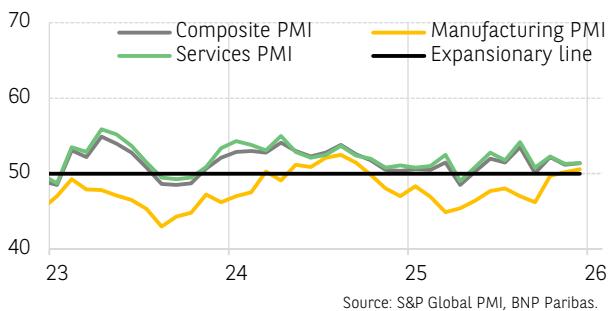


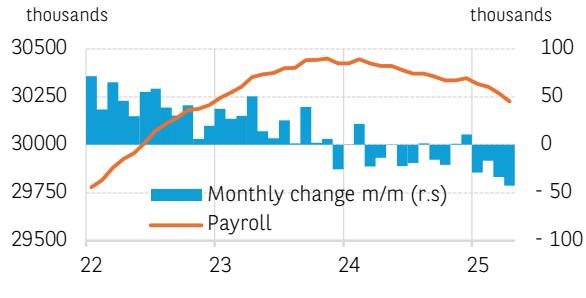
United Kingdom: Q4 2025 under-performance

Business climate: PMI



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).

Labour market: payrolls



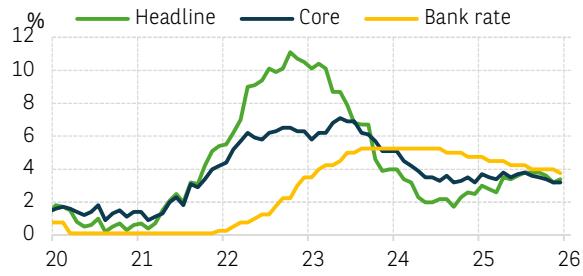
Job losses have continued. Payroll employment fell sharply in Q4 (-92k cumulatively, the lowest level in 5 years), mainly in the retail sector, after -17k in Q3. The unemployment rate stabilised in November at its highest level since December 2020 (5.1%). Base salary growth continued to slow in November (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).

Consumer confidence



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.

Inflation (y/y) and bank rate



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
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)



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