Europe | Economic Research | 02 April 2026

Euro wrap-up

Overview

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- Bunds made losses as global wholesale energy prices jumped in response to President Trump's threats of further escalation in the Middle East conflict.
- While the BoE DMP survey suggested that UK firms' wage and price expectations remained well contained in March, Gilts underperformed.
- Looking ahead to the coming week, European surveys will continue to highlight the initial impact of the global energy price shock, while February figures for euro area retail sales and German factory orders and production are also due.

Daily bond market movements

Bond	Yield	Change
BKO 2.1 03/28	2.627	+0.039
OBL 2½ 04/31	2.725	+0.020
DBR 2.9 02/36	3.006	+0.023
UKT 4⅜ 03/28	4.337	+0.049
UKT 4⅛ 03/31	4.398	+0.028
UKT 4¾ 10/35	4.849	+0.024

*Change from close as at 4:30pm CET.
Source: Bloomberg

Euro area

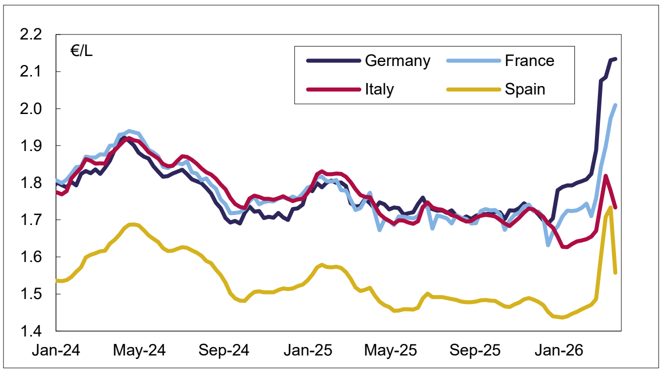
Unemployment rate ticked up from series low ahead of the war in Iran

The energy price shock has already increased business costs and eroded household purchasing power. And firms and households alike are bracing for further price rises ahead. But the past week's flash consumer price inflation estimate for March was slightly softer than the ECB had expected and showed no signs yet of indirect pricing pressures. Duty and VAT cuts pushed weekly petrol and heating oil prices lower in Italy and Spain too. And the case for the ECB to resist the temptation of a rate hike this month was bolstered, among other things, by survey evidence that consumers have become more fearful about job security and firms have revised down their recruitment plans by the most in five years. Nevertheless, yesterday's data suggested that the labour market was broadly resilient just ahead of the outbreak of war. After a significant decline over the prior three months, the number of people out of work in the region rose in February (93k) by the most since May 2025. But it remained more than 120k below the level a year earlier. And at 6.2%, the jobless rate was just 0.1ppt above January's series low. Among the member states, that uptick in the unemployment rate in February principally related to a 0.6ppt jump in Greece from the prior month's 17-year low to 8.5%. The Italian rate also ticked up slightly from January's series low to 5.3%. In contrast, the Spanish rate fell further below 10% to the lowest level in 18 years. And the German and French rates held steady for a third successive month at 4.0% and 7.7% respectively.

German job vacancies drop in March, with employment growth to slow as uncertainties persist

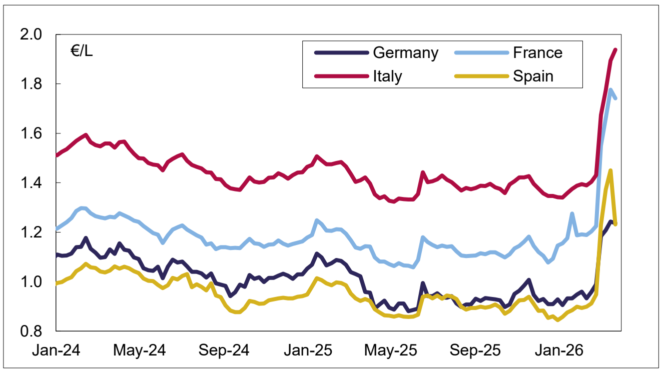
Taken at face value, the historically low unemployment rate might suggest that the labour market is particularly tight. And if so, the new energy price shock might be expected to translate into significantly higher wage demands, strong second-round effects on prices and greater inflation persistence over the medium term. However, in various 'core' member states including Germany, France, Austria and the Netherlands, unemployment rates in February were some 30-50bps higher than a year ago. And the rates in Spain and Greece still appeared above their equilibrium levels, with broader labour market slack (e.g. related to those working part-time who would like to work full-time) probably ample too. As the Commission survey reported that a larger share of firms plans to hoard labour over the near term, we do not expect the unemployment rate to jump sharply over the near term. But diminished appetite among firms to increase headcount was arguably already reflected last month in a drop in German job vacancies further below the pre-pandemic five-year average. And we expect the unemployment rate to drift gradually higher over coming quarters, weighing on wage growth and consumer spending.

