

# Euro wrap-up

## Overview

- While Spanish inflation in March was revised higher as energy prices rose the most in four years, euro area govies followed the global trend higher.
- Gilts also made gains, while a UK retail survey suggested that sales in March were firm, albeit flattered by the timing of Easter.
- Wednesday will bring euro area industrial production figures for February, while various ECB and BoE policymakers will speak at events in Washington.

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### Daily bond market movements

Bond	Yield	Change
BKO 2.1 03/28	2.531	-0.109
OBL 2½ 04/31	2.700	-0.083
DBR 2.9 02/36	3.020	-0.069
UKT 4¾ 03/28	4.198	-0.111
UKT 4¾ 03/31	4.305	-0.091
UKT 4¾ 10/35	4.778	-0.088

\*Change from close as at 5.00pm BST.  
Source: Bloomberg

## Euro area

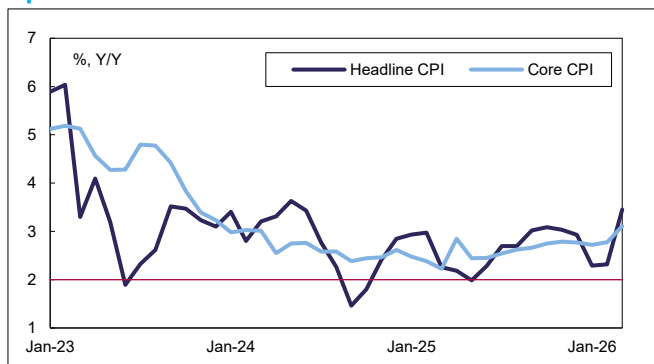
### Spanish inflation revised higher in March as energy prices rise the most in four years

While the flash inflation estimates showed a predictable sizeable jump in headline inflation across most euro area member states in March as the impact of the new global energy shock took its toll, today's final Spanish figures suggested that the increase was slightly larger than initially estimated. Certainly, headline Spanish inflation on both the EU-harmonised and national measures was upwardly revised by 0.1ppt to 3.4%Y/Y, to be up a chunky 0.9ppt and 1.2ppt on the month respectively and at the highest rates since mid-2024. Today's detail inevitably confirmed that energy provided the principal upwards impulse, with prices of auto fuel and other liquid fuels leaping more than 14%M/M and 30%M/M to push the respective annual rates to their highest levels since Russia's invasion of Ukraine four years ago. And while the rise in electricity prices was limited somewhat by Spain's high share of renewable power generation, an unfavourable base effect meant that inflation component rose too. Moreover, today's release suggested that the increase in inflation was relatively broad-based. Non-energy industrial goods inflation was the firmest since January 2024 with services inflation the strongest in 11 months. As such, Spanish core inflation (excluding food and energy) rose 0.3ppt to 3.1%Y/Y, the highest since December 2023.

### German government follows Spanish & Italian peers in using fiscal policy to lower fuel prices

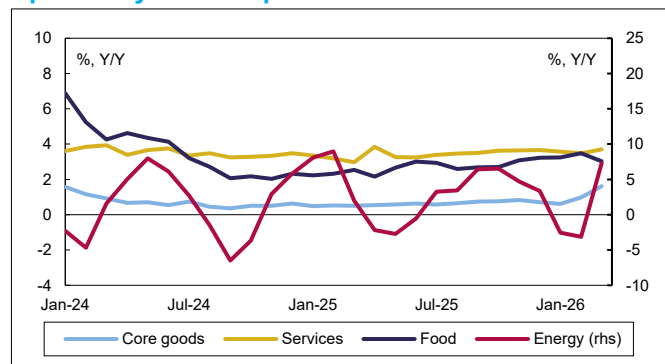
The uptick in Spanish core inflation in March related principally to clothing and package holidays, with the latter likely due to the earlier timing of Easter this year. So, today's release suggested that the indirect impact on prices of events in the Middle East remained muted last month. Of course, fuel prices seem bound to boost airfares over the near term and will be passed through to prices of plastics and other intermediate items in due course. And fertilizer costs will likely push food inflation higher. But the Spanish government's €5bn fiscal package, including cuts to VAT on electricity and gas and auto fuel from 21% to 10% through to end-June, and additional fuel subsidies for certain sectors including transport and agriculture, will reduce energy inflation and soften some indirect effects too. Indeed, Spanish petrol and heating oil prices in the week commencing 6 April were down more than 10% from their peaks two weeks earlier. And while petrol prices in Italy have fallen just 2% from their peak, the government's cut to fuel excise duty has reduced prices by more than 11% since mid-March. In Germany, the detailed March CPI data published last week confirmed that auto fuel inflation jumped almost 20ppt on the month to 19.8%Y/Y, adding more than ½ppt to headline inflation. And petrol prices in the first week of April rose a further 5% to be some 23% higher than their level before the start of the Iran war. But the German ruling coalition this week followed its peers in Italy and Spain by agreeing on a support package worth €1.6bn, including a reduction in the gasoline tax for two months from the start of May to reduce prices at the pump by more than 7%.

