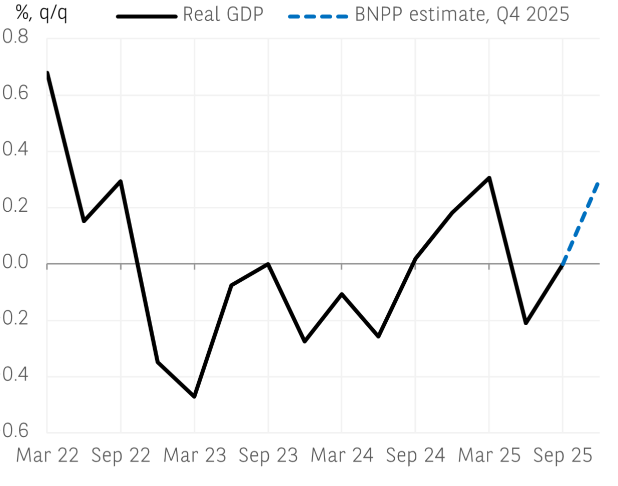
France



Sources : Refinitiv, BNP Paribas.

Our nowcast highlights the strength of France's growth performance, with an estimate of 0.3% q/q for Q4 after a strong figure in Q3 (+0.5% q/q). In Q4, growth would once again be supported by industry, with another strong performance in aeronautics and an improvement in capital goods.

Germany



Sources : Refinitiv, BNP Paribas.

We estimate that German growth reached 0.3% quarter-on-quarter in Q4 (based on the annual figure published at 0.3% and the figures already published for the first three quarters). This growth marks an acceleration, following stagnation in Q3. The German economy is benefiting from a rebound in industrial production, driven by capital goods, linked to an increase in public spending.

Stéphane Colliac and Anis Bensaidani (completed on 21 January 2026)

Overview: Growth is rising everywhere

Growth is expected to have accelerated or at least remain steady across all regions in Q4. This is reflected in our nowcast for the Eurozone (+0.4% q/q) and the Atlanta Fed's GDPNow (+1.3%q/q). In France, after a very good figure in Q3, our nowcast suggests another strong performance (+0.3% q/q), as does our forecast for Spain (+0.7%). Our forecasts point to improving growth figures in the United Kingdom (0.2%), Italy (0.2%) and Japan (0.3%); the same goes for the figure published in China (+1.2% q/q).

A favourable business climate points to continued strong performance in Q1 2026. With the exception of deteriorations in some countries in December, the business climate improved in the last few months of 2025, particularly in the Eurozone (including France, Italy and Spain), Japan, the UK and China. In the United States, momentum strengthened in services (unlike in manufacturing). In Germany, some sectors are benefitting from increased public spending, while others are more exposed to higher US tariffs.

Households remain cautious but are willing to spend more. There has been a notable rebound in spending intentions in the Eurozone (particularly in France and Italy). Confidence indices reflect mistrust towards the overall economic situation (impact of tariffs on inflation in the United States). However, households' personal situations are often better than their perception of the general context, benefitting consumption, which is the main driver of growth in the United States and is also improving in the Eurozone.

Labour market: moving towards greater resilience? While job creation continues to slow significantly in the United States, the unemployment rate has stabilised recently. In the Eurozone (especially in Italy and Spain), it continues to fall, with fears about unemployment in France receding. Unemployment remains moderate in Japan. Conversely, it is still rising moderately in the United Kingdom.

Inflation: moderation prevails. Inflation is back down to the ECB's target in the Eurozone (particularly in Germany) but remains below target in France and Italy. Inflation has also slowed in the United Kingdom and the United States despite the tariff shock. Inflation remains very moderate in China and remains stable in Japan.

Monetary policy: moving towards a wait-and-see approach from central banks in 2026? With GDP growth rising and inflation not below the central bank's target in any advanced monetary zone, central banks should put their monetary policy on hold, with the Fed and the BoE expected to only cut their key rates once in Q1 before halting the cuts, which the ECB has already done. In Asia, as the BoJ is continuing to gradually normalise its key rate (two 25bp hikes in Q2 and Q4), two 10bp cuts are expected in Q1 and Q3 in China.

Credit flows in the Eurozone: growth continues. Although interest rates in the non-financial private sector have stabilised for several months, their past decline continues to have a positive impact on credit growth (for both businesses and households).

Stéphane Colliac (Completed on 21 January 2026)

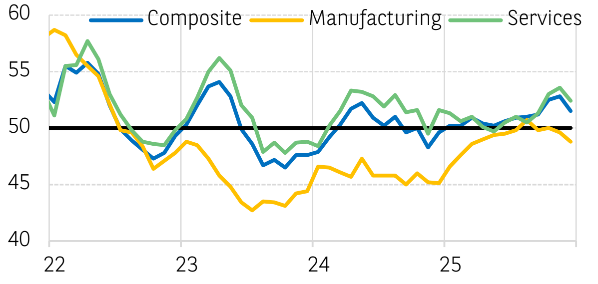
Indicators Q4 2025

	Business climate	Households	Labour market	Inflation
Eurozone	⛅	⛅	☀️	☀️
Germany	⛅	☁️	⛅	☀️
France	⛅	☁️	⛅	☀️
Italy	⛅	⛅	☀️	☀️
Spain	☀️	☀️	☀️	⛅
United Kingdom	⛅	☁️	☁️	⛅
United States	⛅	☁️	☁️	☁️
Japan	☀️	☁️	⛅	☁️
China	⛅	☁️	☁️	☁️

Source: BNP Paribas

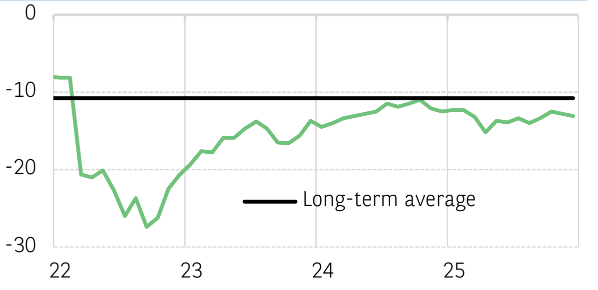
CONTENT

Business climate: PMI



Source: Markit, BNP Paribas.

Household confidence

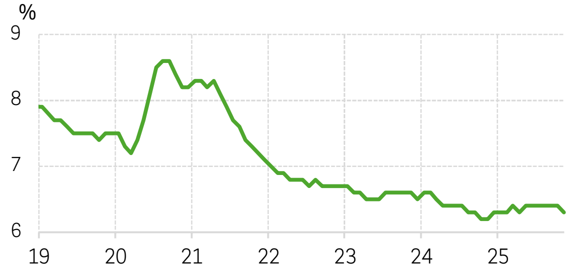


Source: European Commission, BNP Paribas

The improvement in the business climate points to stronger activity in Q1. Despite a setback in December, the composite PMI recovered in Q4 2025 (average of 52.3 – the highest level since Q2 2023), driven by services. The manufacturing PMI nevertheless declined (49.5), but the leading indicators (the PMI for future production and the European Commission's index for new manufacturing orders) remain well oriented.