Euro area: Weekly petrol prices



Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Euro area: Weekly heating oil prices



Source: Macrobond and Daiwa Capital Markets Europe Ltd.

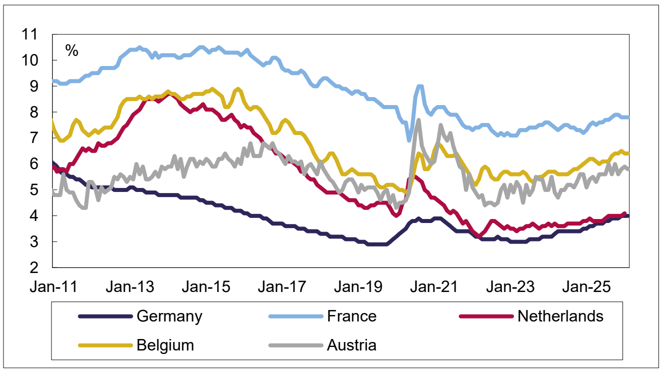
The coming two weeks in the euro area: ECB speak, February activity & March inflation in focus

As the situation in the Middle East dominates attention, the dataflow will remain of secondary importance over the coming two weeks. Nevertheless, given the escalation of that conflict, the April Sentix survey (Tuesday) will surely report a further deterioration in investor confidence after a relatively modest weakening in its headline index to a three-month low last month. The final euro area services PMIs (also Tuesday) will still hold the sector accountable for the slowdown in growth momentum flagged by the flash composite index, which fell 1.4pts to a 10-month low of 50.5 as input costs jumped sharply. March's construction PMIs (Wednesday) will provide insights into the severity of new cost pressures in that sector too.

The data thereafter will mostly centre on economic activity in February, which will shed more light on GDP in Q1. Consistent with softer spending figures from Germany and France, we expect euro area retail sales (Wednesday) to have fallen slightly for a second successive month. While that would leave sales volumes trending close to the Q4 average, the hit to confidence and purchasing power from higher fuel bills raises risks of a first quarterly decline since Q323. There are now significant risks of a quarterly decline in industrial production in Q1 too. And a sizeable rebound in German factory orders in February (also Wednesday) from the drop of more than 11%M/M in January certainly seems unlikely after their surge at the end of last year. But industrial sector surveys had hinted at payback in manufacturing output in February after a drop in January. IP releases from the member states, including Germany, Ireland (Thursday) and France (tomorrow), will paint a clearer picture ahead of the wider euro area release (15 April).

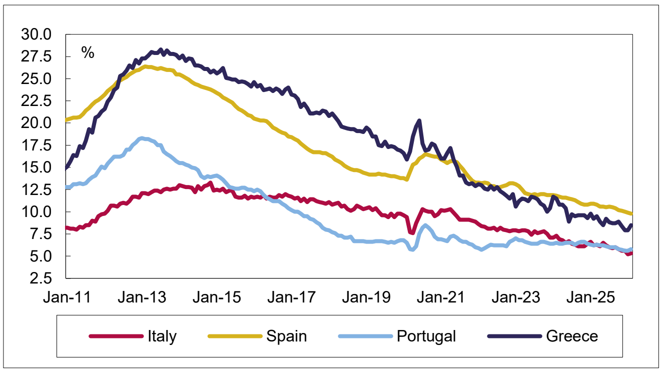
Beyond the activity data, final March euro area inflation results (16 April) will likely confirm the flash release, which reported that the headline HICP rate jumped 0.6ppt in March to a 14-month high of 2.5%Y/Y. That was a touch below both the ECB's baseline forecast and the Bloomberg survey consensus. Inevitably, energy inflation was the root cause of that increase, due to the sharp rise in auto fuel and heating oil prices last month. But household electricity and gas bills were likely more stable. And inflation of food, core goods and services – the latter helped by the normalising hospitality prices in Italy after the Winter Olympics – all softened. Finally, beyond the data, with policymakers converging on Washington D.C. for the annual IMF-World Bank Spring Meetings (from 13 April), ECB-speak will include speeches by Executive Board member Schnabel (16 April), who has recently tempered her previous hawkishness, and French Governor Villeroy (15 April), who by contrast has become less dovish due to the impact of the war.

