

Europe macro tracker

Febrile financial markets

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Economics - Europe

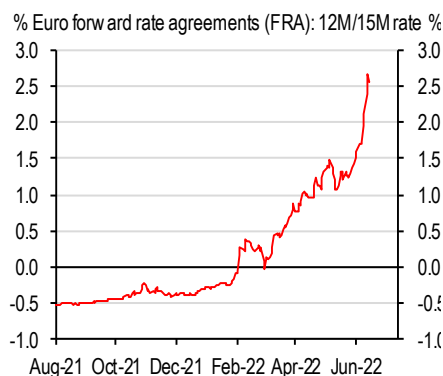
The past week has seen volatile financial markets, triggered by market expectations of more aggressive interest rate rises globally

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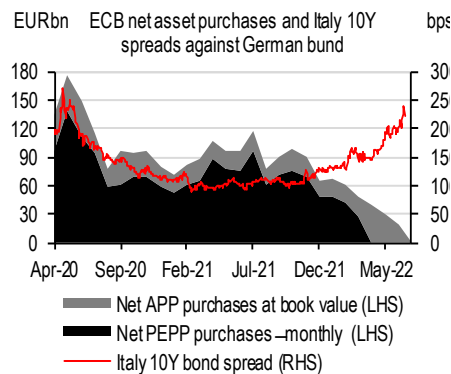
More aggressive rate rise expectations and volatile markets

1. A relatively hawkish ECB in June and strong US inflation data led to expectations of more aggressive rate rises...

2. ...and the widening of BTP spreads accelerated, curbed by an ad hoc ECB meeting

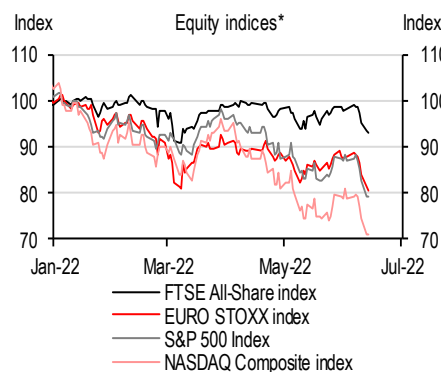


Source: Bloomberg.



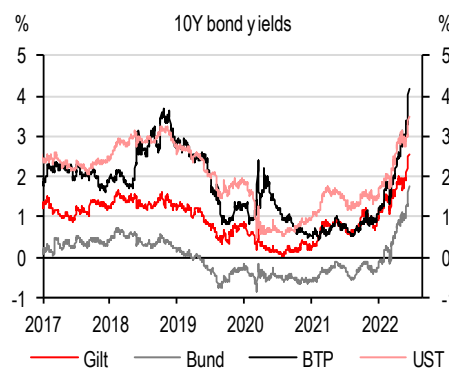
Source: Refinitiv Datastream, ECB, HSBC.

3. Equities sold off...



Source: Bloomberg, HSBC. Note: *3 – 11 Jan (excluding weekends) indexed to 100.

4. ...as long-term interest rates rose



Source: Refinitiv Datastream.

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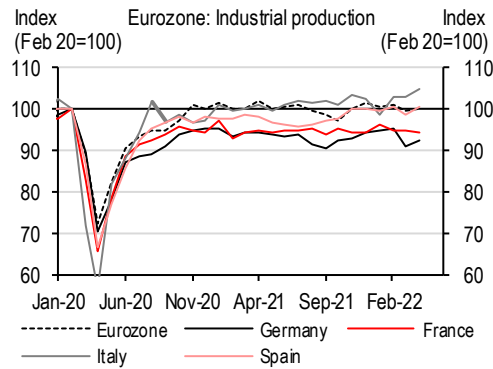
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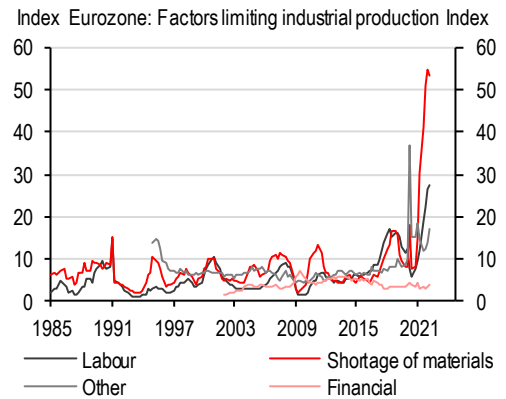
Industrial production recovered slightly

