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Snap

## Eurozone economy set for further strength

That's according to the latest PMI and retail sales data. Upside surprises continue to be the norm for Eurozone figures at the moment.

### Temporary inflation surge hits spending

Despite three consecutive increases, quarter retail sales growth came in at just 0.3% QoQ, after 0.8% QoQ in 4Q16, due to a strong jump in October. The somewhat weaker sales last quarter seems to relate to the temporary surge in inflation. This has caused real wage growth to take a hit.

While GDP growth was strong in 1Q, consumption growth may have slowed somewhat. These retail sales figures confirm that.

**2.3%** Eurozone retail sales (YoY%)  
March data

Better than expected

### The overall outlook is still strong

The latest PMI survey indicates that output growth accelerated for both businesses and services. Employment growth slowed slightly, but is still near a decade high. This bodes well for the consumption outlook. Unemployment has continued to come down significantly over recent months and with job growth expected to accelerate, the outlook for consumption remains positive for the months ahead.

So while 1Q may not have been spectacular in terms of sales, there are plenty of signs pointing to a pickup of consumption in the months ahead.

**56.8** April Eurozone composite PMI  
Upward revision

Better than expected

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