

Euro wrap-up

Overview

- Despite an upside surprise to euro area Q3 GDP, Bunds made gains after the flash German inflation estimate for October fell more than expected.
- Gilts also made gains as a UK survey suggested that rising business inflation expectations but softening wage expectations warranted a measured response from the BoE.
- The BoE is expected to raise Bank Rate by 25bps, while data for flash euro area inflation, German factory orders and output are also due in the coming week.

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Daily bond market movements

Bond	Yield	Change
BKO 3 12/28	3.036	-0.032
OBL 2.9 10/31	3.125	-0.045
DBR 3 08/36	3.317	-0.036
UKT 4 05/29	4.866	-0.028
UKT 4½ 03/31	4.926	-0.024
UKT 4¾ 07/36	5.283	-0.009

*Change from close as at 4:30pm GMT.

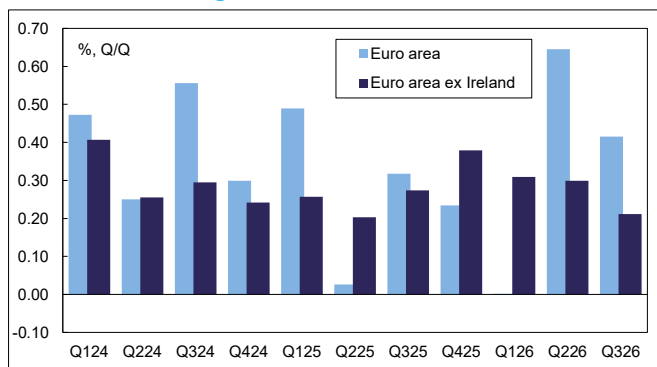
Source: Bloomberg

Euro area

Euro area GDP beat expectations in Q3 despite higher energy prices & continued uncertainty

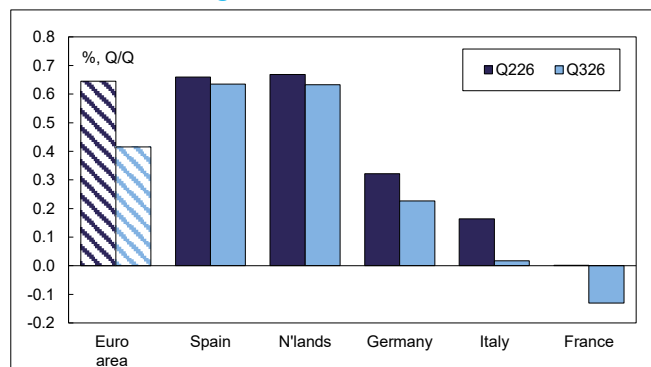
While the ECB yesterday acknowledged downside risks to growth from the persistent energy price shock and tighter financial conditions, the preliminary estimate of euro area GDP in Q3 suggested that activity remained resilient over the summer, adding to hopes that the economy can withstand additional policy tightening this cycle. In particular, economic output rose by a stronger-than-expected 0.4%Q/Q, only slightly softer than in Q2 and 0.1ppt above the ECB's September baseline projection. This lifted annual growth to 1.3%Y/Y, the highest in five quarters and arguably a touch above potential. Admittedly, performance across the member states was mixed, while aggregate growth was again flattered by a particularly strong outturn in Ireland (5.5%Q/Q). Nevertheless, growth in the euro area excluding Ireland – a measure which gives a better guide to underlying growth in the region – remained respectable at 0.2%Q/Q, marking a 14th successive quarter of expansion, and a rate only a touch below the average during that period. While there was no expenditure detail published for the region today, early indications from the member states suggest that private and public consumption provided support. But fixed investment might well have contracted again as firms remained cautious in the face of squeezed margins and continued uncertainty, while exports seemingly retreated after strong growth in Q2.

Euro area: GDP growth



Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Euro area: GDP growth in selected member states

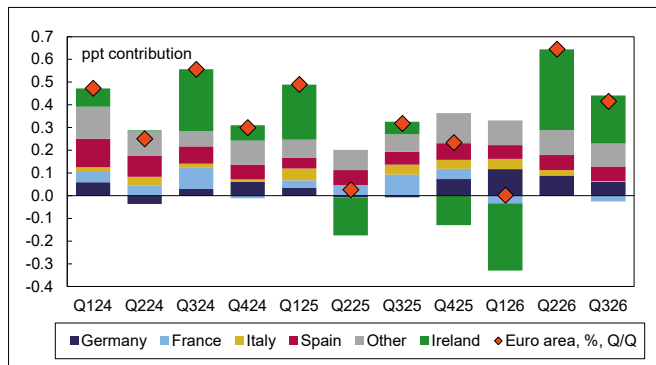


Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Solid growth in Spain, Netherlands and Germany contrasts weakness in Italy & France

