Macroeconomy

Eurozone: Robust data; momentum expected to carry into 2018

- 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 (%)

![Real GDP growth chart](chart.png)

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 (%)

![Unemployment rate chart](chart.png)

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

Source: Eurostat

### Wage growth (% y/y)

![Wage growth chart](chart.png)

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)

![Consumer price inflation chart](chart.png)

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

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

Source: European Central Bank

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

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

Source: Thomson Reuters Datastream

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

Source: Thomson Reuters Datastream

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

Source: European Central Bank

Bund yields picked up on the flow of stronger data.

Source: Thomson Reuters Datastream
The prevailing positivity spilled over into equities, but a stronger euro may dampen momentum.

Source: Thomson Reuters Datastream

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

Source: Thomson Reuters Datastream