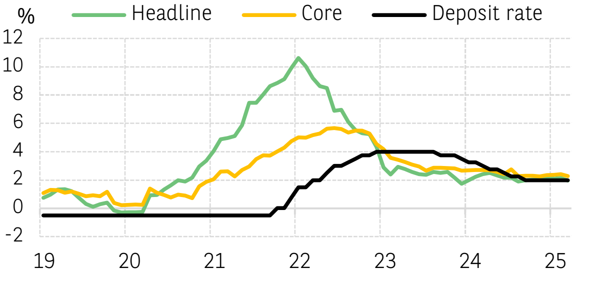
Household confidence remains moderate but spending intentions are rebounding. The 12-month economic outlook index remains particularly weak (z-score of -0.8 in Q4 2025). Nevertheless, savings accumulated to date, without any crowding-out effect on consumption, could be spent more in the coming months as intentions to purchase durable goods are now at their highest level since February 2022 (the start of the war in Ukraine).

Labour market: unemployment rate



Source: Eurostat, BNP Paribas.

Inflation (y/y) and policy rate



Source: Eurostat, BNP Paribas.

The unemployment rate is close to its low point (6.3% in November) due to declines in Italy and Spain. Stronger activity in the Eurozone could lead to a further decline in the unemployment rate, especially as the job vacancy rate, despite falling below its 2019 average (2.3), remained high in 2025 (2.1 in Q3). The ECB's wage tracker also confirms that negotiated wages (excl. one-off payments) will continue to moderate until the end of H1 2026 (2.6% y/y in June 2026), before stabilising.

Inflation remains under control. Harmonised inflation fell back below 2% in December, and Q1 2026 will, in principle, see a further decline fuelled by, among other things, moderation in goods, with inflation falling back into negative territory in January. Indeed, the decline in producer prices intensified (-1.7% y/y in November). Our scenario of the ECB key interest rate remaining unchanged in 2026 still holds, but the decrease in inflation would allow for a rate cut in the event of a negative activity shock.

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

ACTUAL	OBSERVED			NOWCAST	FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observé)	2025	2026	2027
0.6	0.6	0.2	0.3	0.4	0.3	0.5	0.5	0.9	1.5	1.6	1.6

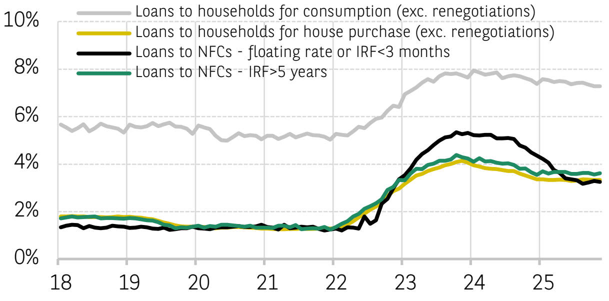
See the Nowcast methodology. Contact: Tarik Rharrab   Source: Refinitiv, BNP Paribas

Growth is accelerating. This is highlighted by our nowcast, currently at +0.4% q/q in Q4 2025 (above our forecast of +0.3% q/q), supported by the momentum in industrial production and retail sales. Growth should strengthen further in the first half of 2026, driven by the expected acceleration in German GDP and its spillovers to the rest of the Eurozone. In November, outstanding loans to businesses and households accelerated slightly. This was mainly due to the virtual stability of interest rates on new loans.

Guillaume Derrien and Thomas Humblot (completed on 21 January 2026)

Eurozone/credit: Rates and loan growth are stabilising overall

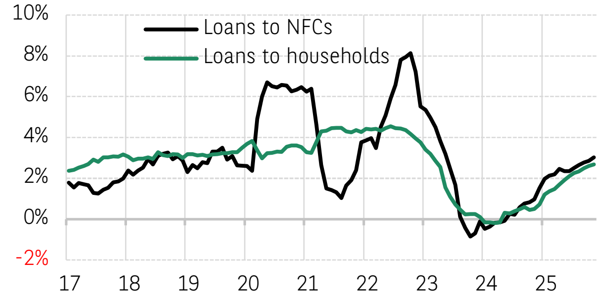
Eurozone bank interest rates on new loans



Source: ECB, BNP Paribas.

Bank lending rates: relative stability since September. Rates on new investment loans (irf>5 years) to non-financial corporations in the Eurozone rose very slightly in November 2025 (+5 bp m/m to 3.62%). However, they remain close to their September level (3.63%). Conversely, interest rates on new treasury loans (floating rate and pfit<3 months) to corporations fell modestly in November (-3 bp m/m to 3.25%). However, they have been fairly stable since September 2025 (3.22%). This stability between September and November 2025 also applies to rates on new loans to households for house purchase (3.33%). Rates on new loans for consumption fell slightly but started from a much higher level (7.28% in November, -6 bp since September).

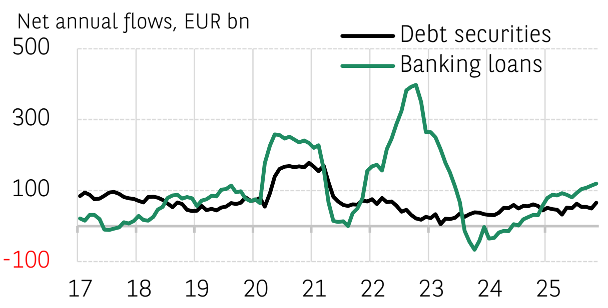
Growth rate of outstanding loans in the Eurozone



Source: ECB, BNP Paribas.

Outstanding loans to corporations and households are accelerating, albeit modestly. Y/y growth in outstanding bank loans to corporations in the Eurozone increased in November 2025 to 3.0% (+18 bp m/m). This increase is mainly due to the dynamism of loans with a maturity of less than 5 years. Outstanding treasury loans (maturity <1 year) accelerated significantly y/y, rising from 2.9% in October to 4.0% in November. Outstanding loans to households for house purchase also accelerated modestly in November (2.7%, +8 bp m/m). Growth in loans for consumption increased slightly from one month to the next. This growth remains well above its long-term average (5.3% and 3.8%, respectively).

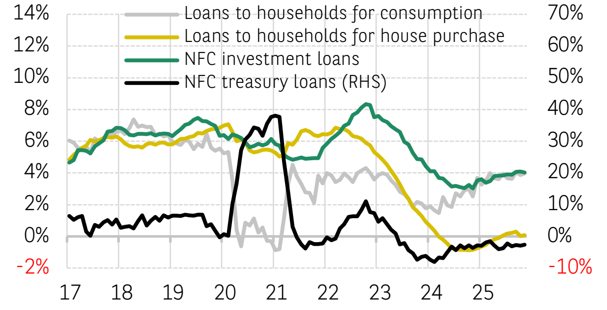
Financing flows to eurozone NFCs



Source: BCE, BNP Paribas.

Bank financing flows to Eurozone corporations are expanding faster than market financing flows. The decline in the cost of bank credit has intensified demand for intermediated financing, while the cost of market financing remained fairly stable in 2025. As a result, bank credit flows to eurozone corporations, net of repayments and accumulated over one year, almost quadrupled between November 2024 and November 2025, rising from EUR 30.1 bn to EUR 119.3 bn. At the same time, net debt securities issuance also increased, but to a lesser extent (from EUR 57.2 bn to EUR 65.6 bn). They have returned to the average levels observed since 2017. With market interest rates expected to stabilise over the coming months, the costs of bank financing and market financing (debt) should, on average, remain relatively close.

Growth rate of outstanding loans in France



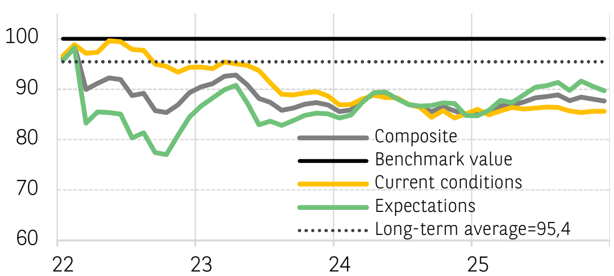
Source: Banque de France, BNP Paribas.