### Spain: Headline & core CPI inflation



Source: Macrobond and Daiwa Capital Markets Europe Ltd.

### Spain: Key CPI components



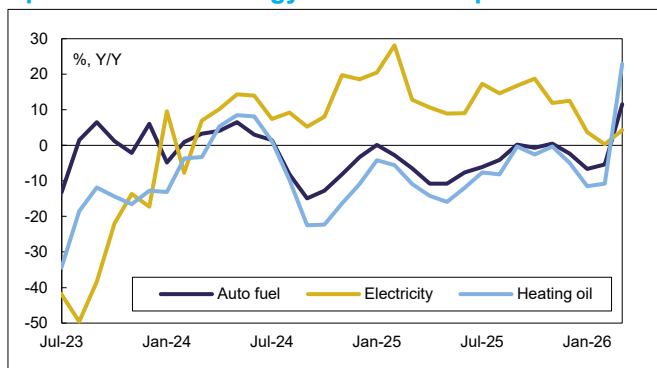
Source: Macrobond and Daiwa Capital Markets Europe Ltd.

## The day ahead in the euro area

The March inflation detail from France will keep up the flow of price data tomorrow ahead of Thursday's final euro area release. As in Germany and Spain, the French figures will confirm that the step-up in the headline HICP rate – to a 19-month high of 1.9%Y/Y, according to the flash release – was driven by higher fuel prices. Indeed, as petrol prices surged by more than 15%, and despite a likely ongoing drag from electricity prices, energy inflation on the national measure jumped by more than 10ppts to 7.3%Y/Y. With slightly weaker food and core goods inflation cancelling out any upwards pressure from services, that rise was probably solely responsible for the pickup in the headline rate.

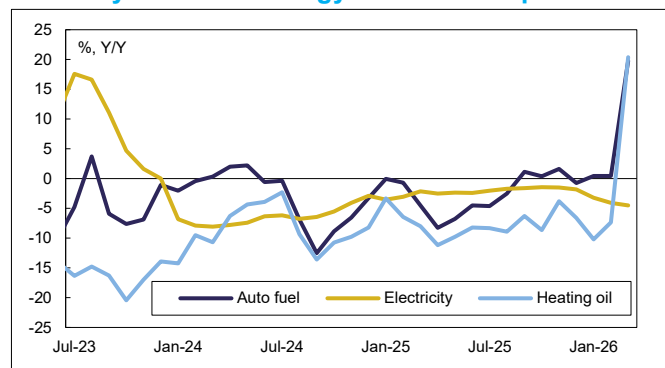
Meanwhile, February's euro area industrial production data might report a modest upturn before the conflict in the Middle East. With production down in France (-0.7%M/M), and little changed in Germany, Italy and Spain, most of the impetus should be attributable to a partial rebound in Ireland (5.7%M/M) after a near-10%M/M drop in January. The upwards revision to manufacturing output in Germany should also lead to a revision to the broader pullback in euro area IP at the start of the year, by roughly ½ppt. But that would still leave output in Q1 so far averaging about 1% less than the level at the end of last year, suggesting that the industrial sector likely weighed on GDP growth last quarter. And despite the resilient signals from some business surveys, events in the Middle East – both higher energy input costs and supply-chain related disruption – skew the risks to March's IP to the downside too. The day ahead should also bring more comments from influential ECB policymakers, with the Executive Board's (now dovish) Schnabel and Governing Council members Villeroy and Escriva scheduled to feature on panels in Washington D.C.

