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

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

Source: European Central Bank

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

Source: European Central Bank

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

Source: Thomson Reuters Datastream

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

Source: Thomson Reuters Datastream

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

Source: Thomson Reuters Datastream
EZ equities suffered amid global volatility and the ratcheting up of US-China trade war rhetoric.

Source: Thomson Reuters Datastream

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

Source: Thomson Reuters Datastream