Euro area: Unemployment rates



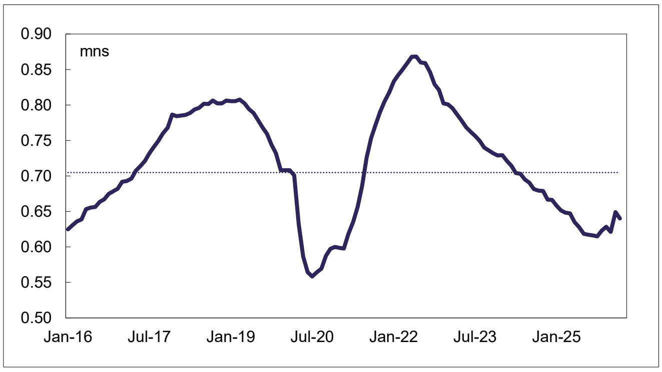
Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Euro area: Unemployment rates



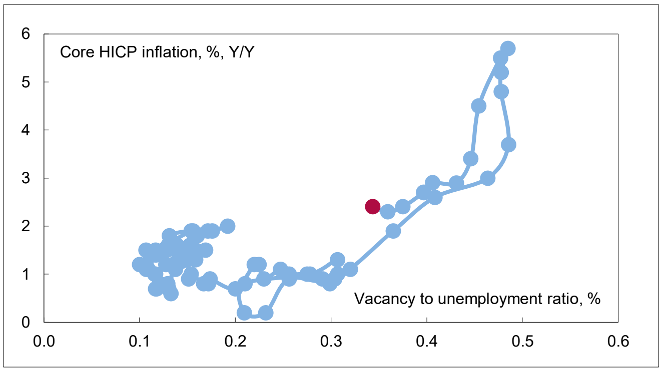
Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Germany: Job vacancies*



**Dashed line is pre-pandemic five-year average.*
Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Euro area: Phillips curve*



**Red dot represents Q325 data.*
Source: Macrobond and Daiwa Capital Markets Europe Ltd.

UK

DMP price & wage expectations suggest no pressing need for a rate hike as soon as this month

The MPC's initial communication following the March monetary policy meeting appeared hawkish, signalling a readiness to act – perhaps as soon as this month – to mitigate inflation persistence risks emanating from events in the Middle East. Indeed, even the most dovish of members (Dhingra) recognised that rates might eventually have to rise. We still think that some MPC members, including Chief Economist Pill, will vote for a hike on 30 April. However, Governor Bailey's comments yesterday, reiterating that markets might be "getting ahead of themselves" by pricing higher rates, suggest that a hike as soon as this month, or a series of hikes over coming months, should not be our baseline. Today's results of the BoE's March Decision Maker Panel (DMP) survey – to which several MPC members have attached significant weight over recent months – also likely supported the case for no immediate policy change. According to the DMP survey, reflecting the impact of the Iran War and energy market turmoil, firms revised up their expectation for CPI in 12 months' time by 50bps in March to 3.50%Y/Y, the highest since end-2023. But they nudged up expectations for CPI three years' ahead by just 10bps to 2.82%Y/Y, which was merely a three-month high. And they upwardly revised expectations for their own output price growth over the coming year by a moderate 37bps to a six-month high of 3.72%Y/Y.