Outstanding loans continue to recover overall in France. Growth in outstanding investment loans to corporations in France remained fairly stable in November 2025 (+4.0% y/y, -7 bp m/m). However, it remains below its long-term average (~5%). Outstanding treasury loans continued to decline (-2.6% y/y), still affected by the repayment of state-guaranteed loans (PGE). Outstanding loans to households for house purchase have been stagnant since June 2025 (0.1% in November). New home loans are stabilising due to the weak growth in households' real estate purchasing capacity. We do not expect this to recover in the coming months, given the foreseeable evolution of its determining factors. Outstanding loans for house purchase are therefore likely to continue growing at a modest pace. Growth in outstanding loans for consumption remains surprisingly strong y/y (+4.0% in November, virtually unchanged since September 2025). According to our forecasts, household consumption could remain relatively strong thanks to gains in purchasing power and easing fears about unemployment.

Thomas Humblot (Completed on 21 January 2026)

Germany: The recovery is here

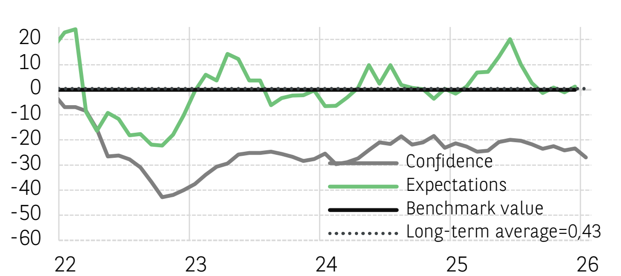
IFO's Business climate



Source: IFO, BNP Paribas

An unevenly distributed rebound in business sentiment. The industrial recession ended in Q4 2025. Production rebounded, driven by capital goods, as did demand (new industrial orders). However, the business climate remains mixed, as it is higher than at the end of 2024, but did decline at the end of 2025. The impact of US customs tariffs and Chinese competition fueled the recession in some sectors (most notably, chemicals and metallurgy), while the automotive industry benefitted from the rebound in new car registrations in Germany. Services are in a better shape, with the PMI in expansion territory for four months.

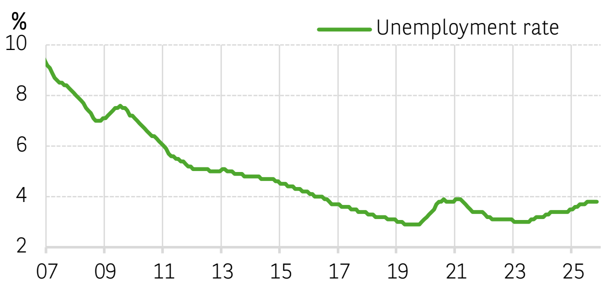
Household confidence



Source: GFK, BNP Paribas.

Household confidence ended 2025 at its lowest level of the year (-26.9), weighed down by weaker income expectations (slowing wage growth and fears about future pension reform) and a sharp increase in the propensity to save. However, the anticipated slowdown in inflation and the increase in the minimum wage should provide support in the coming months.

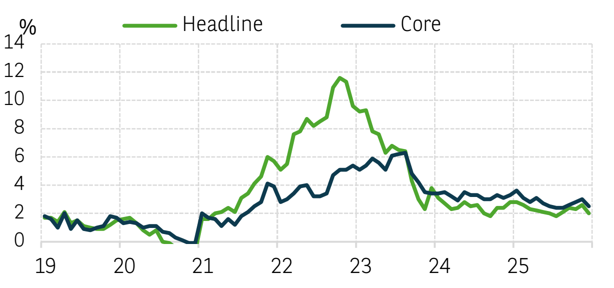
Labour market: unemployment rate



Source: Destatis, BNP Paribas.

The rise in the unemployment rate remained limited (3.9% in November, +0.4 pp year-on-year) thanks to job creation in services, which partially offset job losses in manufacturing. In the short term, unemployment could rise marginally as a result of ongoing restructuring in industry, while labour shortages are likely to persist in services. However, this increase would be limited by the economic recovery, which is expected to consolidate.

Inflation



Source: Destatis, BNP Paribas

Inflation returns to around 2%. After several months above target (due to persistent inflation in services, a rebound in food prices and a smaller decline in energy prices), harmonised inflation returned to its target in December (2%y/y). This disinflationary trend is likely to strengthen in 2026, with wage growth slowing (negotiated wages grew by 3.6% y/y in December, compared with 4.7% over the year), which should bring down core inflation.

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

ACTUAL	OBSERVED			FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observed)	2025	2026	2027
0.1	0.3	-0.2	0.0	0.3	0.3	0.5	-0.5	0.3	1.4	1.5

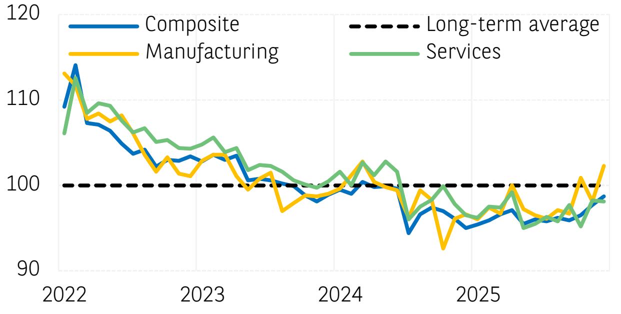
Source: Refinitiv, BNP Paribas

The German economy returned to growth in Q4 2025 (+0.3% q/q) according to our estimate, supported by public spending, despite the negative impact of the decline in exports on part of industry (which had contributed to GDP stagnation in Q3). The roll-out of investment plans, their knock-on effect and the implementation of reforms should support growth in 2026, which is expected to stand at +0.3% in Q1 and +1.4% for the year.

Marianne Mueller (Completed on 21 January 2026)

France: Better and better

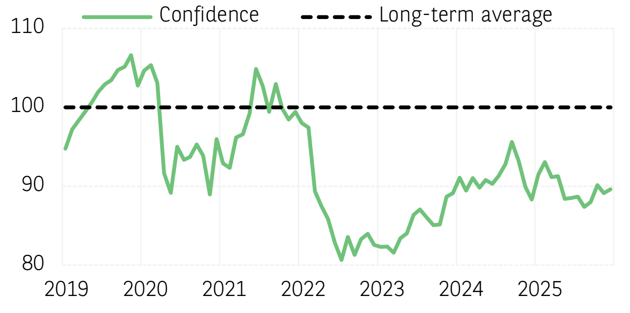
Insee's Business climate



Source: Insee, BNP Paribas

The business climate is back to the levels seen prior to the June 2024 dissolution of the National Assembly. It initially improved in industry (driven by the rebound in aeronautics production) and is now improving in services as well, particularly business services. These rebounds are due to the easing of political uncertainty at the end of 2025. They are also driven by lower supply constraints in the aeronautics industry and by the recovery in business investment (AI- and defence-related equipment and services).

