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.

**Chart 2: Unemployment rate**
( %)

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

**Chart 3: Wage growth**
(% y/y)

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

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

Source: European Central Bank

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

Source: Thomson Reuters Datastream

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

Source: IHS Markit

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

Source: European Central Bank

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

Source: Thomson Reuters Datastream

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

Source: Thomson Reuters Datastream
Eurozone equities have outperformed their global peers so far in 2Q18, up 6%.

Source: Thomson Reuters Datastream

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

Source: Thomson Reuters Datastream