### Spain: Selected energy inflation components



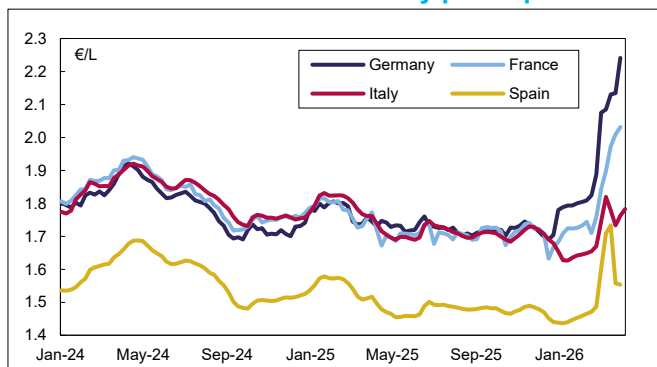
Source: Macrobond and Daiwa Capital Markets Europe Ltd.

### Germany: Selected energy inflation components



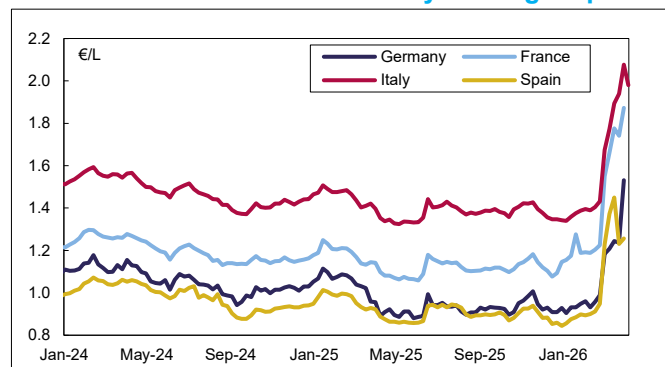
Source: Macrobond and Daiwa Capital Markets Europe Ltd.

### Euro area member states: Weekly petrol prices



Source: Macrobond and Daiwa Capital Markets Europe Ltd.

### Euro area member states: Weekly heating oil prices



Source: Macrobond and Daiwa Capital Markets Europe Ltd.

## UK

### Retail sales gauge flattered (once again) by Easter-related distortions

Despite downbeat world events, the March BRC retail monitor offered some encouragement about the strength of consumer spending last month. According to the survey, retail sales growth accelerated to 3.6%Y/Y, up 2½ppts from February's nine-month low. Like-for-like sales rose to 3.1%Y/Y which also marked the firmest rate since last April. But as in that month, March's strength is likely to have been exaggerated by the timing of the Easter holidays. Indeed, like-for-like food sales were boosted by almost 4ppts, to 6.2%Y/Y, supported by purchases before the bank holiday weekend in early April. The equivalent measure for non-food sales was more modest (0.6%Y/Y, up 1ppt) amid mixed performance across subcategories. The BRC reported that demand for computers and homeware was solid, but that sales of 'travel-related goods' were negatively affected by flight cancellations, not least to and from the Middle East.

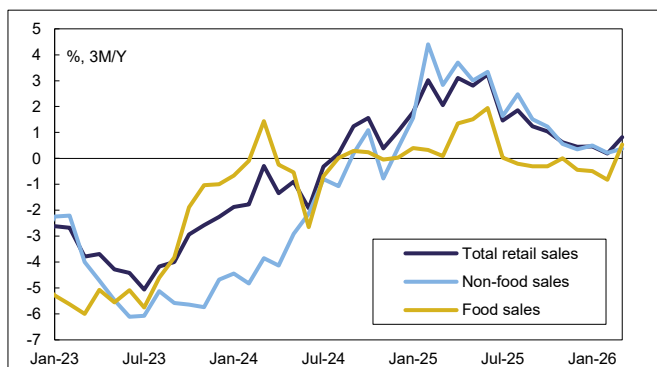
## Oil supply shock means that the near-term outlook for retail sales remains weak

