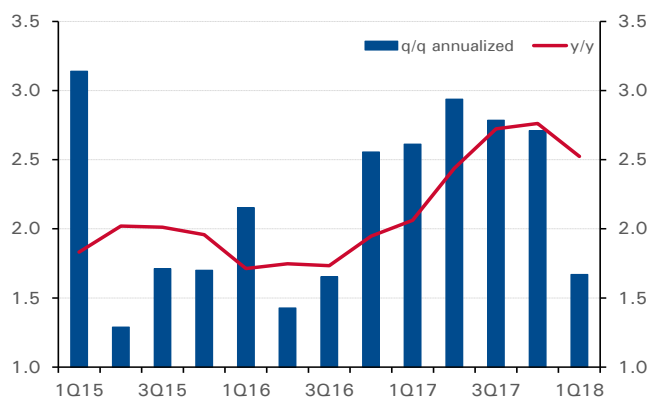


1Q18 GDP growth faltered but other data is mixed

- Eurozone GDP growth softened to 1.7% q/q annualized, its slowest pace since 2Q16.
- Unemployment was steady at 8.5% in March.
- April's headline and core inflation surprised on the downside, at 1.2% and 0.7%, respectively.
- Both business sentiment and economic sentiment steadied in April.
- March's retail sales growth was the weakest since October, possibly impacted by bad weather.
- Lending activity to businesses and households edged higher in March.
- Weaker economic data helped tighten yields on German bunds.
- Eurozone equities have outperformed their global peers so far in 2Q18, up 6%.
- The euro edged lower in April, affected by weaker data and higher US bond yields.

► **Chart 1: Real GDP growth**

(Quarterly, %)

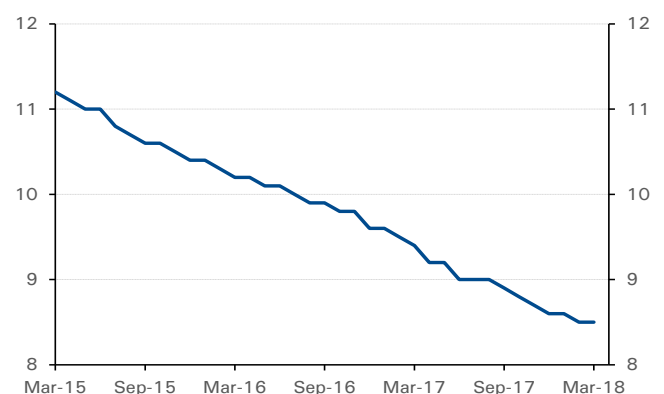


EZ GDP softened to 1.7% q/q annualized, its slowest pace since 2Q16, on weaker output growth and temporary factors.

Source: Eurostat

► **Chart 2: Unemployment rate**

(%)

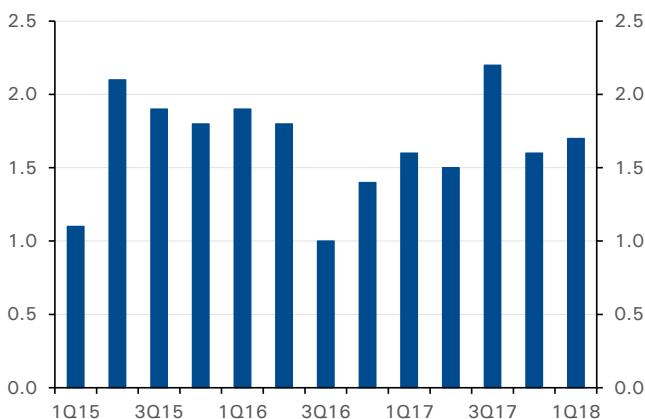


Unemployment was unchanged at 8.5% in March, having shown a steady decline since May 2013.

Source: Eurostat

► **Chart 3: Wage growth**

(% y/y)

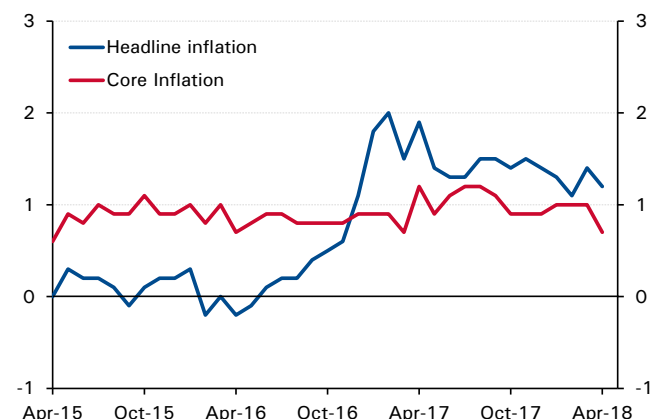


Wages in 1Q18 grew at their fastest pace since 2Q16, perhaps reflecting some tightening in the labor market.

Source: Eurostat

► **Chart 4: Consumer price inflation**

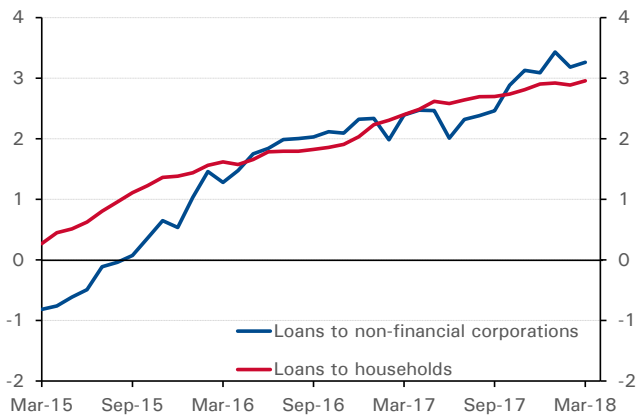
(% y/y)



April's headline and core inflation surprised on the downside, coming in at 1.2% and 0.7%, respectively.

