

Macroeconomy

Eurozone: Growth still solid, but data shows signs of softening

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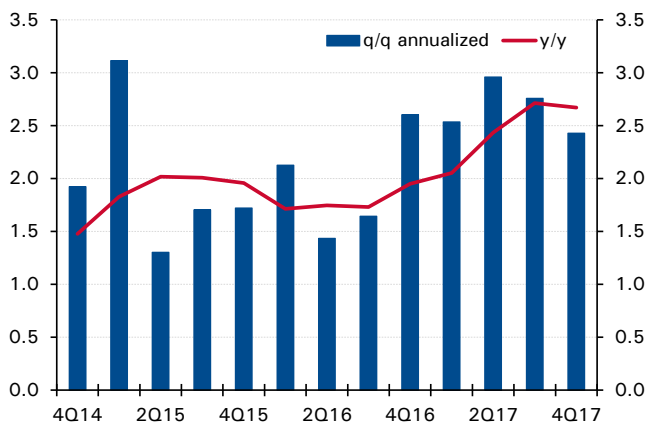
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- EZ GDP rose 2.5% in 2017, its best pace since 2007, though eased slightly in Q4.
- Unemployment dropped to 8.5% in February, from 9.5% a year earlier.
- February's headline inflation surprised at 1.4%, but core was still stubbornly weak.
- Business sentiment dropped to its lowest in more than a year on weaker manufacturing and services.
- Economic optimism eased in February on softer expectations.
- Softer data, dovish ECB rhetoric, and trade war fears saw bund yields tighten in March.
- EZ equities suffered amid global volatility and the ratcheting up of US-China trade war rhetoric.
- The euro traded within a tight range in March helped by solid fundamentals, but remains up year-on-year.

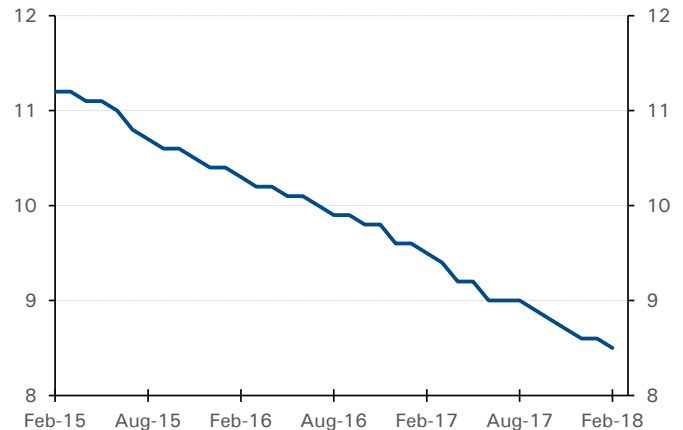
Real GDP growth
(Quarterly, %)



EZ GDP softened to 2.4% q/q annualized in 4Q17, but rose 2.5% in 2017 overall, its best pace since 2007.

Source: Eurostat

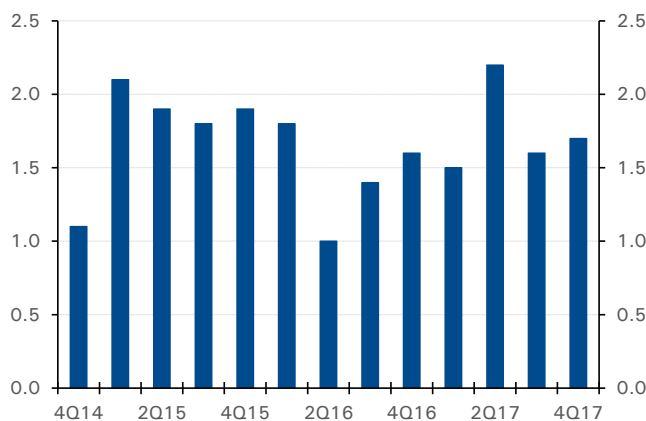
Unemployment rate
(%)



Declining since May 2013, unemployment dropped to 8.5% in February, from 9.5% a year earlier.