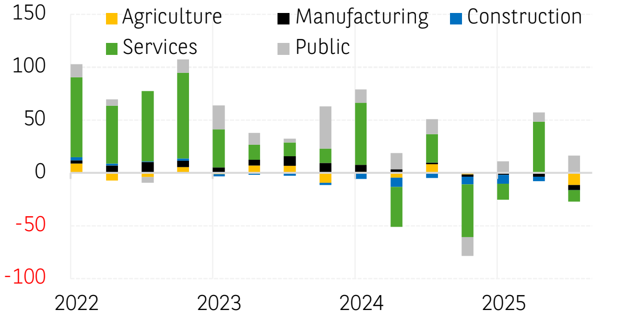
Household confidence



Source: Insee, BNP Paribas

Household confidence continues to improve, albeit moderately. The decline in the balance of opinions on unemployment fears (from +59 in May 2025 to +45 in December 2025) only partially offsets its increase between September 2024 and May 2025 (from +27 to +59). While this improvement is expected to continue, it is not yet fully reflected in households' willingness to buy. Major purchase intentions improved to their highest level in four months in December 2025 (-27) but stand at a level corresponding to their annual average.

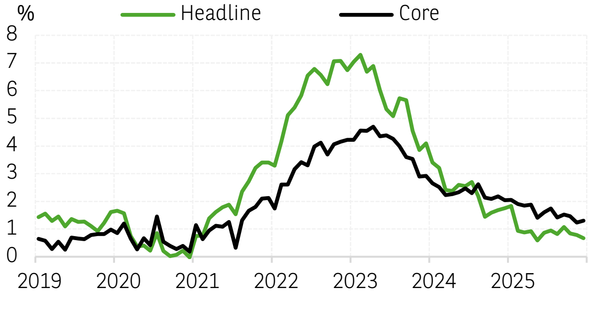
Labour market: job creation (q/q, thousands)



Source: Insee, BNP Paribas

The labour market remains resilient. Job creation has decreased since Q1 2024. However, despite a deterioration in apprenticeships and continued job losses in temporary work and construction, employment is proving more resilient than households had feared. The rise in the unemployment rate remains limited (7.7% in Q3 2025, +0.3 pp y/y) and the employment rate (although down slightly in Q3) is close to historic highs.

Inflation (y/y)



Source: Insee, BNP Paribas

Disinflation continues. 2025 saw core inflation fall below 2%, while lower electricity prices led to a decline in energy prices. These trends are expected to continue in 2026, with favourable base effects in services (medical consultations and insurance), while the decline in electricity prices (-5% in February) should keep energy prices in negative territory.

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

ACTUAL	OBSERVED			NOWCAST	FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observed)	2025	2026	2027
0.2	0.1	0.3	0.5	0.3	0.1	0.2	0.3	1.1	0.8	1.1	1.3

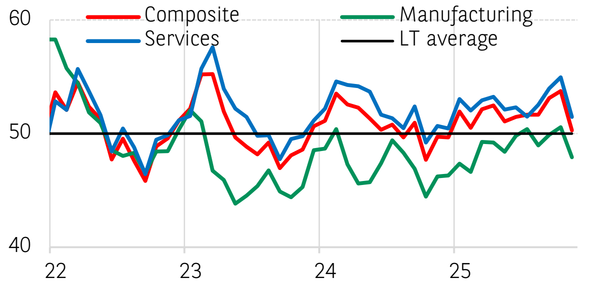
See the Nowcast methodology. Contact: Tarik Rharrab   Source: Refinitiv, BNP Paribas

Our nowcast suggests continued growth momentum in Q4 2025 (+0.3% q/q). Our forecast (+0.1% q/q) incorporates the risk of a backlash after strong growth acceleration in Q3 (+0.5% q/q). Business surveys (INSEE and Banque de France) and industrial production conversely suggest that momentum, driven mainly by aeronautics and defence, has strengthened further. In 2026, GDP growth is expected to accelerate compared to 2025, benefitting from a rebound in household consumption after near stagnation in 2025. Considering the growth outlook, corporate investment lending would continue to rise at a relatively steady pace over the coming months. Mortgage loans to households would remain roughly flat, while consumer-credit lending would retain a moderate degree of dynamism.

Stéphane Colliac and Thomas Humblot (completed on 21 January,2026)

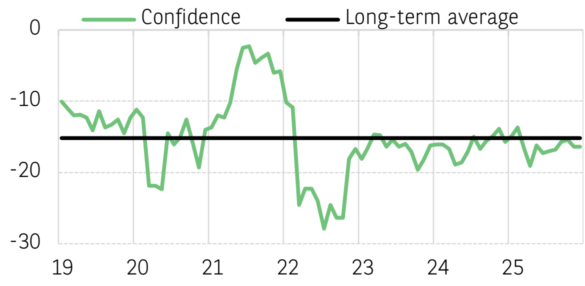
Italy: Moderate acceleration in growth

Business climate: Economic Sentiment Survey



Source: European commission, BNP Paribas.

Household Confidence

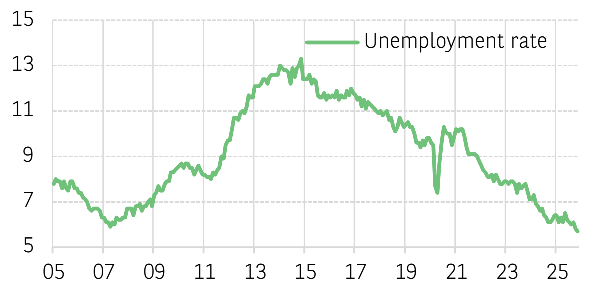


Source: European Commission, BNP Paribas.

Despite the slowdown in December 2025, the business climate remains favourable. In Q4, the PMI reached its highest average level of the year (52.4), driven by a strong improvement in activity in the services sector (53.5; +1.4 points q/q). This momentum is expected to continue in Q1 2026, supported by the Winter Olympics to be held in Italy. On the manufacturing side, the climate remained gloomy on average in Q4 (49.5; -0.2 points q/q) due to a sharp contraction in production in December (46.8; -3.5 points m/m) and a continued decline in hiring.

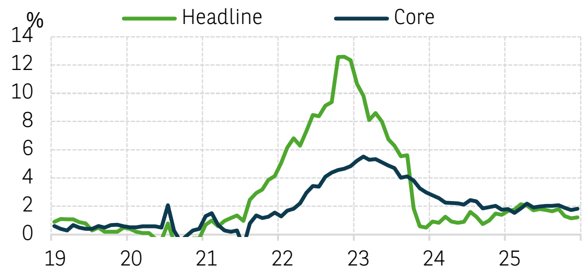
Household confidence remained stable over the last two months of the year (-16.4), but it is still 1 point below its long-term average. Italian households anticipate a rise in prices in 2026, which slightly worsens their expectations about the economic situation. Although declining, major purchase intentions over the next 12 months remain high by historical standards.

Labour market: Unemployment Rate



Source: Eurostat, BNP Paribas.

Inflation (% change y/y)



Source: Istat, BNP Paribas.

Positive developments. The unemployment rate reached a historic low (-0.1 pp to 5.7% in November; -0.5 pp y/y). At the same time, the number of people in employment remains at its highest level (24.2 million; +0.7% y/y), driven by an increase in the number of permanent contracts and self-employment. Hourly wage growth (2.7% y/y on average between October and November) remains above inflation, which has helped to support household purchasing power in 2025.

Inflation slowed significantly in Q4 (+1.2% y/y on average; -0.5 pp compared to Q3) and remains below the Eurozone average (+2.2%). Core inflation is following the same trend (1.8% y/y on average), driven by a slight decline in service prices (+2.7% on average, compared to +3.0% in Q3). Consumer prices are expected to continue to fall in Q1 2026 due to the ongoing slowdown in producer prices (0.0% y/y in October-November; -1 pp compared to Q3).

