

# Euro wrap-up

## Overview

- While the unemployment rate in France rose by more than expected, euro area sovereign bonds followed USTs higher on an otherwise quiet day for economic data.
- Despite a slightly stronger UK retail sector survey, longer-dated Gilts also made gains.
- Wednesday will bring Italian IP data for December and an update to the ECB's wage tracker, while attention in the UK turns to Thursday's GDP data.

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Daily bond market movements		
Bond	Yield	Change
BKO 2.1 03/28	2.060	-0.014
OBL 2½ 04/31	2.375	-0.028
DBR 2.9 02/36	2.801	-0.038
UKT 3¾ 03/27	3.615	+0.004
UKT 4% 03/30	3.879	-0.018
UKT 4½ 03/35	4.491	-0.035

\*Change from close as at 4:10pm GMT.  
Source: Bloomberg

## Euro area

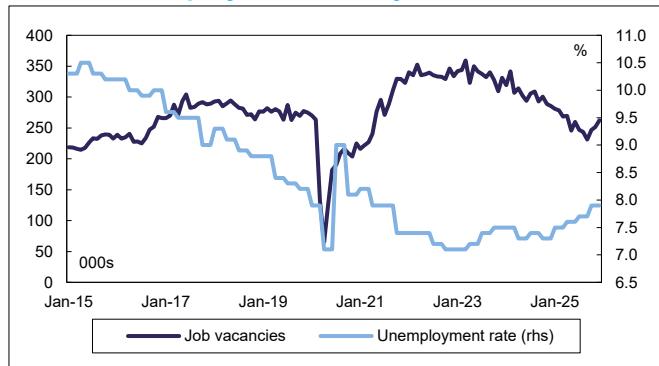
### French unemployment rate up more than expected to 4-year high

On a quiet day for euro area economic data, updated French jobless figures provided an unwelcome surprise. As French GDP growth moderated 0.3ppt to a three-quarter low of 0.2%Q/Q in Q4, the total ILO unemployment rate unexpectedly rose for a fourth successive quarter and by 0.2ppt to 7.9%, the highest in more than four years. That marked a rise of 0.6ppt from a year earlier but was still 0.3ppt below the pre-Covid rate in Q419. The equivalent rate for mainland France similarly rose 0.2ppt last quarter to 7.7%, also the highest since Q321 and 0.6ppt above the level in Q424. With the employment rate stable just 10bps below the series high, the rise in unemployment related to increased participation of younger workers unable to find work. Indeed, youth unemployment picked up while the long-term jobless rate was broadly stable. Looking ahead, however, there are signs of improvement. With a pickup in business sentiment closer to the long-run average, the job vacancy rate started to move higher towards year-end. And household concerns about unemployment levelled off in January. Admittedly, against the backdrop of the relatively soft labour market, wage growth was subdued at a three-year low of just 1.9%Y/Y in Q3, with notable weakness in services. And as negotiated wage growth eased to a four-year low of just 1.6%Y/Y, nominal growth in labour income looks set to remain relatively weak. But with French HICP inflation exceptionally low at just 0.4%Y/Y in January, and labour cost growth posing no upside risk, wages look set to keep rising in real terms, providing ongoing support to household spending.

### The day ahead in the euro area

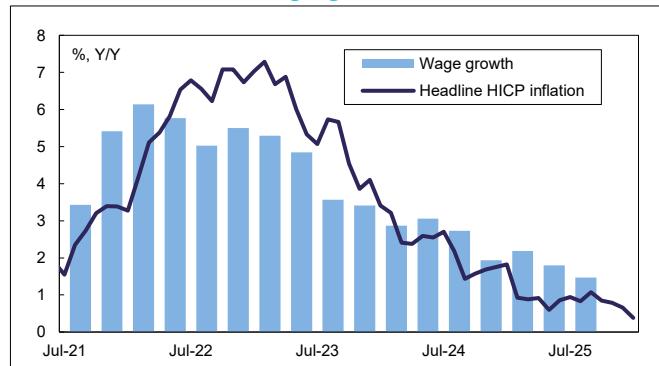
In terms of economic data, the coming two days should be relatively quiet for the euro area. December industrial production figures from Italy (Wednesday) and Ireland (Thursday) will provide additional insights into the outturn for the aggregate euro area before that release next week. Like the other major producers in the bloc, we see the risks as skewed to the downside in both member states. But, at least in the Italian case, we still expect the data to confirm a return to modest growth in Q4. Wednesday will also bring a periodic update to the ECB's wage tracker. While the ECB's projections had raised potential concerns about stronger-than-expected employee compensation this year, the tracker has provided a regular source of comfort. At present, the database continues to point towards a further moderation in growth in underlying wage settlements throughout the first half of 2026 before converging just below a broadly target-consistent 2¾%Y/Y by year-end. A speech by ECB Executive Board member Schnabel on Wednesday evening may also be of interest.