Source: Eurostat

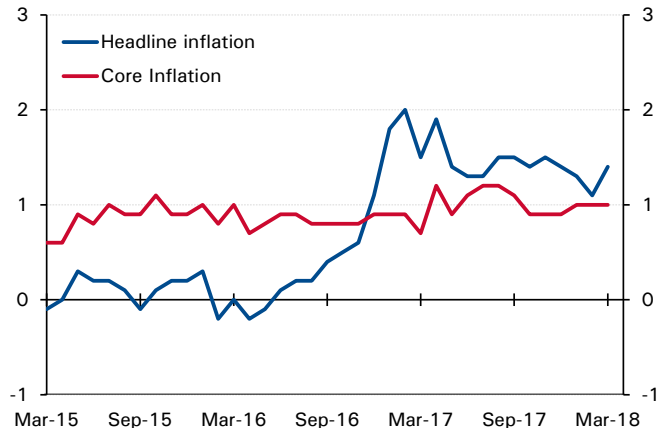
Wage growth
(% y/y)



Growth in wages edged up in 4Q17, perhaps reflecting the tightening labor market and stronger economic backdrop.

Source: Eurostat

Consumer price inflation
(% y/y)

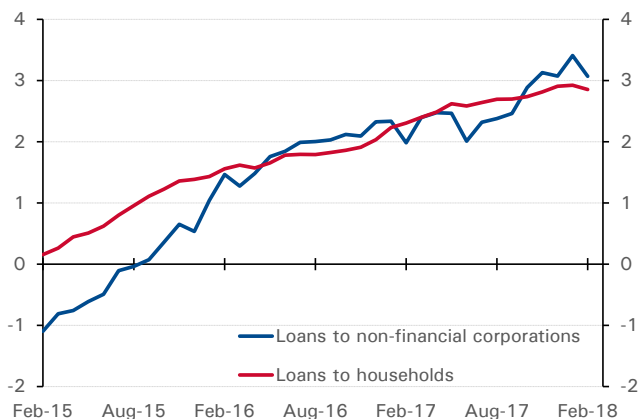


February's headline inflation surprised at 1.4%, but core was steady at 1.0%, still stubbornly weak.

Source: Eurostat

Bank lending

(% y/y)



Lending activity to businesses and households eased in February coinciding with weaker economic sentiment.

Source: European Central Bank

Retail sales

(% y/y)



At 1.6% y/y, retail sales growth eased for a third consecutive month on wavering consumer confidence.

Source: Thomson Reuters Datastream

PMI

(index)



Business sentiment, at 55.2, dropped to its lowest in more than a year on weaker growth in both manufacturing and services.

Source: IHS Markit

Economic sentiment

(index)

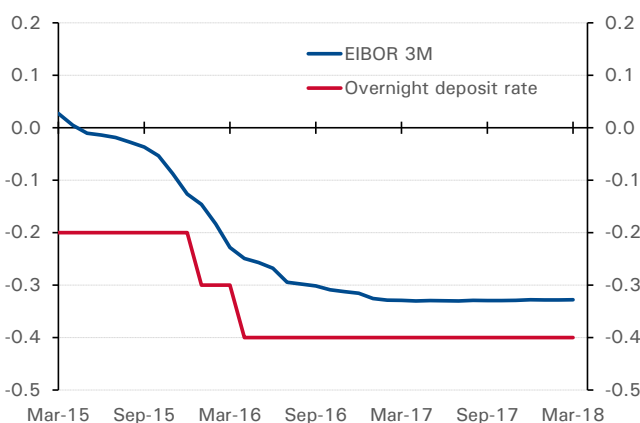


Economic optimism eased to 112.6. Future expectations softened, while the current conditions index remains high.

Source: European Central Bank

Interest rates

(%)



Policy rates remained steady as the ECB kept focus on its asset purchases program.

Source: Thomson Reuters Datastream

German government bond yields

(%)



Softer data, dovish ECB rhetoric and trade war fears saw bund yields tighten in March.

Source: Thomson Reuters Datastream

Equities

(Euro Stoxx 600)



EZ equities suffered amid global volatility and the ratcheting up of US-China trade war rhetoric.

Source: Thomson Reuters Datastream

Exchange rate

(euro index)



The euro traded within a tight range helped by relatively solid fundamentals, but remains well up on a year ago.

Source: Thomson Reuters Datastream

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