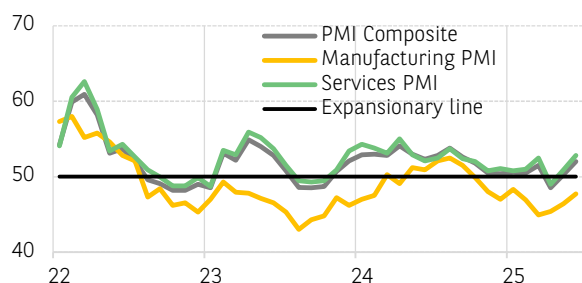


United Kingdom: Surveys show improvement, but employment stalls

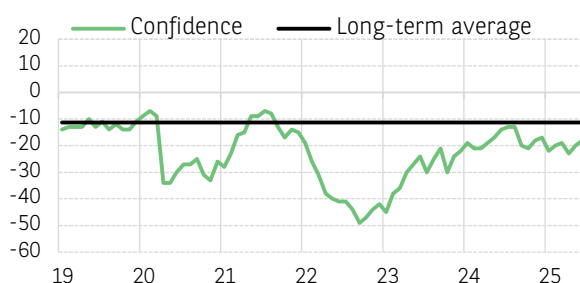
Business climate: PMI



Source: S&P Global PMI, BNP Paribas.

Business sentiment improves in all sectors: The composite PMI index rises in June (+1.7 points, to 52), driven by both services (+1.9 points, to 52.8) and industry (+1.3 points, to 47.7). The trade agreement with the United States has reduced uncertainty among businesses, leading to the start of a recovery in export orders (+3 points, to 46.2).

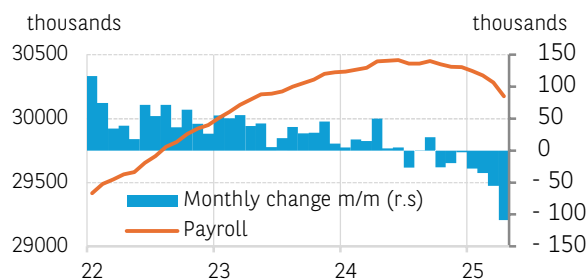
Consumer confidence



Source: Gfk, BNP Paribas.

Household confidence rises, but consumption falls back after a good Q1. The Gfk Consumer Confidence Index reached its best level in 2025 in June (+2 points, to -18), as did the Ipsos Consumer Confidence Index (+2.8 points, to 52.1). After a dynamic start to the year, during which retail sales rose by +1.1% q/q, they fell back in May (-2.7% m/m and -1.3% y/y). The annualised 3m/3m fell, but remains fairly high at 2.9%.

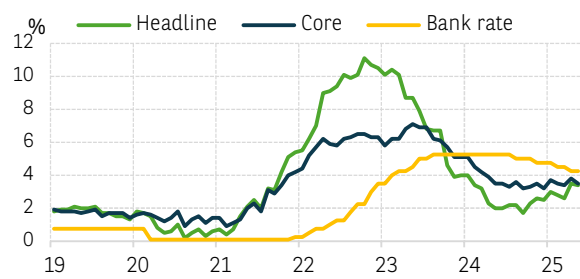
Labour market: payrolls



Source: ONS, BNP Paribas.

Sharp fall in employment. Payroll job losses accelerated in May (-109,000, the biggest monthly fall since the Covid pandemic). The number of job vacancies has continued to fall since peaking in 2022 (-150,000 in April over one year), while unemployment has risen by 0.1 pp to 4.6% (3-month average). Core wage growth remains solid (+5.0% y/y), but declined for the third month in a row.

Inflation (y/y) and bank rate



Source: ONS, Bank of England, BNP Paribas.

High yet stable inflation. Headline inflation stabilised at 3.4% y/y in May. The rise in goods prices accelerated (2.0% y/y vs. 1.7% y/y), while the rise in services prices was moderate (4.7% y/y vs. 5.4% y/y). Core inflation, excluding energy (-1.7% y/y) and food (+4.4% y/y), fell to 3.5% y/y. One-year inflation expectations are down (-0.1 points to 3.9% y/y), but long-term inflation expectations (3-5 years) stand at 4.3%, according to the Citi/YouGov survey.

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

Moderate GDP growth. The final estimate of Q1 GDP growth confirmed the rise of 0.7% q/q (+1.3% y/y). This increase will be followed by a slowdown in Q2. Nevertheless, it will lead to higher average annual growth in 2025 (1.2%), before a relative slowdown in 2026 (1.0%).

Guillaume Derrien, with the help of Leslie Huynh (intern). Completed on July 3, 2025)



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