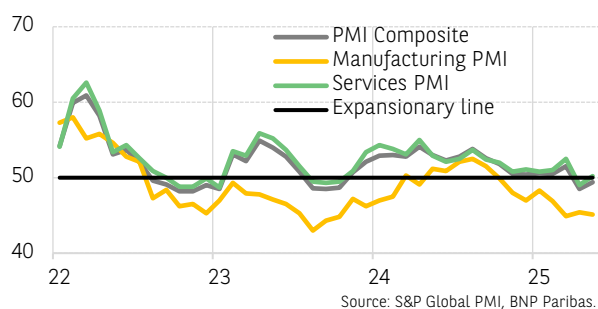


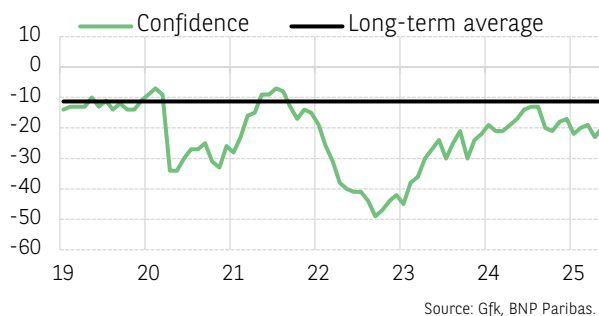
# United Kingdom: Consumption rises, so does unemployment

## Business climate: PMI



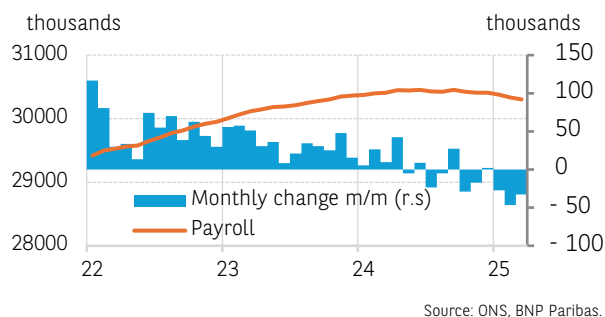
**Industry stalls, services resist.** The May PMI flash estimate for services returns in expansion territory (50.2). However, the flash composite index remains below this threshold (49.4) due to a deterioration in industry (-0.3 points to 45.1). Industrial production fell by 0.7% m/m in April.

## Consumer confidence



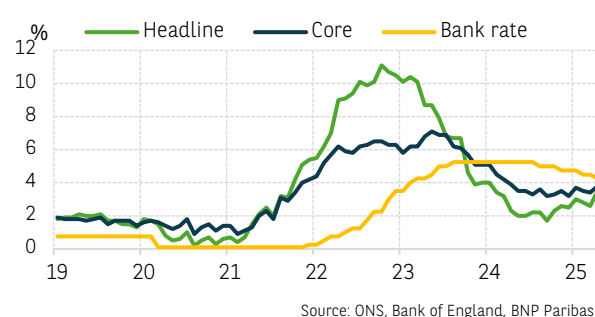
**Consumer spending is picking up again.** Retail sales rose more sharply in April (+1.3% m/m and 5.0% y/y), and the BRC index grew by 6.8% y/y in the same month. Household confidence recovered slightly (+3 points to -20) in May. However, the balance of opinion remains below its long-term average.

## Labour market: payrolls



**Fall in payroll employment.** Payroll employment recorded a 3rd consecutive fall in April (-33,000). As a result, the unemployment rate, although still low, reached its highest point since the summer of 2021 (4.5% 3m/3m). However, regular wages are still rising at a very brisk pace, albeit at a lower rate than in the previous month (+5.0% y/y).

## Inflation (y/y) and bank rate



**Inflation rose sharply in April to 3.5% y/y.** This rebound was due to the introduction of a number of budgetary measures (increase in the rate of employers' national insurance contributions, excise duty on cars), as well as less deflation in energy prices. Household inflation expectations have risen (+4.2% over one year and 5-10 years).

## 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 (estimate)	2025	2026	
0,9	0,5	0,0	0,1	0,2	0,7	0,1	0,2	1,1	1,2	1,0	

Source: Refinitiv, BNP Paribas

**Growth in Q1 surprised favourably at 0.7% q/q,** supported by investment and net exports. We have revised down our forecast for Q2 (+0.1%) but raised Q3 2025 (+0.2%) to incorporate the effects of the trade agreement with the US. Growth will remain moderate in 2025, at 1.2%, before slowing again in 2026 to 1%.

Guillaume Derrien, with the help of Leslie Huynh (Intern). Completed on June 5, 2025)



BNP PARIBAS

The bank for a changing world