### France: Unemployment rate & job vacancies



Source: Macrobond and Daiwa Capital Markets Europe Ltd.

### France: Inflation & wage growth



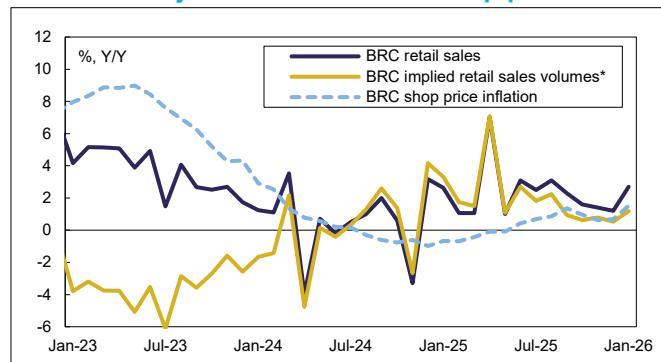
Source: Macrobond and Daiwa Capital Markets Europe Ltd.

## UK

### BRC retail sales growth firms, but likely flattered by higher shop price inflation

At face value, today's BRC retail monitor looks to have provided a fairly positive signal about the prospects for a return to growth in the sector this quarter. Indeed, the BRC's measure of total retail sales rose 2.7%Y/Y in January, its firmest rate since August and up 1.5pppts from December's seven-month low. Sales value growth of like-for-like goods equally picked up to a five-month high of 2.3%Y/Y. Faster sales growth was observed across food and non-food items alike as well as at online retailers. With the BRC adjudging that seasonal discounting helped to support a rebound in consumer spending, we might expect to see that improvement translate over the official retail series upon its release (due 20 February). However, the BRC's own gauge of [shop price inflation](#) gave us reason to doubt the extent of this year's discounting, at least within the clothing, books & stationary categories. Deflating by that measure, retail sales growth appears more muted, with like-for-like sales volumes accelerating just 0.5ppt to 0.8%Y/Y. While still a five-month high, that would leave sales volumes trending broadly sideways on a three-month basis (0.5%3M/Y) a pace only lower over the past 14 months in December. Growth in food sales are especially likely to have been flattered by price increases in January. Indeed, deflated by the respective BRC shop price index, like-for-like food sales volumes declined at their fastest pace since July 2024 (-0.5%3M/Y). Despite a first annual inflation increase for almost two-years, non-food sales volumes continued to show signs of positive, if subdued, growth (0.5%3M/Y). We caution that, notwithstanding their modest decline in Q4, the official retail sales series has broadly outperformed the BRC's data in recent months. Different sampling periods might bear some responsibility, and that still raises questions about what to expect for January's release. Not least given the damp weather, and expectations of slower real disposable income growth this year, we suspect any growth in retail sales at the start of the year was modest at best.

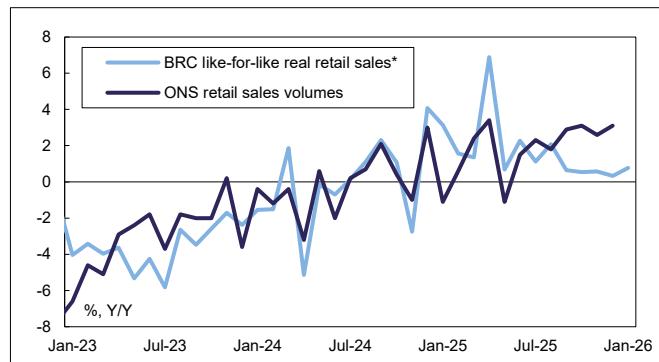
#### UK: BRC - adjusted retail sales & shop prices



\*Deflated by the BRC shop price index.