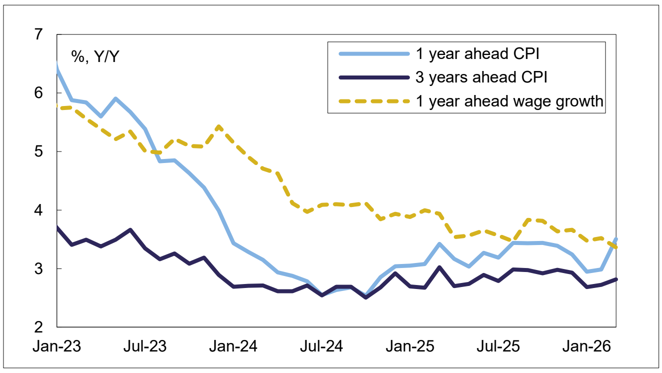
With respect to the labour market, having in January and February signalled modestly positive employment growth over the coming 12 months, the March survey respondents pointed to renewed job cuts (-0.3%Y/Y). Notably too, those firms continued to expect pay moderation. Indeed, the single-month estimate of wage growth over the coming year fell 16bps to 3.36%Y/Y, the lowest on the series dating back to May 2022, which might help to ease MPC concerns about lasting second-round inflation risks from the current energy price spike. So, we have now tempered our own baseline expectation for BoE policy to just one rate hike this year, in June. However, we also acknowledge the very wide range of possible outcomes depending on how events in the Middle East unfold.

The coming two weeks in the UK: February GDP and more surveys

The most notable incoming data release in the UK over the coming fortnight will be February's monthly GDP report (16 April). This should report a modest uptick in activity before the oil price shock. Though retail sales volumes fell back after a strong performance in January, and wet weather might have posed an ongoing headwind to consumer-facing services and construction, the PMIs – particularly in manufacturing – were relatively firm. So, after a flat January, we would not be surprised to see GDP growth of 0.2%M/M to leave growth on a three-monthly basis at around ¼%3M/3M. Of course, as the final services and composite PMIs (Tuesday) will surely demonstrate, the prospects for growth in March are skewed to the downside. Nevertheless, while still subdued, we expect GDP growth to be slightly positive over Q1 as a whole.

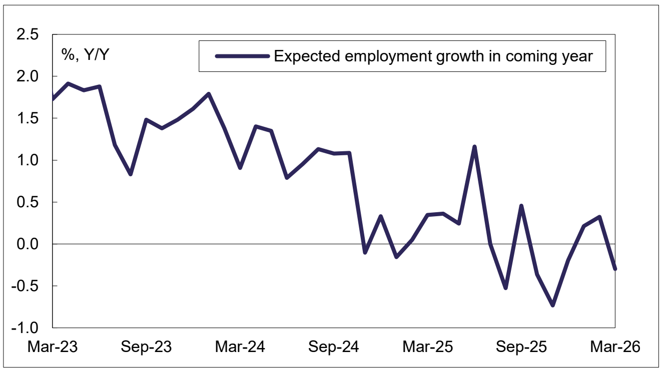
A handful of other surveys over the coming weeks might offer more clarity about the potential hit to activity in March and beyond. The RICS residential market survey (Thursday) will likely report a downturn in buyer enquiries and deterioration in the sales and price outlook following events in the Middle East and the associated jump in mortgage rates. The considerable tightening of financial conditions since the onset of the war, and expectations for mortgage loan demand, should also be acknowledged by banks in the BoE's credit conditions survey (also Thursday). In the following week, the BRC's retail monitor (14 April) will signal whether the hit to consumer confidence weighed on retail spending. The REC's jobs report (13 April) will likely suggest that businesses saw heightened uncertainty as cause for more cautious hiring.

UK: Firms' inflation & wage expectations



Source: BoE DMP survey, Macrobond and Daiwa Capital Markets Europe Ltd.

UK: Firms' employment expectations



Source: BoE DMP survey, Macrobond and Daiwa Capital Markets Europe Ltd.

