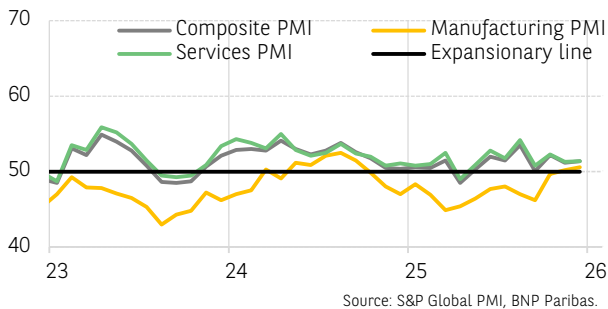


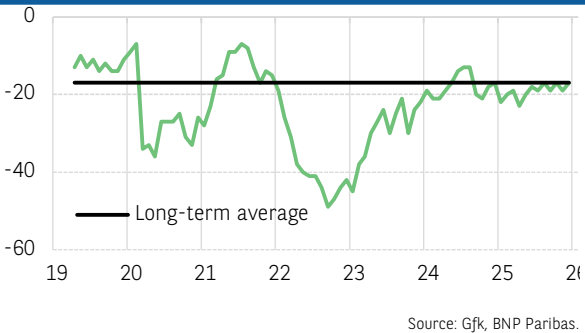
# United Kingdom: Q4 2025 under-performance

## Business climate: PMI



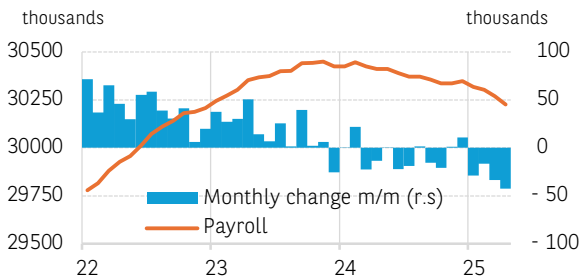
**The business climate is still favourable.** In Q4 2025, the manufacturing PMI returned to growth (50.2, +3.1 pp – its highest level since 2024), driven by new export orders. The services PMI reported slower growth (51.7, -0.6 pp), while the composite PMI was virtually stable (51.7, -0.1 pp). Conversely,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

## Consumer confidence



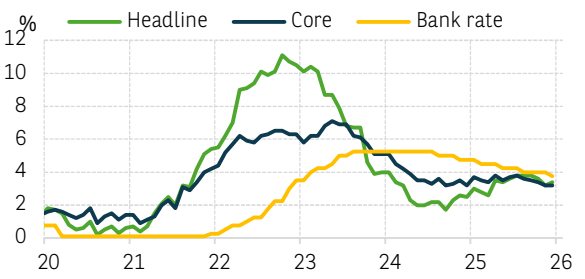
**Household consumption has remained sluggish.** Real retail sales were stable in November, after falling in October (-1.0% m/m), but declined in the core index (excluding automotive fuel), falling by 0.9% in October and 0.2% in November. Uncertainty surrounding the government budget weighed on household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

## 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).

## 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)			
	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observed)	2025	2026	2027
Q4 2024	0.7	0.2	0.1	0.2	0.3	0.3	1.1	1.4	1.1	1.3
0.5										

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.

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