5. Eurozone industrial production grew 0.4% m-o-m in April



Source: Refinitiv Datastream, HSBC.

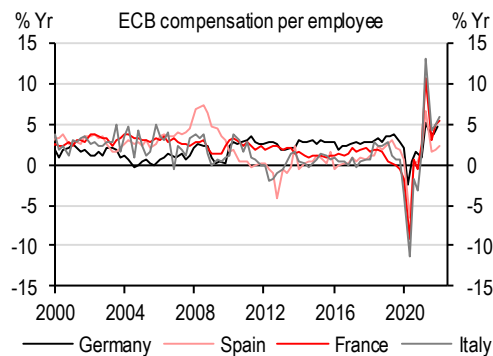
6. ECB surveys suggest that shortages continue to limit production in Q2



Source: ECB.

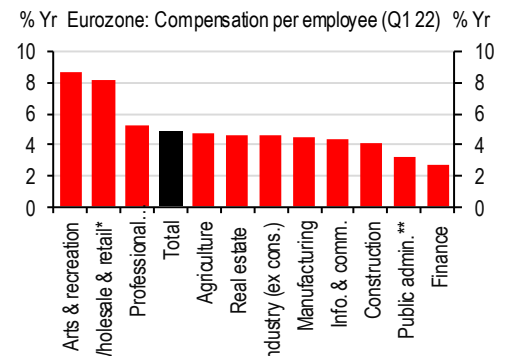
Labour markets still strong

7. Wage growth rose across the Big 4 in Q1 22 with the largest rise seen in Italy



Source: Refinitiv Datastream, HSBC

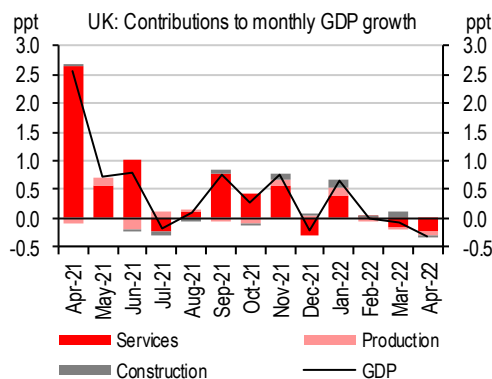
8. Some sectors in the Eurozone saw wages climb more than 8% y-o-y



Source: ECB, Refinitiv Datastream. Note: *Includes accommodation and food services; **includes education, health and defence.

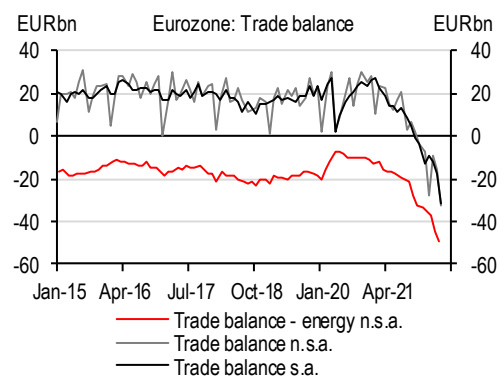
Trade deficits widening sharply

9. UK GDP fell 0.3% in April, with a broad-based decline



Source: ONS.

10. Rising fuel costs led the eurozone goods trade balance to plunge to a record deficit



Source: Refinitiv Datastream, HSBC.

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