Due to Public Holidays and travel commitments, the next Euro wrap-up will be published on Tuesday 14 April 2026

Daiwa economic forecast

	2025		2026				2026	2027	2028
	Q3	Q4	Q1	Q2	Q3	Q4			
GDP			%, Q/Q				%, Y/Y		
Euro area	0.3	0.2	0.1	0.0	0.1	0.2	0.6	1.0	1.4
UK	0.1	0.1	0.1	0.0	0.1	0.2	0.4	1.1	1.6
Inflation, %, Y/Y									
Euro area									
Headline HICP	2.1	2.1	2.0	3.1	3.0	3.1	2.8	2.6	2.1
Core HICP	2.3	2.4	2.3	2.3	2.5	2.7	2.5	2.9	2.1
UK									
Headline CPI	3.8	3.4	3.1	2.9	3.7	3.9	3.4	3.0	1.7
Core CPI	3.6	3.3	3.2	2.9	3.2	3.4	3.2	3.1	2.1
Monetary policy, %									
ECB									
Deposit Rate	2.00	2.00	2.00	2.50	2.50	2.50	2.50	2.25	2.25
Refi Rate	2.15	2.15	2.15	2.65	2.65	2.65	2.65	2.40	2.40
BoE									
Bank Rate	4.00	3.75	3.75	4.00	4.00	4.00	4.00	3.75	3.50

Source: Bloomberg, ECB, BoE and Daiwa Capital Markets Europe Ltd.

European calendar

Today's results

Economic data

Country	Release	Period	**Actual**	Market consensus/ *Daiwa forecast*	Previous	Revised
UK	DMP – 3M output price (1Y CPI) expectations Y/Y%	Mar	**3.5 (3.5)**	-	3.4 (3.0)	-

Auctions

Country	Auction
France	sold €3.246bn of 3% 2034 bonds at an average yield of 3.61%
	sold €6.185bn of 3.5% 2035 bonds at an average yield of 3.73%
	sold €1.721bn of 0.5% 2044 bonds at an average yield of 4.24%
	sold €1.348bn of 2% 2048 bonds at an average yield of 4.35%

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

Wednesday's results

Economic data

Country	Release	Period	**Actual**	Market consensus/ *Daiwa forecast*	Previous	Revised
Euro area	Final manufacturing PMI	Mar	**51.6**	*51.4*	50.8	-
	Unemployment rate %	Feb	**6.2**	6.1	6.1	-
Germany	Final manufacturing PMI	Mar	**52.2**	*51.7*	50.9	-
France	Final manufacturing PMI	Mar	**50.0**	*50.2*	50.1	-
Italy	Manufacturing PMI	Mar	**51.3**	50.9	50.6	-
Spain	Manufacturing PMI	Mar	**48.7**	50.5	50.0	-
UK	Final manufacturing PMI	Mar	**51.0**	*51.4*	51.7	-

Auctions

Country	Auction
Germany	sold €3.052bn of 2.5% 2032 bonds at an average yield of 2.78%