Still, adjusting by the BRC's own measure of shop price inflation, today's data also implied that real retail sales growth was the strongest since last summer (1.9%Y/Y, up 2.3ppts). And certainly, the circumstantial boost to food sales reported today should be reflected in the official series. But, if so, we would expect payback in April to be sharp, not least due to unfavourable base effects after last Easter. And, more broadly, the risks to retail sales over the coming months look to be firmly to the downside. For starters, we caveat that March's sanguine [BRC's inflation survey](#) captured shop prices only up to one week into the war. That might bias our simple proxy measure for retail sales volumes to the upside, even if the indirect effects of the shock are unlikely to have sparked a significant repricing so soon after the start of the conflict. But the direct implications of the energy shock on fuel – petrol and diesel prices respectively some 20% and 35% higher in the six weeks since the war started – and, come Q3, household energy bills, represent a non-negligible hit to real incomes which will likely weigh on discretionary spending. Moreover, unlike the BRC, other surveys have also shown a more immediate impact on sales in March. The [CBI's distributive trades survey](#) – though a less reliable guide to retail momentum as of late – was particularly downbeat about the sector's performance last month, flagging the weakest sales (-52% net balance) since the first Covid lockdown. The deterioration in March's [consumer confidence](#) survey also suggests that revived concerns about the economic outlook will reinforce precautionary saving buffers, while deterring spending on bigger-ticket items.

## The day ahead in the UK

Data-wise, it should be a quiet day ahead for the UK. But having participated in a panel in New York on Tuesday evening, BoE Governor Bailey is due to appear in two more events alongside the IMF-World Bank Spring Meetings in Washington D.C. Those sessions – on stablecoins and global trade imbalances respectively – might not directly give more insight into the Governor's near-term monetary policy view, but could be of interest regardless.

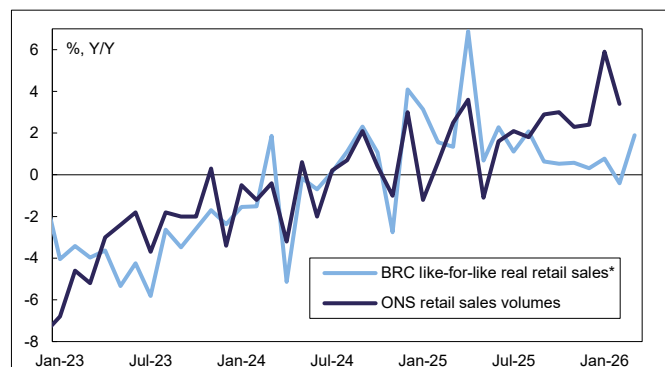
### UK: BRC real like-for-like retail sales\*



\*Adjusted by the BRC shop price index.

Source: Macrobond and Daiwa Capital Markets Europe Ltd.

### UK: Retail sales



\*Adjusted by the BRC shop price index.

Source: Macrobond and Daiwa Capital Markets Europe Ltd.

## European calendar

### Today's results

#### Economic data



Country	Release	Period	Actual	Market consensus/ <i>Daiwa forecast</i>	Previous	Revised
Germany	Wholesale prices M/M% (Y/Y%)	Mar	2.7 (4.1)	-	0.6 (1.2)	-
Spain	Final HICP (CPI) Y/Y%	Mar	3.4 (3.4)	3.3 (3.3)	2.5 (2.3)	-
UK	BRC retail monitor – like-for-like sales Y/Y%	Mar	3.1	0.9	0.7	-

#### Auctions

Country	Auction
Germany	sold €3.953bn of 2.5% 2031 bonds at an average yield of 2.74%

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

**Tomorrow's releases**
**Economic data**

Country	BST	Release	Period	Market consensus/ <i>Daiwa forecast</i>	Previous
Euro area 	10.00	Industrial production M/M% (Y/Y%)	Feb	<u>0.3 (-0.8)</u>	-1.5 (-1.1)
France 	07.45	Final HICP (CPI) Y/Y%	Mar	<u>1.9 (1.7)</u>	1.1 (0.9)

