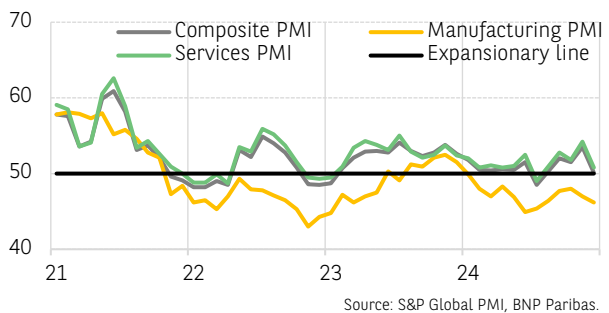


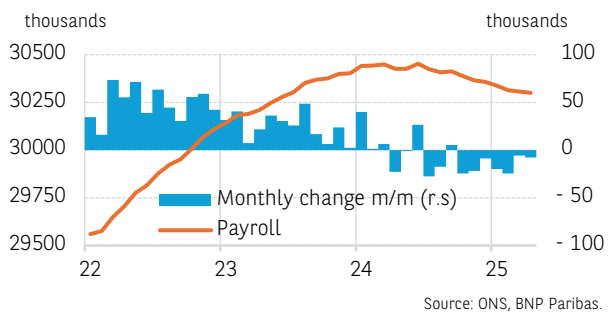
United Kingdom: Deterioration in growth prospects

Business climate: PMI



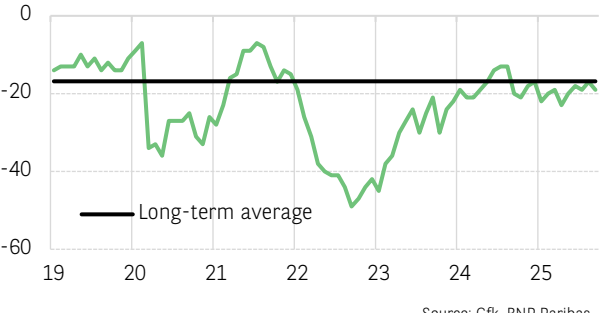
Deterioration from a good level. The composite PMI has been in expansionary territory for five months. However, it fell to 50.1 in September (-3.4 pts m/m), dragged down by the services PMI (50.8; -3.4 pts m/m), which had reached an 18-month high in August. The manufacturing PMI was weakened in September by the 'production' (-3.6 points to 45.7) and 'new export orders' (-0.9 points to 40.9) sub-components. The July decline in industrial production (-5% 3m/3m, +0.1% y/y) suggests a backlash after a surge in growth linked to expectations of US tariff increases.

Labour market: payrolls



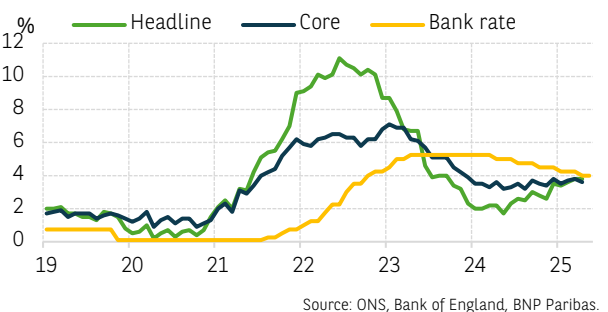
First signs of stabilisation? Unemployment stabilised at 4.7% in June (three-month average) for the third consecutive month. Payroll losses slowed over the last two months (-6,557 in July-August compared with -22,192 in May-June) but remain significant over one year (-126,953 over one year in August, the sharpest annual decline since the Covid pandemic). The number of job vacancies rose slightly (+8,000 m/m) for the first time since April 2022. Regular pay growth continues to outpace inflation (+4.6% y/y), while purchasing power gains are at their slowest pace since 2023 (+0.9% y/y).

Consumer confidence



Modest increase in consumption. Retail sales rose slightly in August (+0.5% m/m; +0.7% y/y), at the same pace as in July. The BRC (British Retail Consortium) confidence index climbed to 2.9% y/y in August. The GfK household confidence index stood at -19. This is down two points from July and below its long-term average.

Inflation (y/y) and bank rate



Persistent inflationary pressures. Headline inflation remained stable at 3.8% y/y in August, with moderation in services (+4.7% y/y vs. 5% y/y) offsetting inflation in goods prices which reached their highest level since 2023 (+2.8% y/y vs. 2.6%). Core inflation (excluding energy, food, alcohol & tobacco) slowed slightly to 3.6% y/y. Household inflation expectations for the coming year are stable (+4%, Citi-YouGov).

GDP growth q/q: actual, carry-over and forecasts										
Actual			Carry-over	Actual		Forecast		Annual forecasts (y/y)		
Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2024 (observed)	2025	2026
0,6	0,2	0,2	0,4	0,7	0,3	0,1	0,3	1,1	1,3	1,0

Source: Refinitiv, BNP Paribas

The pullback would continue in Q3 before a rebound in Q4. After a strong Q1 (+0.7% q/q), a slowdown in growth was observed in Q2 (+0.3% q/q) and is likely to persist in Q3. At the end of this downturn, Q4 would see a rebound, helped by the ongoing monetary easing. A solid first half of the year and the accumulated favorable growth will enable 2025's growth to bounce back to an average of 1.3% on an annual basis.

Guillaume Derrien, with the help of Benjamin Puiseux (Intern) (completed on October 3, 2025)



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