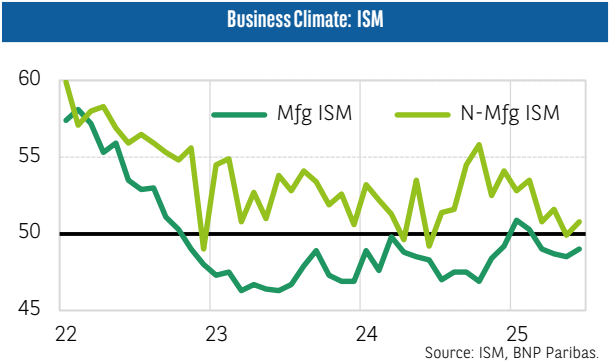
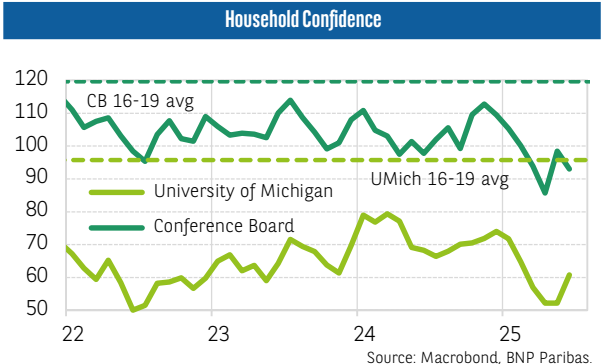


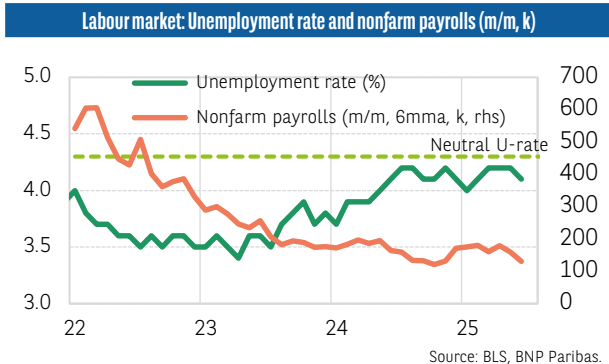
United States: Improvement in the Business Climate



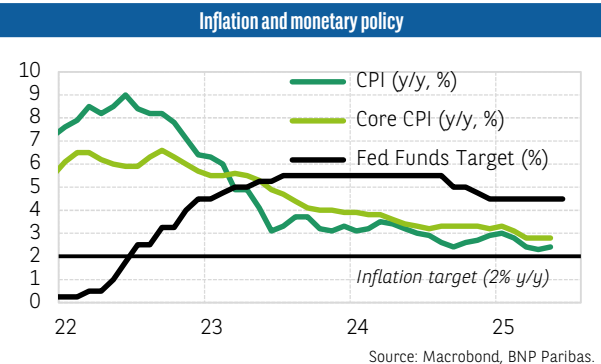
Improvement in the ISM. The manufacturing ISM improved modestly (49.0, +0.5 pp) in June, with a notable jump in output (50.3, +4.9 pp), which entered expansion territory for the first time since February. The non-manufacturing ISM returned to growth territory (50.8, +0.9 pp) thanks to a rebound in activity and new orders. The CEO Economic Outlook declined again in Q2, reaching a five-year low (69.3, -14.7 points). The three components assessed (plans for capital investment, plans for U.S. employment, and expectations for sales) have all fallen.



Household sentiment remains low. Surveys by the University of Michigan (60.7, +8.5 points) and the Conference Board (93.0, -5 points) indicated opposite directions in June, but both pointed to historically low levels. 1-year inflation expectations fell sharply, according to the University of Michigan (+5.0%, -1.6 pp). The underlying gauge of labour market optimism declined for the sixth consecutive month in the Conference Board survey, falling to its lowest level since March 2021, with fewer respondents perceiving jobs as “plentiful”.



A resilient labour market. Nonfarm payrolls printed relatively stable in June, standing at +147. It was supported by the government sector (+73, compared with +7 in May), while private payroll growth was at its weakest since October 2024 (+74k, +137k in May). The unemployment rate fell by 0.1pp to 4.1%. Wage growth slowed to +3.7% (-0.1pp).



The Fed: waiting and divided. The FOMC meeting on 17 and 18 June resulted in the Fed Funds target range remaining at +4.25% - +4.5%. The median quarterly projections remained at two rate cuts in 2025 (50 bps in total). This figure masks the sharp division within the committee: nine members anticipate two cuts, while seven foresee none. In May, CPI inflation stood at +2.4% y/y (+0.1 pp) overall and +2.8% y/y (unchanged) for core inflation. Inflation does not yet appear to have been affected by tariffs.

GDP growth q/q: actual, carry-over and forecasts											
Actual				Carry-over	Actual	GDP Now	Forecast		Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
0.4	0.7	0.8	0.6	1.0	-0.1	0.7	0.8	0.1	2.8	1.7	1.6

Source: BEA, Atlanta Fed, BNP Paribas

Favourable growth in Q2. We anticipate a technical rebound in GDP growth in Q2, to +0.8% q/q from -0.1% q/q in Q1, as foreign trade returns to normal after the surge in imports at the start of the year. However, the solid quarterly result would mask sluggish demand. The Atlanta Fed’s GDP Now is slightly less optimistic, standing at +0.7% q/q.

Anis Bensaidani (completed on July 4, 2025)