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

The data calendar in the coming two weeks

Key data releases

Country	BST	Release	Period	Market consensus/ *Daiwa forecast*	Previous
Monday 6 April 2026					
Spain	08.00	Unemployment (net employment) change 000s	Mar	-	3.6 (45.2)
Tuesday 7 April 2026					
Euro area	09.00	Final composite (services) PMI	Mar	*50.5 (50.1)*	51.9 (51.9)
	09.30	Sentix investor confidence indicator	Apr	-6	-3.1
Germany	08.55	Final composite (services) PMI	Mar	*51.9 (51.2)*	53.2 (53.5)
France	08.50	Final composite (services) PMI	Mar	*48.3 (48.3)*	49.9 (49.6)
Italy	08.45	Composite (services) PMI	Mar	-	52.1 (52.3)
Spain	08.15	Composite (services) PMI	Mar	-	51.5 (51.9)
UK	09.00	New car registrations Y/Y%	Mar	-	
	09.30	Final composite (services) PMI	Mar	*51.0 (51.2)*	53.7 (53.9)
Wednesday 8 April 2026					
Euro area	08.30	Construction PMI	Mar	-	46.0
	10.00	Retail sales M/M% (Y/Y%)	Feb	*-0.3 (1.5)*	-0.1 (2.0)
	10.00	PPI Y/Y%	Feb	-2.9	-2.2
Germany	07.00	Factory orders M/M% (Y/Y%)	Feb	2.0 (5.0)	-11.1 (3.7)
	08.30	Construction PMI	Mar	-	43.7
France	07.45	Trade balance €bn	Feb	-	-1.8
	08.30	Construction PMI	Mar	-	43.9
Italy	08.30	Construction PMI	Mar	-	50.4
UK	09.30	Construction PMI	Mar	-	44.5
Thursday 9 April 2026					
Germany	07.00	Industrial production M/M% (Y/Y%)	Feb	0.6 (0.3)	-0.5 (-1.2)
	07.00	Trade balance €bn	Feb	-	21.4
Spain	08.00	Industrial production M/M% (Y/Y%)	Feb	-	-0.4 (0.3)
UK	00.01	RICS house price balance %	Mar	-	-12
Friday 10 April 2026					
Germany	07.00	Final HICP (CPI) Y/Y%	Mar	*2.8 (2.7)*	2.0 (1.9)
Italy	09.00	Industrial production M/M% (Y/Y%)	Feb	-	-0.6 (-0.6)
Monday 13 April 2026					
- Nothing scheduled -					
Tuesday 14 April 2026					
Spain	08.00	Final HICP (CPI) Y/Y%	Mar	*3.3 (3.3)*	2.5 (2.3)
UK	00.01	BRC retail monitor – like-for-like sales Y/Y%	Mar	-	0.7
Wednesday 15 April 2026					
Euro area	10.00	Industrial production M/M% (Y/Y%)	Feb	-	-1.5 (-1.1)
France	07.45	Final HICP (CPI) Y/Y%	Mar	*1.9 (1.7)*	1.1 (0.9)
Thursday 16 April 2026					
Euro area	10.00	Final headline (core) HICP Y/Y%	Mar	*2.5 (2.3)*	1.9 (2.4)
Italy	09.00	Final HICP (CPI) Y/Y%	Mar	*1.5 (1.7)*	1.5 (1.5)
UK	07.00	Monthly GDP M/M% (3M/3M%)	Feb	*0.2 (0.3)*	0.0 (0.2)
	07.00	Services output M/M% (3M/3M%)	Feb	-	0.0 (0.2)
	07.00	Industrial output M/M% (Y/Y%)	Feb	-	-0.1 (0.4)
	07.00	Construction output M/M% (Y/Y%)	Feb	-	0.2 (-0.2)
	07.00	Trade (goods trade) balance £bn	Feb	-	3.9 (-14.4)
Friday 17 April 2026					
Euro area	09.00	ECB current account €bn	Feb	-	37.9
	10.00	Trade balance €bn	Feb	-	12.1

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

Key events & auctions

Country		BST	Event / Auction
			Monday 6 April 2026
			Easter Monday – Public holiday in the UK and Europe
			Tuesday 7 April 2026
Germany		10.30	Auction: to sell up to €750mn of 2.5% 2035 green bonds
		10.30	Auction: to sell up to €750mn of 0% 2050 green bonds
			Wednesday 8 April 2026
Germany		10.30	Auction: to sell up to €5bn of 2.9% 2036 bonds
			Thursday 9 April 2026
Spain		09.30	Auction: to sell2.35% 2029, 2.6% 2031, 3.3% 2036 bonds & 1.15% index-linked bonds*
UK		09.30	BoE to publish quarterly Bank Liabilities & Credit Conditions surveys for Q126
		10.00	Auction: to sell 4.125% 2033 bonds*
			Friday 10 April 2026
Italy		10.00	Auction: to sell bonds*
			Monday 13 April 2026
UK		00.01	REC, KPMG and S&P Global UK Report on Jobs for March
			Tuesday 14 April 2026
Germany		10.30	Auction: to sell up to €5bn of 2.5% 2031 bonds
			Wednesday 15 April 2026
Euro area		18.00	BdE Governor Escriva to participate in Peterson Institute panel
		18.30	BdF Governor Villeroy to speak at Semafor event
Germany		10.30	Auction: to sell up to €1bn of 2052 bonds*
		10.30	Auction: to sell up to €1bn of 2.9% 2056 bonds
UK		16.50	BoE Governor Bailey participates in stablecoins panel at IIF Global Outlook Forum
			Thursday 16 April 2026
Euro area		14.00	ECB Executive Board member Schnabel to participate in Peterson Institute panel discussion on the euro area
France		10.50	Auction: to sell inflation-linked bonds*
Spain		09.30	Auction: to sell bonds*
UK		10.00	Auction: to sell 1.875% 2049 inflation-linked bonds*
			Friday 17 April 2026
			- Nothing scheduled -

**Details to be announced. Source: Bloomberg and Daiwa Capital Markets Europe Ltd.*

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