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

ACTUAL	OBSERVED			FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observed)	2025	2026	2027
0.2	0.3	-0.1	0.1	0.2	0.3	0.3	0.5	0.6	1.0	0.9

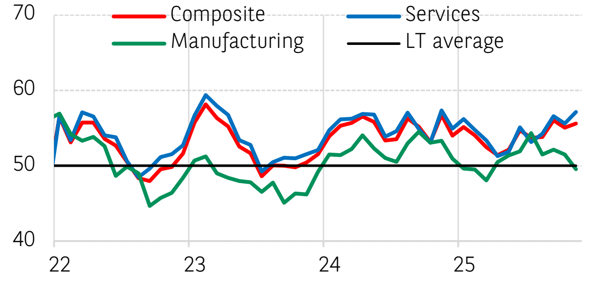
Source: Refinitiv, BNP Paribas

In Q4, GDP growth would accelerate moderately (+0.2% q/q), after two difficult quarters. Growth is expected to continue to rebound in 2026 (+0.3% q/q each quarter), supported by an increase in investment linked to the latest disbursements of the European NextGenerationEU funds, as well as by gains in households' purchasing power (cuts to income tax for middle-income households).

Lucie Barette (Completed on 21 January 2026)

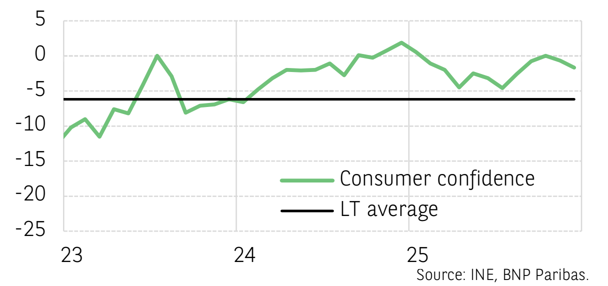
Spain: Services continue to drive growth

Business climate: Economic sentiment survey



Source: European Commission, BNP Paribas

Households: Retail trade (% change m/m, volume)

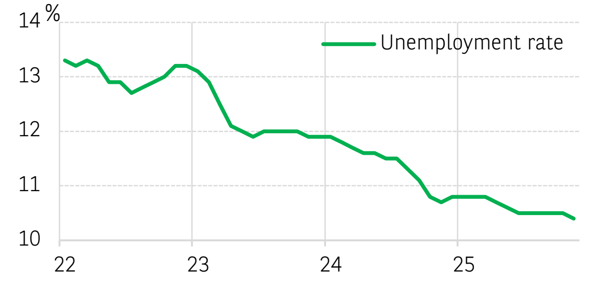


Source: INE, BNP Paribas.

The business climate is strengthening. The composite PMI improved significantly in Q4 (55.6 on average; +1.5 points compared to Q3), driven by the services index (56.4, compared to 54.2 in Q3). Strong domestic demand has led to an increase in activity and expectations for new orders. In manufacturing, the situation deteriorated in Q4 (51.1; -1.5 points q/q) due to a decline in production in December. Nevertheless, expectations for new business were rising, suggesting that the deterioration is temporary.

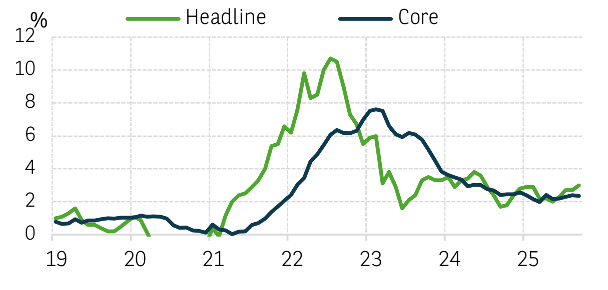
High consumer confidence is supporting private consumption. Despite a slight decline over the last three months, consumer confidence remains high. Combined with a still-dynamic labour market, it supports consumption, with retail sales continuing to grow at a steady pace (+5.0% y/y on average in October–November). Private consumption is therefore likely to remain the main driver of Spanish growth in Q4, a trend that is expected to continue in 2026.

Labour market: Unemployment rate



Source: Eurostat, BNP Paribas.

Inflation (% change y/y)



Source: INE, BNP Paribas.

The labour market remains dynamic. Employment continues to rise (to 21.9 million jobs in December; +2.4% y/y), mainly in construction (+4.0% y/y in Q4) and services (+2.6% y/y). The unemployment rate continues to decline (10.4% in November; -0.3% y/y), while the unemployment-to-job-vacancy ratio remains particularly high, indicating persistent labour market tightness. Wage growth (negotiated hourly) continues (+3.5% y/y in Q4; stable compared to Q3) and remains above inflation, leading to an increase in households' purchasing power.

Inflation edged up slightly at the end of 2025 (+3.1% y/y on average in Q4; +0.3 pp compared with Q3) driven by services and energy prices. However, in 2026, inflation prospects are tilted to the downside, due to the expected evolution of energy prices. In addition, producer prices continued to decline in Q4 (-0.8% y/y on average in October–November, compared with -0.3% in Q3).

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

ACTUAL	OBSERVED			FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observed)	2025	2026	2027
1.2	0.6	0.7	0.6	0.7	0.5	0.5	3.5	2.9	2.4	2.3

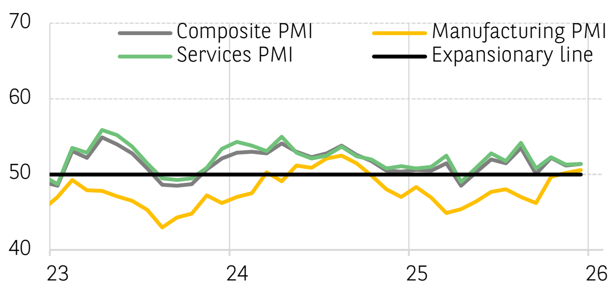
Source: Refinitiv, BNP Paribas

Spanish growth is expected to remain strong in Q4 2025 (+0.7% q/q according to our forecasts), supported by household consumption and a resilient labour market, bringing the annual average to 2.9% in 2025. For 2026, we expect growth to remain above the Eurozone average, standing at 2.4% on annual average, compared with 1.6% in the euro area.

Lucie Barette (completed on 21 January 2026)

United Kingdom: Q4 2025 under-performance

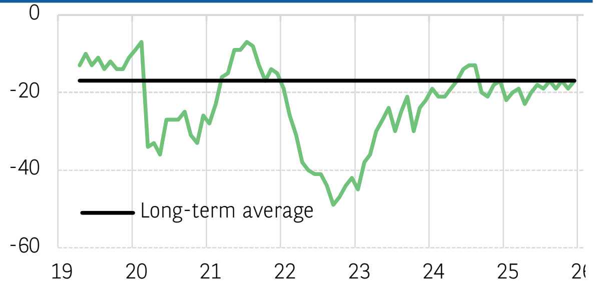
Business climate: PMI



Source: S&P Global PMI, BNP Paribas.

The business climate is still favourable. In Q4 2025, the manufacturing PMI returned to growth (50.2, +3.1 pp – its highest level since 2024), driven by new export orders. The services PMI reported slower growth (51.7, -0.6 pp), while the composite PMI was virtually stable (51.7, -0.1 pp). Conversely, the construction PMI, which has been contracting for a year, was still clearly suffering and reached a historic low (41.2, -4.1 pp).

