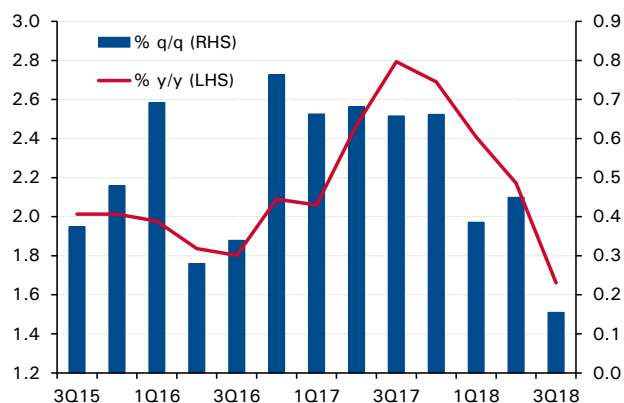


Mixed data but overall softer, with growth slower than expected in 3Q18

- GDP slowed to 0.2% in 3Q18, below analysts' expectations of 0.3% and the weakest in four years.
- Wages in 3Q18 picked-up for a third consecutive quarter reflecting a tightening labor market.
- September's inflation surprised to the upside, coming in at 2.2% thanks to energy prices.
- Lending to businesses and households continued to edge higher in September despite weaker sentiment.
- At 0.9% y/y in September, retail sales growth was the weakest since Oct-17, impacted by easing confidence.
- The Eurozone's PMI dipped to its lowest in two years, 52.7, as new orders growth weakened on trade.
- Mixed economic data and political uncertainty, particularly in Italy, helped lower bund yields.
- In addition to the global sell-off, trade concerns and softer growth weighed on Eurozone equities last month.
- The euro weakened as economic and political uncertainty encouraged a flight away from the currency.

▶ **Chart 1: Real GDP growth**

(Quarterly, %)

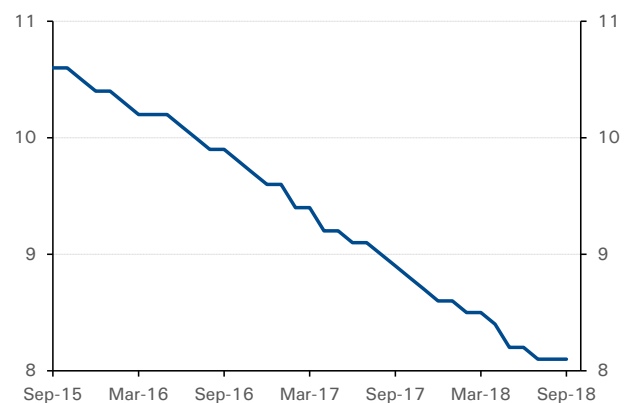


GDP slowed to 0.2% in 3Q18, below analysts' expectations of 0.3% and the weakest in four years.

Source: Eurostat

▶ **Chart 2: Unemployment rate**

(%)

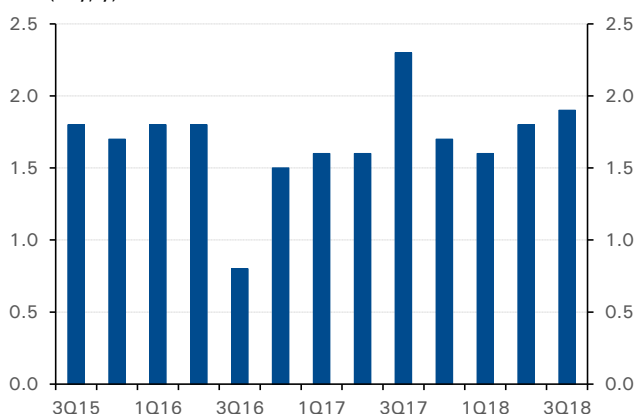


Unemployment was unchanged at 8.1% in September, and down from 8.9% a year ago.

Source: Eurostat

▶ **Chart 3: Wage growth**

(% y/y)

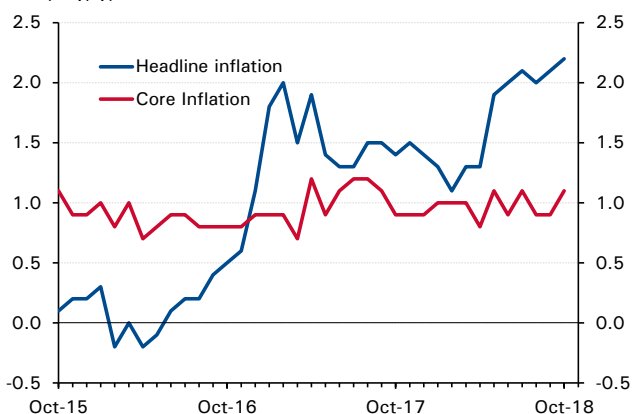


Wages in 3Q18 picked-up for a third consecutive quarter reflecting a tightening labor market.

