

Macroeconomy

Eurozone: Robust data; momentum expected to carry into 2018

> Chaker El Mostafa

Economist

+965 2259 5356, chakermostafa@nbk.com

> Nembr Kanafani

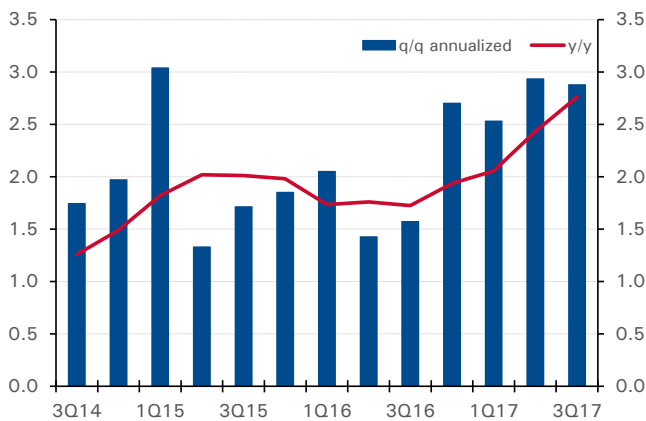
Head of Research

+965 2259 5365, nemrkanafani@nbk.com

- Final 3Q17 GDP surprised at 2.9% q/q annualized, reflecting robust momentum.
- November's unemployment dropped to 8.7%, its lowest reading in nine years.
- December's headline and core inflation were steady and still signaling stubborn price dynamics.
- December's business sentiment is at a near 12-year high, driven by strong output and an optimistic outlook.
- Economic optimism is solid with the overall economic sentiment index for December at a 17-year high.
- Bund yields picked-up on the flow of stronger data.
- The prevailing positivity spilled over into equities, but a stronger euro may dampen momentum.
- Fiscal uncertainty in the US, strong European data, and trade tensions continued to strengthen the EUR.

Real GDP growth

(%)



Final 3Q17 GDP surprised at 2.9% q/q annualized, while 2Q17 was revised higher to 2.9%, reflecting robust momentum.

Source: Eurostat

Unemployment rate

(%)

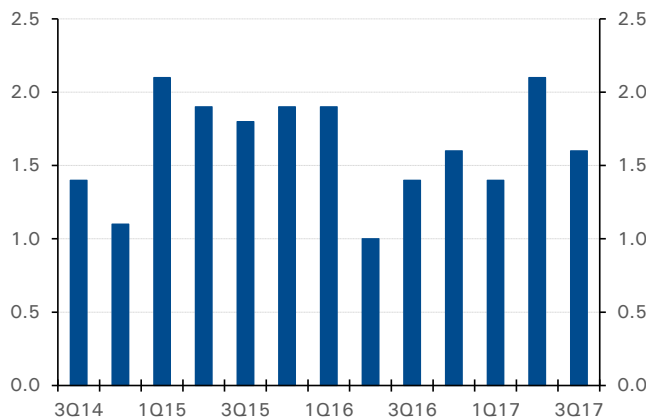


Declining continuously since May 2013, unemployment dropped to 8.7% in November, its lowest reading in nine years.

Source: Eurostat

Wage growth

(% y/y)

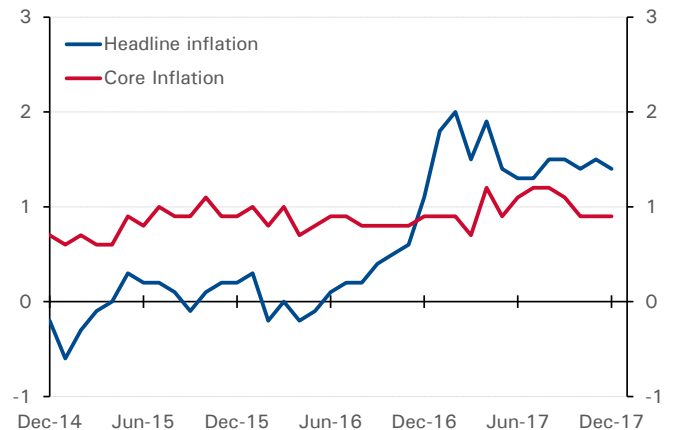


Growth in wages eased in 3Q17 from a 2-year high, despite a tightening labor market and a stronger economic backdrop.

Source: Eurostat

Consumer price inflation

(% y/y)

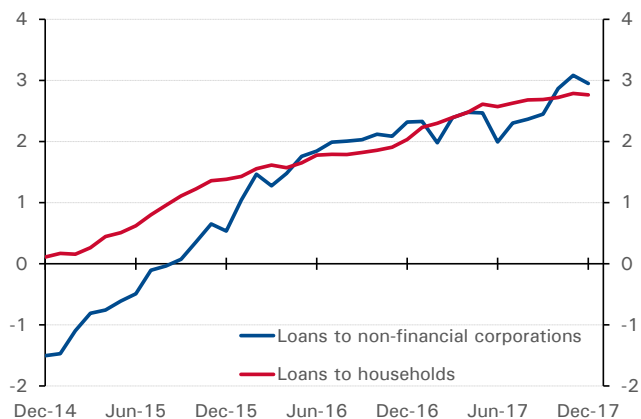


December's headline and core inflation were steady at 1.4% and 0.9%, respectively, still signaling stubborn price dynamics.

Source: Eurostat

Bank lending

(% y/y)



Lending to businesses and households continued to rise steadily on the back of the pick-up in economic activity.

Source: European Central Bank

Retail sales

(% y/y)



At 2.7% y/y, retail sales surprised in November, driven by resurgent consumer confidence.

Source: Thomson Reuters Datastream

PMI

(index)



Business sentiment is at a near 12-year high, coming in at 58.6 and driven by strong output and an optimistic outlook.

Source: IHS Markit

Economic sentiment

(index)

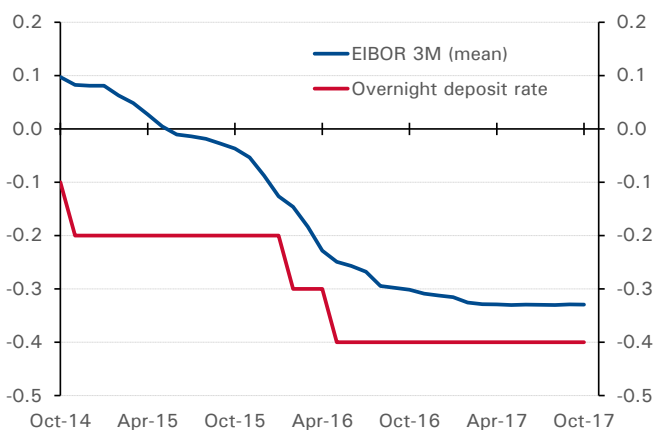


Economic optimism is solid with the overall economic sentiment index at a 17-year high.

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

(%)



Bund yields picked-up on the flow of stronger data.

Source: Thomson Reuters Datastream

Equities

(Euro Stoxx 600)



The prevailing positivity spilled over into equities, but a stronger euro may dampen momentum.

Source: Thomson Reuters Datastream

Exchange rate

(euro index)



Fiscal uncertainty in the US, strong European data, and trade tensions continued to strengthen the EUR.

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

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NBK Economic Research, Tel: (965) 2259 5500, Fax: (965) 2224 6973, Email: econ@nbk.com