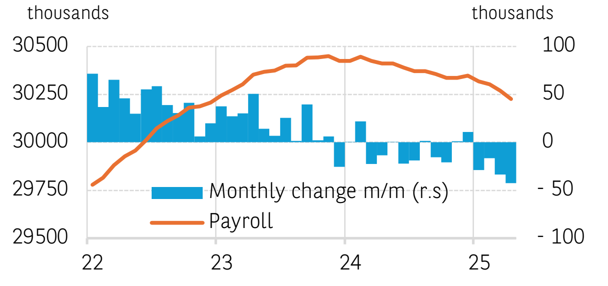
Consumer confidence



Source: Gfk, BNP Paribas.

Household consumption has remained sluggish. Real retail sales were stable in November, after falling in October (-1.0% m/m), but declined in the core index (excluding automotive fuel), falling by 0.9% in October and 0.2% in November. Uncertainty surrounding the government budget weighed on household consumption, although confidence returned to its long-term level (-17) in Q4 (-17.7, +0.6 points), according to the GFK index.

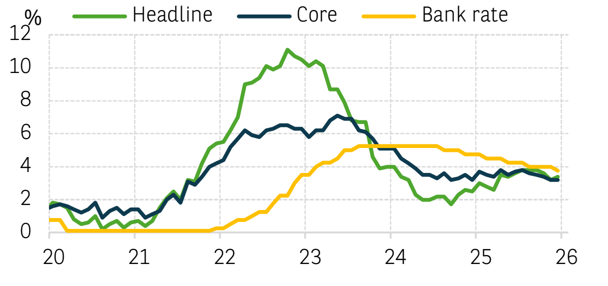
Labour market: payrolls



Source: ONS, BNP Paribas.

Job losses have continued. Payroll employment fell sharply in Q4 (-92k cumulatively, the lowest level in 5 years), mainly in the retail sector, after -17k in Q3. The unemployment rate stabilised in November at its highest level since December 2020 (5.1%). Base salary growth continued to slow in November (4.2% y/y, the lowest since 2020), below the Q3 average (+4.6% y/y). Meanwhile, the number of job vacancies rose for the third consecutive month (+6k m/m).

Inflation (y/y) and bank rate



Source: ONS, Bank of England, BNP Paribas.

Inflation has eased. Headline inflation lowered to a +3.4% y/y average in Q4, after +3.8% in Q3. The decline was relatively widespread across goods, services and food. Core inflation (excluding energy and food) fell to an average of 3.3% in Q4 (vs. 3.6% y/y in Q3). The Bank of England cut its policy rate to 3.75% (-25 bp) in December amid a slow economy and tempered inflationary pressures. A further rate cut is expected in the first half of 2026.

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

ACTUAL	OBSERVED			FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observed)	2025	2026	2027
0.5	0.7	0.2	0.1	0.2	0.3	0.3	1.1	1.4	1.1	1.3

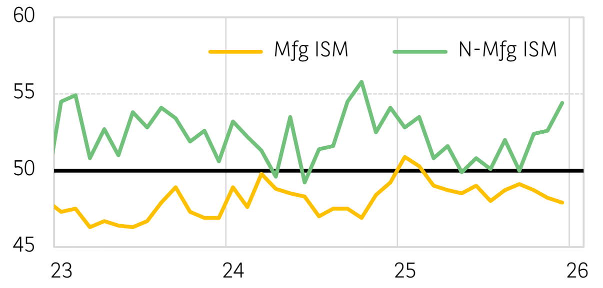
Source: Refinitiv, BNP Paribas

Moderate growth. After a Q3 result hit by disruptions in the automotive sector (cyberattack on Jaguar Land Rover), Q4 activity should benefit from a rebound in industry. Industrial production increased in October (+1.3% m/m) and November (+1.1% m/m). Still, growth is expected to remain moderate (+0.2% q/q) amid a weak labour market. However, monetary easing should help GDP growth to accelerate in the first half of 2026.

Anis Bensaidani, with the help of Benjamin Puiseux (intern) (completed on 21 January 2026)

United States: No-Landing

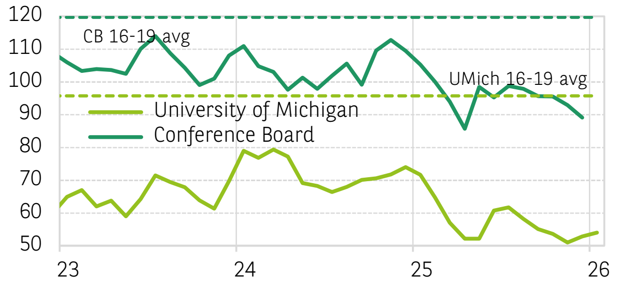
Business Climate: ISM



Source: ISM, BNP Paribas.

Business sentiment improved significantly in services. The ISM Non-Manufacturing Index ended 2025 at a 14-month high of 54.4. Growth was uninterrupted between September and December. The index was buoyed by new orders (55.7) and activity (54.9). The opposite occurred for the ISM Manufacturing Index, (a 14-month low, and down continuously between September and December), due to a reduction in inventories and new orders.

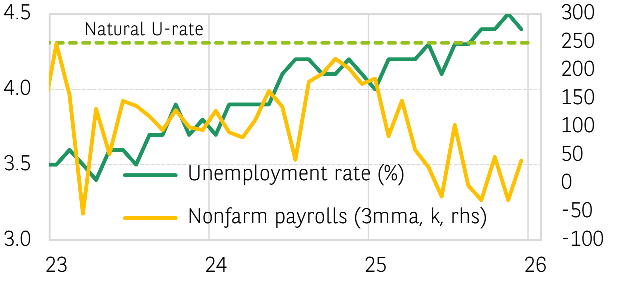
Household Confidence



Source: Macrobond, BNP Paribas.

Household sentiment worsened. Both the Conference Board (92.5, -4.9 points) and University of Michigan (52.5, -6.8 points) surveys declined in Q4; hurt by the federal government shutdown and employment concerns (the Conference Board's balance between "plentiful" and "hard to find" jobs was at its lowest since 2021). While core retail sales were robust (+0.4%m/m) in October–November, the Fed's Beige Book (January 2026) indicates a divergence between "increased spending" among the highest income groups and "increasingly price-sensitive" stance of low- to middle-income groups.

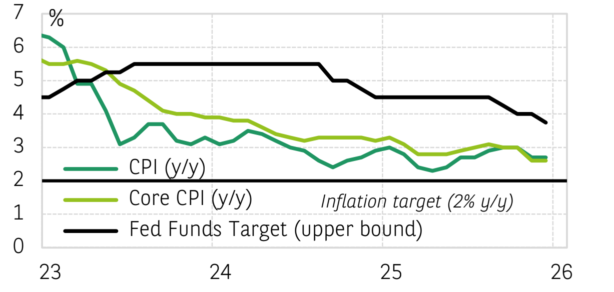
Labour market: Unemployment rate and nonfarm payrolls



Source: ADP, BLS, CBO, BNP Paribas.

The slowdown in job growth continues. Nonfarm payrolls fell to a -22k monthly average in Q4 2025 (+51k in Q3), dragged down by the federal government shutdown (-174k in November). The private payrolls (excl. government) confirmed the slowing trend, standing at +29k compared to +57k in Q3 and +177k one year earlier. The unemployment rate, between 4.4% and 4.5%, remained low but exceeded the CBO's estimate of its natural level (4.3%), while wage growth was relatively stable (+3.7% y/y, -0.1 pp).