Source: Macrobond and Daiwa Capital Markets Europe Ltd.

#### UK: ONS & BRC retail sales volumes



\*Deflated by the BRC shop price index.

Source: Macrobond and Daiwa Capital Markets Europe Ltd.

## The day ahead in the UK

While there remains the risks of further political noise with Prime Minister Starmer likely to remain under pressure, Wednesday is set to be a quiet day for UK economic data. But Thursday will bring preliminary estimates of UK GDP growth in Q4. Like the BoE, we think that GDP growth picked up modestly at the end of last year, rounding up 0.1ppt to 0.2%Q/Q. In terms of expenditure components, public spending and fixed investment likely continued their outperformance. Net trade, however, might have subtracted despite potential support from services exports. And broader domestic demand looks likely to have been subdued as budget uncertainty weighed on private consumption and business investment. Indeed, the accompanying monthly GDP series should demonstrate that the rebound in industry in Q4 was particularly flattered by recovery in car production at JLR, while growth in the services sector likely remained tepid (0.1%3M/3M) and construction subtracted considerably. Otherwise, the RICS survey – also due Thursday – will provide an update as to whether the post-Budget recovery in housing market activity continued into January.

*The next Euro wrap-up will be published on Thursday 12 February 2026*

# European calendar

## Today's results

### Economic data

Country	Release	Period	Actual	Market consensus/ <u>Daiwa forecast</u>	Previous	Revised
France	Unemployment (mainland unemployment) rate %	Q4	<b>7.9 (7.7)</b>	7.7 (7.5)	7.7 (7.5)	-
UK	BRC retail monitor - like-for-like sales Y/Y%	Jan	<b>2.3</b>	1.3	1.0	-

### Auctions

Country	Auction
Germany	sold €3.811bn of 2.5% 2031 bonds at an average yield of 2.4%
UK	sold £3.75bn of 4.125% 2031 bonds at an average yield of 4.001%

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

## Monday's results

### Economic data

Country	Release	Period	Actual	Market consensus/ <u>Daiwa forecast</u>	Previous	Revised
Euro area	Sentix investor confidence indicator	Feb	<b>4.2</b>	0.0	-1.8	-

### Auctions

Country	Auction
- Nothing to report -	

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

## Wednesday's releases

### Economic data

Country	GMT	Release	Period	Market consensus/ <u>Daiwa forecast</u>	Previous
Italy	09.00	Industrial production M/M% (Y/Y%)	Dec	-0.5 (2.8)	1.5 (1.4)

### Auctions and events

Euro area	09.00	ECB to publish updated wage tracker tool
	17.00	ECB Executive Board member Schnabel to give speech on Europe's economy at the Austrian Academy of Sciences, Vienna
Germany	10.30	Auction: to sell up to €1.5bn of 2.5% 2054 bonds
	10.30	Auction: to sell up to €1bn of 2.9% 2056 bonds
UK	10.00	Auction: to sell £300mn of 4.25% 2049 bonds

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

## Thursday's releases

### Economic data

Country	GMT	Release	Period	Market consensus/ <u>Daiwa forecast</u>	Previous
UK	00.01	RICS house price balance %	Jan	-10	-14
	07.00	GDP – first estimate Q/Q% (Y/Y%)	Q4	<b>0.2 (1.2)</b>	0.1 (1.3)
	07.00	Monthly GDP M/M% (3M/3M%)	Dec	<b>0.1 (0.2)</b>	0.3 (0.1)
	07.00	Services output M/M% (3M/3M%)	Dec	0.1 (0.2)	0.3 (0.2)
	07.00	Industrial output M/M% (Y/Y%)	Dec	0.0 (1.5)	1.1 (2.3)
	07.00	Construction output M/M% (Y/Y%)	Dec	0.5 (-0.1)	-1.3 (-1.1)
	07.00	Trade (goods trade) balance £bn	Dec	-	-6.1 (-23.7)

### Auctions and events

Italy	10.00	Auction: to sell up to €3.5bn of 2.4% 2029 bonds
	10.00	Auction: to sell up to €1.25bn of 3.25% 2032 bonds
	10.00	Auction: to sell up to €1.5bn of 3.15% 2033 bonds

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

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