**Auctions and events**

Euro area 	18.00	BdE Governor & ECB Governing Council member Escriva to participate in panel at PIIE event, Washington D.C.			
	19.40	BdF Governor & ECB Governing Council member Villeroy at Semafor event, Washington D.C.			
	20.30	BdF's Villeroy to speak on the euro at Atlantic Council event, Washington D.C.			
	21.00	ECB Executive Board member Schnabel to appear on panel at IIF event, Washington D.C.			
Germany 	10.30	Auction: to sell up to €1bn of 1.25% 2048 bonds			
	10.30	Auction: to sell up to €1bn of 0% 2052 bonds			
	10.30	Auction: to sell up to €1bn of 2.9% 2056 bonds			
UK 	16.50	BoE Governor Bailey to participate in stablecoins panel at IIF event, Washington D.C.			
	19.00	BoE Governor Bailey to participate in global imbalances panel at IMF event, Washington D.C.			

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

## Last week's European data results

**Key data releases**

Country	Release	Period	Actual	Market consensus/ <i>Daiwa forecast</i>	Previous	Revised
<b>Monday 6 April 2026</b>						
Spain 	Unemployment (net employment) change 000s	Mar	<b>-22.9 (80.3)</b>	-	3.6 (45.2)	-
<b>Tuesday 7 April 2026</b>						
Euro area 	Final composite (services) PMI	Mar	<b>50.78 (50.2)</b>	<u>50.5 (50.1)</u>	51.9 (51.9)	-
	Sentix investor confidence indicator	Apr	<b>-19.2</b>	-8.0	-3.1	-
Germany 	Final composite (services) PMI	Mar	<b>51.9 (50.9)</b>	<u>51.9 (51.2)</u>	53.2 (53.5)	-
France 	Final composite (services) PMI	Mar	<b>48.8 (48.8)</b>	<u>48.3 (48.3)</u>	49.9 (49.6)	-
Italy 	Composite (services) PMI	Mar	<b>49.2 (48.8)</b>	51.3 (50.9)	52.1 (52.3)	-
Spain 	Composite (services) PMI	Mar	<b>52.4 (53.3)</b>	50.5 (50.6)	51.5 (51.9)	-
UK 	Final composite (services) PMI	Mar	<b>50.3 (50.5)</b>	<u>51.0 (51.2)</u>	53.7 (53.9)	-
	New car registrations Y/Y%	Mar	<b>6.6</b>	-	7.2	-
<b>Wednesday 8 April 2026</b>						
Euro area 	Retail sales M/M% (Y/Y%)	Feb	<b>-0.2 (-1.7)</b>	<u>-0.3 (1.5)</u>	-0.1 (2.0)	0.0 (2.1)
	Construction PMI	Mar	<b>44.6</b>	-	46.0	-
	PPI Y/Y%	Feb	<b>-3.0</b>	-3.0	-2.1	-2.0
Germany 	Factory orders M/M% (Y/Y%)	Feb	<b>0.9 (3.5)</b>	3.0 (5.6)	-11.1 (3.7)	-(0.3)
	Construction PMI	Mar	<b>48.0</b>	-	43.7	-
France 	Trade balance €bn	Feb	<b>-5.8</b>	-	-1.8	-2.0
	Construction PMI	Mar	<b>38.4</b>	-	43.9	-
Italy 	Construction PMI	Mar	<b>46.8</b>	-	50.4	-
UK 	Construction PMI	Mar	<b>45.6</b>	43.7	44.5	-
<b>Thursday 9 April 2026</b>						
Germany 	Industrial production M/M% (Y/Y%)	Feb	<b>-0.3 (0.0)</b>	0.7 (0.8)	-0.5 (-1.2)	0.0 (-0.9)
	Trade balance €bn	Feb	<b>19.8</b>	18.5	21.4	20.3
Spain 	Industrial production M/M% (Y/Y%)	Feb	<b>-0.1 (-1.1)</b>	-	-0.4 (0.3)	-0.7 (-0.2)
UK 	RICS house price balance %	Mar	<b>-23</b>	-18	-12	-14
<b>Friday 10 April 2026</b>						
Germany 	Final HICP (CPI) Y/Y%	Mar	<b>2.8 (2.7)</b>	<u>2.8 (2.7)</u>	2.0 (1.9)	-
Italy 	Industrial production M/M% (Y/Y%)	Feb	<b>0.1 (0.5)</b>	-	-0.6 (-0.6)	-

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

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