Inflation and monetary policy



Source: Macrobond, BNP Paribas.

Moderating inflation and a rate cut. CPI inflation lowered to +2.7% y/y (-0.2 pp) in Q4 2025. The moderation in non-energy goods brought the Core index to the same level (-0.4 pp), while food and energy prices have been a new issue. Both ISM surveys reported a moderation in the rise in prices paid. The FOMC reduced the Fed Funds target by 25 bp in November and December (not unanimously), bringing it to 3.5%–3.75%. The median projection, subject to disparities, maintained a rate cut in 2026.

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

ACTUAL	OBSERVED			GDP Now	FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observé)	2025	2026	2027
1.0	-0.2	0.9	1.1	1.3	0.9	0.7	0.5	2.8	2.3	2.9	1.8

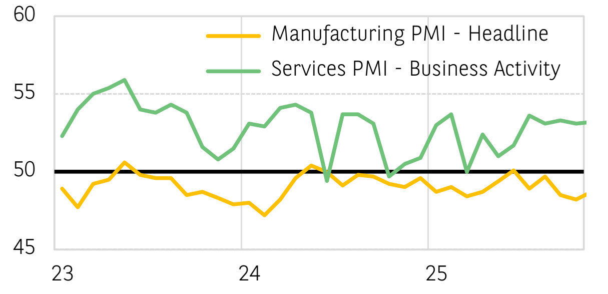
Source: BEA, Atlanta Fed, BNP Paribas

Strong momentum for growth. We expect GDP growth to stand at +0.9% q/q (+3.8% annualised) in Q4 2025. While this figure is particularly strong, it implies a slowdown (+1.1% q/q in Q3) which must be viewed in the context of the negative impact on activity of the federal government shutdown (1 October–12 November 2025). Conversely, the decline in the trade deficit and significant productivity gains are pushing the forecast upward, leading the Atlanta Fed's GDP Now to increase to +1.3% q/q (+5.3% annualised).

Anis Bensaidani (completed on 19 January 2026)

Japan: Inflationary growth

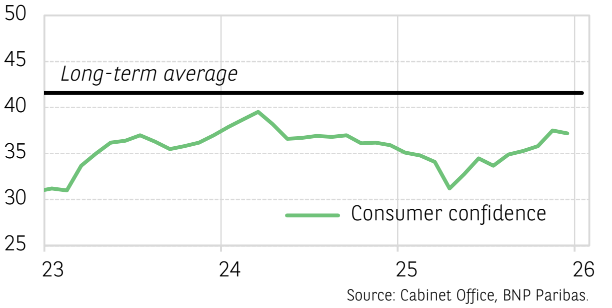
Business climate : PMI



Source: Jibun Bank, BNP Paribas.

Business conditions showed improvement after holding up well. The TANKAN quarterly survey for Q4 2025 reported its highest level (17, +2 points) since 2018, after four steady quarters. The business conditions for large manufacturing companies (15, +1 point) – the most sensitive to US tariffs – showed continued improvement in 2025. At the same time, the manufacturing PMI remained stable (49.0), while the services PMI declined but remained at a healthy level (52.6, -0.7 pp).

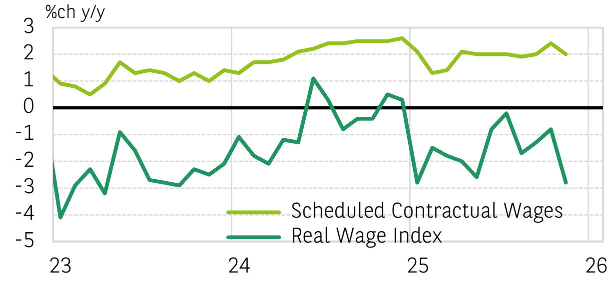
Household confidence



Source: Cabinet Office, BNP Paribas.

Better household sentiment. Household confidence, as measured by the Cabinet Office, improved for the second consecutive quarter in Q4 2025, standing at 36.8 (+2.2 points), after being weakened by tariff fears in H1. The greater rise related to "overall livelihood" (35.5, +3.1 points), while employment exhibited the best result (41.1, +2.2 points).

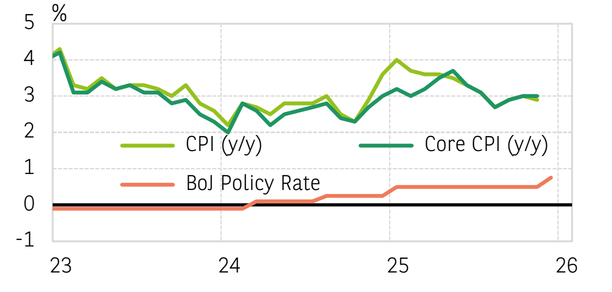
Labour market: Wage growth



Source: Cabinet Office, BNP Paribas.

Decline in real wages and a persistently low unemployment rate. Contractual scheduled wages increased by an average of +2.3% y/y in October-November 2025 (+2.0% y/y in Q3). Real wages declined due to inflation (-0.8% y/y in October, -2.8% y/y in November). The unemployment rate remained low (2.6% in October-November, up 0.1 pp compared to Q3).

Inflation and policy rate



Source: Macrobond, BNP Paribas.

30-year high for the policy rate amid the strongest inflation period since early 1990s. Core inflation persisted and reached +3.0% y/y in October-November 2025 (+2.9% y/y in Q3) due to energy prices. In December 2025, the Bank of Japan (BoJ) raised the uncollateralized overnight call rate to +0.75% (+25bp, unanimously), its highest level since 1995, due to the moderate impact of the tariff shock and a robust wage outlook. We anticipate the process to extend in the upcoming years with one rate cut per half year in 2026 and 2027.

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

ACTUAL	OBSERVED			FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observed)	2025	2026	2027
0.6	0.4	0.5	-0.6	0.3	0.2	0.2	-0.2	1.2	0.7	0.8

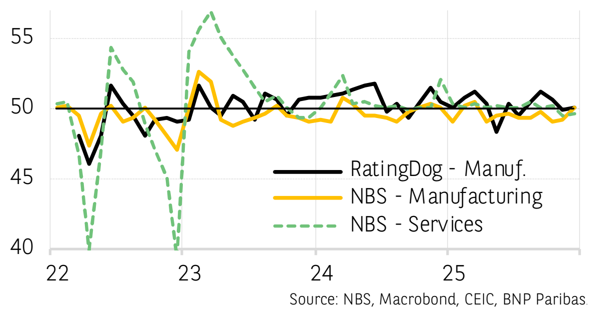
Source: Cabinet Office, BNP Paribas

Growth continues after the repercussions of US tariffs. According to our forecasts, GDP returned to growth in Q4 2025 (+0.3% q/q), supported by retail sales and industrial production. The Q3 setback (-0.6% q/q), which followed five consecutive quarters of growth (for the first time since 2018), was linked to tariffs and non-residential investment. Growth is expected to continue in Q1 2026 at the same pace as in Q4 2025: above Japan's potential growth, which fits with the continued inflationary pressures.