Source: Eurostat

▶ **Chart 4: Consumer price inflation**

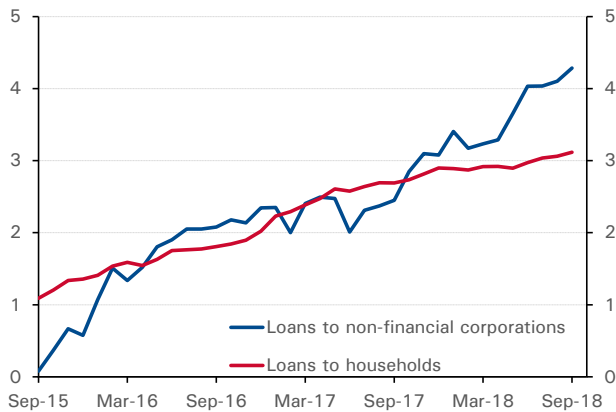
(% y/y)



September's inflation surprised to the upside, coming in at 2.2% thanks to energy prices, while core edged up to 1.1%.

Source: Eurostat

Chart 5: Bank lending
(% y/y)



Lending to businesses and households continued to edge higher in September despite weaker sentiment.

Source: European Central Bank

Chart 6: Retail sales
(% y/y)



At 0.9% y/y in September, retail sales growth was the weakest since Oct-17, impacted by easing confidence.

Source: Thomson Reuters Datastream

Chart 7: PMI Composite
(index)



The Eurozone's PMI dipped to its lowest in two years, 52.7, as new orders growth weakened on trade.

Source: IHS Markit

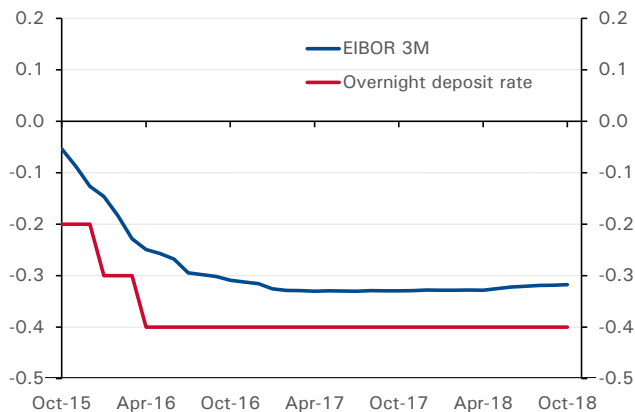
Chart 8: Economic sentiment
(index)



Economic optimism weakened again in October, as sentiment faltered in the industry, retail trade, and services sectors.

Source: European Central Bank

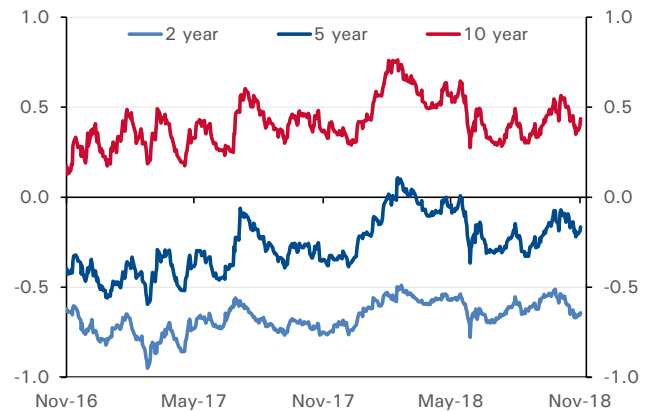
Chart 9: Interest rates
(%)



The ECB's policy rates remained steady with the focus on the curtailment of the bank's asset purchase program.

Source: Thomson Reuters Datastream

Chart 10: German government bond yields
(%)

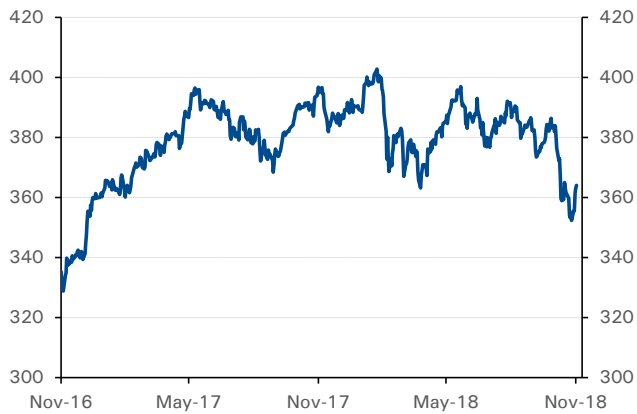


Mixed, but weaker, economic data and political uncertainty, particularly in Italy, helped lower bund yields.

Source: Thomson Reuters Datastream

▶ **Chart 11: Equities**

(Euro Stoxx 600)



In addition to the global sell-off, trade concerns and softer growth weighed on Eurozone equities last month.

Source: Thomson Reuters Datastream

▶ **Chart 12: Exchange rate**

(euro index)



The euro weakened as economic and political uncertainty encouraged a flight away from the currency.

Source: Thomson Reuters Datastream

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