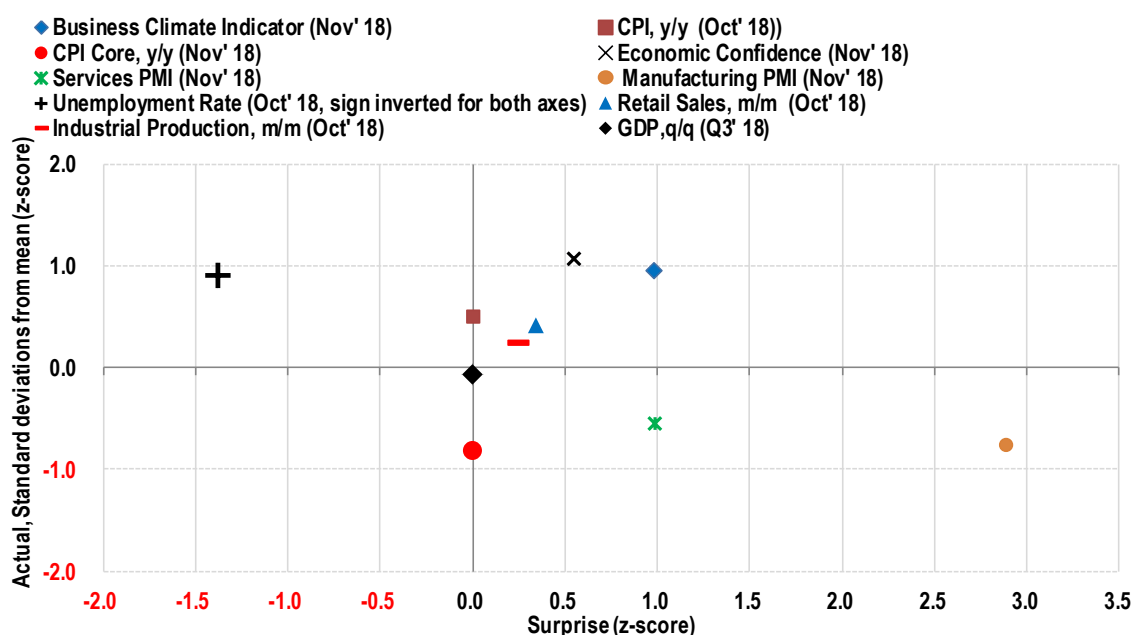


## Pulse

## Eurozone: Signals less negative than expected, but downside risks to growth

Even though most headline indicators exceeded downbeat expectations in November 2018, they remain on a declining trend. The PMIs for Manufacturing (51.4) and Services (51.4), pulled down by the sharp decrease in the French PMI related to heightened social tensions, just managed to stay above the expansion line (50). Economic activity slowed to 0.2 % in Q3 2018, which actually reflects some divergent developments. In particular, in Germany, growth contracted by 0.2 %. Core inflation (+1.0 %), in line with the Consensus, is still well below the ECB's medium-term price objective, but could inch up in the coming months because of the observed acceleration in wages.



Source: Markit, Bloomberg, BNP Paribas calculations

## Indicators preview

The highlight of the week will be the FOMC meeting. The market expects a rate hike but is wondering whether the tone with respect to 2019 will soften considering recent cautious statements coming from the corporate sector. Several data will be published in the US related to the housing market, which has been losing momentum as of late. The manufacturing-sensitive Philadelphia Fed business outlook will also be watched with great attention, as well as the University of Michigan confidence data. The Bank of England and the Bank of Japan are also meeting. Several data releases will allow us to gauge how the UK is coping with Brexit uncertainty. In the eurozone we have eurozone inflation and confidence data, the German IFO index and business confidence in France.

| Date              | Country        | Event                             | Period | Survey    | Prior     |
|-------------------|----------------|-----------------------------------|--------|-----------|-----------|
| 12/17/18          | United States  | NAHB Housing Market Index         | Dec    | 60        | 60        |
| 12/18/18          | United States  | Housing Starts                    | Nov    | 1.23e+06  | 1.228e+06 |
| 12/18/18          | United States  | Building Permits                  | Nov    | 1.265e+06 | 1.263e+06 |
| 12/18/18-12/24/18 | United Kingdom | GfK Consumer Confidence           | Dec    | -14       | -13       |
| 12/19/18          | United Kingdom | CPI MoM                           | Nov    | 0.2%      | 0.1%      |
| 12/19/18          | United Kingdom | CBI Trends Total Orders           | Dec    | 7         | 10        |
| 12/19/18          | United States  | Existing Home Sales               | Nov    | 5.2e+06   | 5.22e+06  |
| 12/19/18          | United States  | FOMC Rate Decision (Upper Bound)  | Dec 19 | 2.50%     | 2.25%     |
| 12/19/18          | United States  | FOMC Rate Decision (Lower Bound)  | Dec 19 | 2.25%     | 2.00%     |
| 12/20/18          | United Kingdom | Retail Sales Ex Auto Fuel MoM     | Nov    | 0.5%      | -0.4%     |
| 12/20/18          | United Kingdom | Bank of England Bank Rate         | Dec 20 | 0.750%    | 0.750%    |
| 12/20/18          | United States  | Philadelphia Fed Business Outlook | Dec    | 15.0      | 12.9      |
| 12/21/18          | United States  | University of Michigan Sentiment  | Dec    | 97.5      | 97.5      |

Source: Markit, BNP Paribas