Source: Eurostat

Chart 5: Bank lending
(% y/y)



Lending activity to businesses and households edged higher in March despite weaker economic sentiment.

Source: European Central Bank

Chart 6: Retail sales
(% y/y)



At 0.7% y/y in March, retail sales growth was the weakest since October, possibly impacted by bad weather.

Source: Thomson Reuters Datastream

Chart 7: PMI Composite
(index)



The eurozone's PMI was unchanged at 55.2, but new orders growth eased on weaker expected demand.

Source: IHS Markit

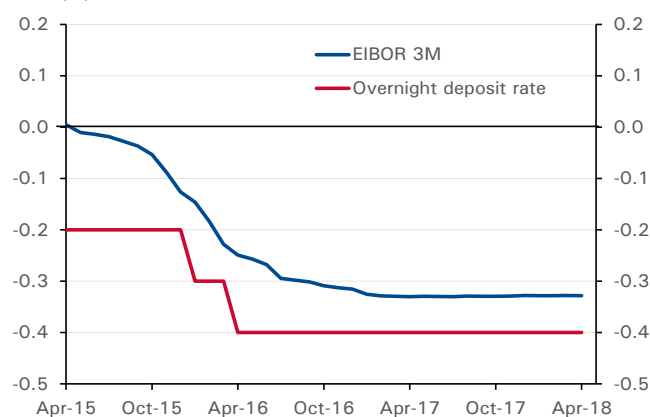
Chart 8: Economic sentiment
(index)



Although economic optimism steadied at 112.6, sentiment faltered in the retail trade, services, and construction sectors.

Source: European Central Bank

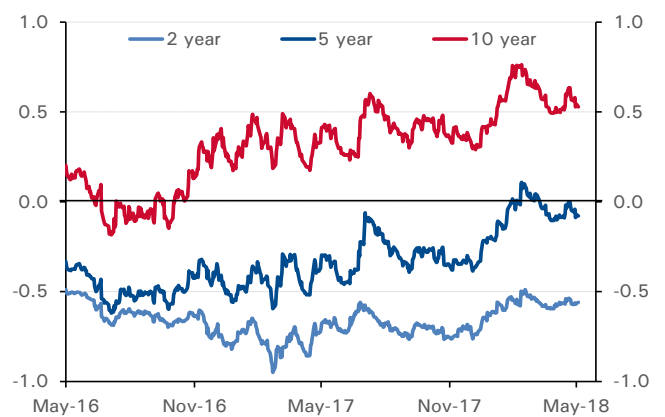
Chart 9: Interest rates
(%)



The ECB's policy rates remained steady with the focus on prospects for the bank's asset purchases program.

Source: Thomson Reuters Datastream

Chart 10: German government bond yields
(%)

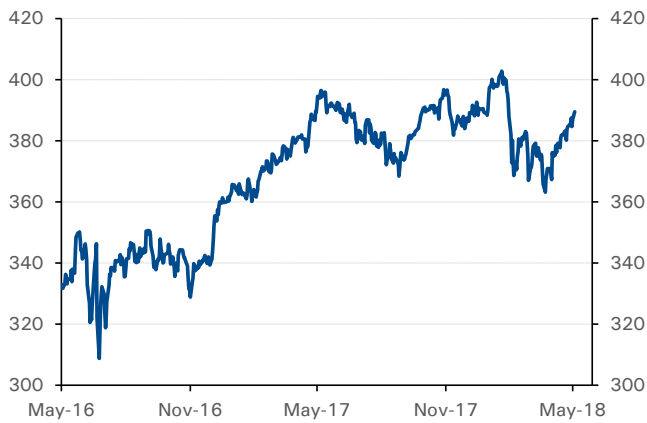


Weaker economic data helped tighten yields on bunds, despite US 10-year yields breaching the 3% mark.

Source: Thomson Reuters Datastream

Chart 11: Equities

(Euro Stoxx 600)



Eurozone equities have outperformed their global peers so far in 2Q18, up 6%.

Source: Thomson Reuters Datastream

Chart 12: Exchange rate

(euro index)



The euro edged lower in April, affected by weaker data and higher US bond yields.

Source: Thomson Reuters Datastream

Head Office

Kuwait
National Bank of Kuwait SAKP
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates
National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan
National Bank of Kuwait SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America
National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait
(International) Plc
Portman Square Branch
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

France
National Bank of Kuwait
(International) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait SAKP
Shanghai Representative Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait
NBK Capital
38th Floor, Arraya II Building, Block 6
Shuhada'a street, Sharq
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey
Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353

© Copyright Notice. The Chartbook is a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK.

While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. GCC Research Note is distributed on a complimentary and discretionary basis to NBK clients and associates. This report and other NBK research can be found in the "Reports" section of the National Bank of Kuwait's web site. Please visit our web site, www.nbk.com, for other bank publications. For further information please contact: NBK Economic Research, Tel: (965) 2259 5500, Fax: (965) 2224 6973, Email: econ@nbk.com