Anis Bensaidani (completed on 19 January 2026)

China: Optimism among exporters at the year-end, but caution among households

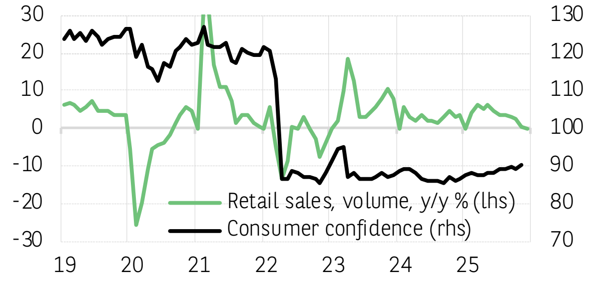
Business climate: PMIs



Source: NBS, Macrobond, CEIC, BNP Paribas

PMIs improved slightly at the end of 2025. In December, the official manufacturing PMI stood at 50.1 after eight consecutive months of contraction, and the PMI published by RatingDog recovered slightly (also standing at 50.1). The rise in the official PMI is largely due to the "production" and "new orders" sub-components, against a backdrop of easing trade tensions between China and the US and continued strong export performance.

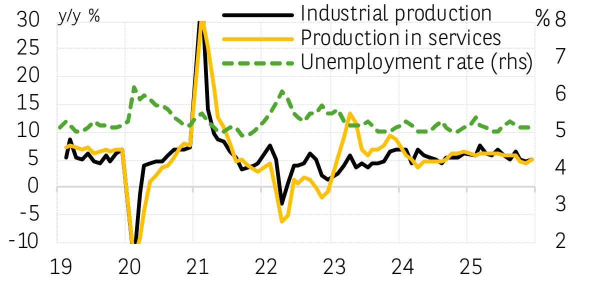
Households: retail sales and consumer confidence



Source: NBS, BNP Paribas

Household sentiment is recovering slowly, but demand is still weak. The consumer confidence index improved very gradually in 2025. However, it remains very low (90.3 in November) and household demand is depressed. The effects of government subsidies for replacing consumer goods have run out of steam: after rebounding in the first few months of 2025, retail sales growth slowed to +1.1% y/y in real terms in Q4, vs. +5.5% in Q2. Housing sales fell by a further 19.6% y/y in Q4.

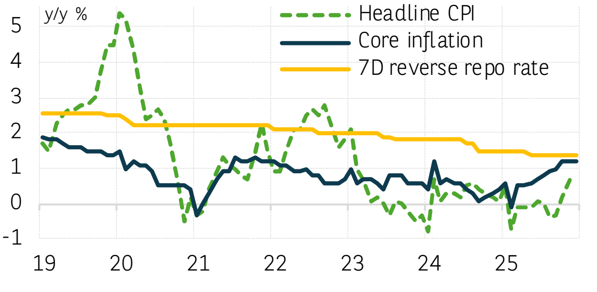
Labour market: activity and unemployment rate



Source: NBS, BNP Paribas

Sluggishness in the labour market. In Q4 2025, the urban unemployment rate stabilised at 5.1%, but the average number of hours worked did not increase, and growth in real disposable income per capita slowed; it reached +5.0% in 2025, compared to an annual average of +6.7% in 2015-2019. Labour market conditions remain weaker than in the pre-COVID years, due, in particular, to more moderate growth in services production (+5.5% in real terms in 2025, vs. +7.8% on average in 2015-2019). The recovery in services remains fragile, and growth in this sector slowed again in Q4 (+4.6% y/y, after +5.7% in Q3).

Inflation and monetary policy



Source: NBS, BNP Paribas

Slight reduction in deflationary pressures. CPI inflation rose from -0.2% y/y in Q3 to +0.6% in Q4, driven by core inflation (+1.2% y/y in Q4) and higher food prices (after nine months of decline). The fall in producer prices slowed slightly (-2.1% y/y in Q4, vs. -2.9% in Q3). Deflationary pressures could continue to ease slightly in the short term, particularly as a result of anti-involution measures.

GDP growth (%): actual, carry-over and forecasts

Carry-over	Actual (q/q)				Forecast (q/q)		Annual growth		Annual forecasts	
Q4 2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024	2025	2026	2027
1.7	1.2	1.0	1.1	1.2	1.3	1.0	5.0	5.0	4.7	4.5

Source: Refinitiv, BNP Paribas

Slowdown expected in 2026. Unsurprisingly, economic growth reached the official target of 5% in 2025. In Q4 2025, it stood at +4.5% y/y (after +4.8% in Q3) and +1.2% q/q (after +1.1% in Q3), with particularly fragile domestic demand growth (the contraction in investment worsened) and solid foreign trade performance. In 2026, economic growth is expected to slow to 4.7% according to our forecasts. The export outlook is uncertain. Meanwhile, domestic demand is likely to remain subdued over the coming months due to the property crisis, difficult labour market conditions and prudence among consumers and private investors. The authorities will maintain monetary and fiscal policies that provide moderate support for domestic demand.

Christine Peltier (completed on 21 January 2026)

Economic Research - Contacts

Isabelle Mateos y Lago Group Chief Economist	+33 1 87 74 01 97	isabelle.mateosylago@bnpparibas.com
Hélène Baudchon Deputy Chief Economist, Head of Global Macroeconomic Research	+33 1 58 16 03 63	helene.baudchon@bnpparibas.com

Stéphane Alby Maghreb, Middle East	+33 1 42 98 02 04	stephane.alby@bnpparibas.com
Lucie Barette Europe, Southern Europe	+33 1 87 74 02 08	lucie.barette@bnpparibas.com
Anis Bensaidani United States, Japan	+33 1 87 74 01 51	anis.bensaidani@bnpparibas.com
Céline Choulet Banking Economics	+33 1 43 16 95 54	celine.choulet@bnpparibas.com
Stéphane Colliac Head of Advanced economies – France	+33 1 42 98 26 77	stephane.colliac@bnpparibas.com
Guillaume Derrien Europe, Eurozone, United Kingdom – World Trade	+33 1 55 77 71 89	guillaume.a.derrien@bnpparibas.com
Pascal Devaux Middle East, Western Balkans – Energy	+33 1 43 16 95 51	pascal.devaux@bnpparibas.com
Hélène Drouot Latin America	+33 1 42 98 33 00	helene.drouot@bnpparibas.com
François Faure Head of Country Risk – Türkiye	+33 1 42 98 79 82	francois.faure@bnpparibas.com
Salim Hammad Head of Data & Analytics – Brazil	+33 1 42 98 74 26	salim.hammad@bnpparibas.com
Thomas Humblot Banking Economics	+33 1 40 14 30 77	thomas.humblot@bnpparibas.com
Cynthia Kalasopatan Antoine Central Europe, Ukraine	+33 1 53 31 59 32	cynthia.kalasopatanantoine@bnpparibas.com
Johanna Melka Asia	+33 1 58 16 05 84	johanna.melka@bnpparibas.com
Marianne Mueller Europe, Germany, Netherlands	+33 1 40 14 48 11	marianne.mueller@bnpparibas.com
Christine Peltier Head of Emerging economies – Asia	+33 1 42 98 56 27	christine.peltier@bnpparibas.com
Lucas Plé Sub-saharan Africa, Colombia, Central America	+33 1 40 14 50 18	lucas.ple@bnpparibas.com
Jean-Luc Proutat Head of Economic Projections	+33 1 58 16 73 32	jean-luc.proutat@bnpparibas.com
Laurent Quignon Head of Banking Economics	+33 1 42 98 56 54	laurent.quignon@bnpparibas.com
Tarik Rharrab Data scientist	+33 1 43 16 95 56	tarik.rharrab@bnpparibas.com

Mickaëlle Fils Marie-Luce Media contact	+33 1 42 98 48 59	mickaelle.filsmarie-luce@bnpparibas.com