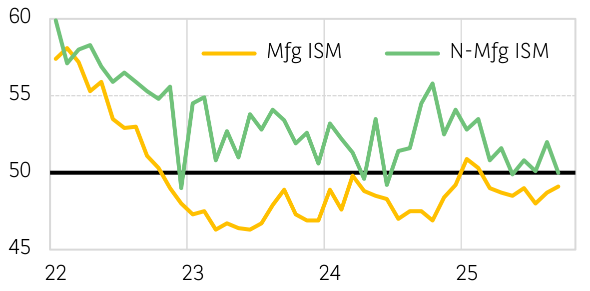
United States: strong Q3 growth before a backlash?

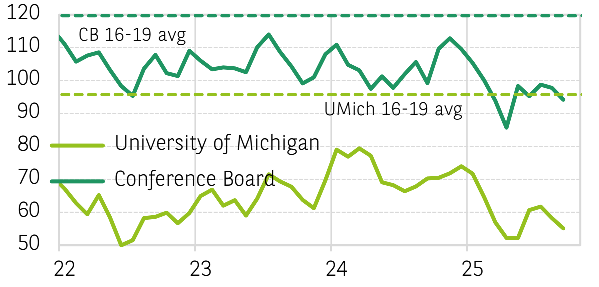
Business Climate: ISM



Source: ISM, BNP Paribas.

The Non-Manufacturing ISM fell markedly in September to 50.0 (-2.0pp). This result was due to a decline in business activity (49.9, -5.1pp) and new orders (50.4, -5.6pp) components. Manufacturing ISM improved to 49.1 (+0.4pp) in September, driven by output growth (51.0, +3.3pp). However, new orders contracted (48.9, -2.5pp), particularly those for export (43.0, -4.6pp). The rise in prices paid slowed for the third consecutive month (61.9, -1.8pp).

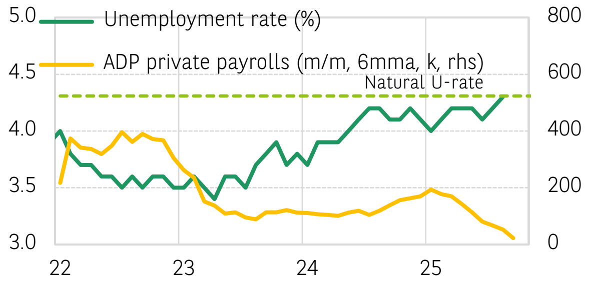
Household Confidence



Source: Macrobond, BNP Paribas.

Household confidence: weak and declining. The Conference Board (CB) index, at 94.2 (-3.6 points), and the University of Michigan index (55.1, -3.1 points) weakened again in September. According to the CB, the decline resulted from worsening current conditions (125.4, down 7.0 points), with jobs being considered less plentiful. The Michigan publication highlighted the deterioration in the expectations index (down 4.2 points to 51.7).

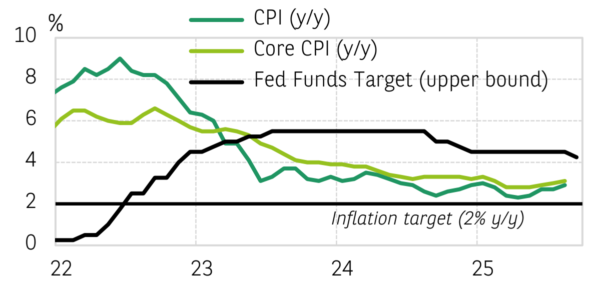
Labour market: Unemployment rate and nonfarm payrolls



Source: ADP, BLS, CBO, BNP Paribas.

Job growth remains sluggish. The ADP survey for September reported a -32k contraction in the private payroll (the third contraction in four months). The procyclical leisure sector posted its first decline (-19k) since February 2024. The August JOLTS survey highlighted a labour market that is both sluggish (hiring rate at 3.2%, the lowest since June 2024) and resilient (the proportion of layoffs stabilized at 1.1% for the third consecutive month).

Inflation and monetary policy



Source: Macrobond, BNP Paribas.

The Fed, in 'risk management' mode, lowered its target range to +4.0% - +4.25% (-25bps) at the 16-17 September FOMC due to the weakening labour market. This first easing since December 2024 came despite inflation accelerating to +2.9% y/y in August (+0.2pp, Core CPI stable at +3.1% y/y). The median projection of FOMC members for PCE inflation was revised upwards (+0.2pp to +2.6% y/y in Q4 2026) in the Summary of Economic Projections for Q3.

GDP growth q/q: actual, carry-over and forecasts

Actual			Carry-over	Actual		GDP Now	Forecast (q/q)		Annual forecasts (y/y)		
Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q3 2025	Q4 2025	2024 (observed)	2025	2026
0.9	0.8	0.5	1.0	-0.2	0.9	0.9	0.7	0.3	2.8	2.0	1.8

Source: BEA, Atlanta Fed, BNP Paribas

Towards robust growth in Q3. Whether slightly below Q2, according to our forecast (0.7% q/q, after 0.9%), or steady according to the Atlanta Fed's GDP Now, growth appears resilient. It is being driven by strong retail sales figures in July and August, with a positive contribution from foreign trade. However, it is expected to slow from Q4 onwards (0.3%).

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