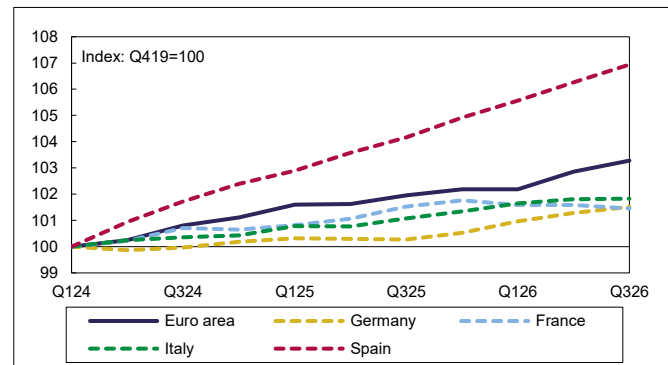
Among the largest member states, Spain and the Netherlands again outperformed, with both economies expanding 0.6%Q/Q. Germany also surprised to the upside, growing 0.2%Q/Q despite a contraction in manufacturing. While softer than in Q2, that marked a fourth successive quarter of expansion, the longest uninterrupted run since 2022, while annual German growth accelerated to a four-year high of 1.3%Y/Y. In contrast, Italy's economy stagnated for the first time in five quarters. And with weakness in exports and capex more than offsetting stronger consumption, French GDP disappointed for the third successive quarter (-0.1%Q/Q), making it one of just two member states to record a decline in activity over the summer and the only one to register a negative annual print (-0.1%Y/Y). The divergences in growth performance were evident in the latest labour market data, with further increases in unemployment in France and Italy in September leaving their respective jobless rates 0.6ppt and 0.4ppt higher than a year earlier. While the German unemployment rate was also higher than a year ago, there were further signs of stabilisation in September. Overall, the euro area unemployment rate was unchanged at an upwardly revised 6.5%, 0.2ppt higher than a year earlier but still just 0.3ppt above the record low reached two years ago.

Euro area: Country contributions to GDP growth



Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Euro area: GDP levels by country

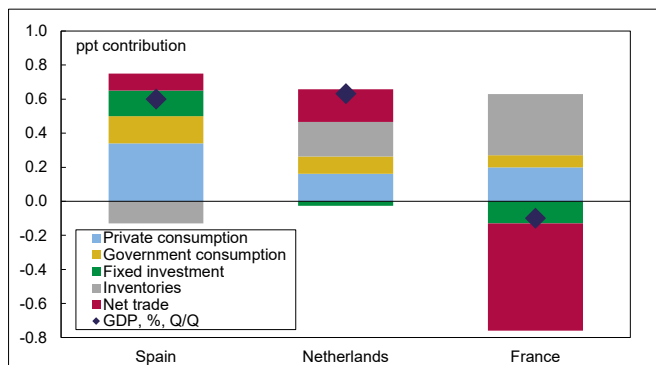


Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Risks to near-term growth outlook skewed to the downside

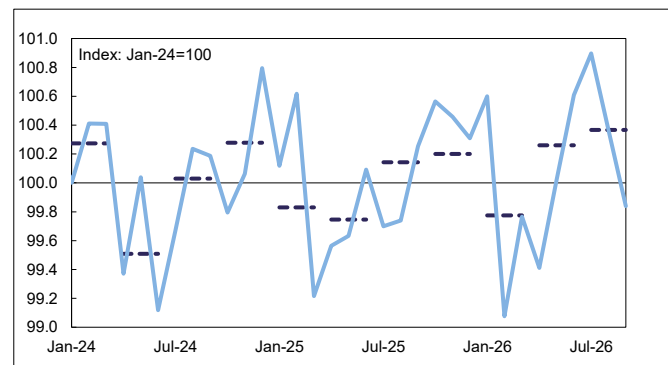
So far, initial surveys for October point to continued economic growth in Q4. But both the flash PMIs and Commission indices suggested that momentum is likely to slow, not least due to heightened political uncertainty and associated social unrest in France. Certainly, the substantial hit to consumer confidence in October raises concerns about near-term spending. Moreover, the strength in French household expenditure in Q3 was flattered by a positive carry-over from Q2, as well as higher energy consumption during the prolonged summer heatwave. Indeed, the monthly figures for September reported a second successive decline in spending on goods (-0.5%M/M) to a five-month low. Meanwhile, although French manufacturers remain broadly upbeat about the near-term production outlook, firms more generally are cautious about the outlook ahead of next year's presidential election. And with financial conditions in the euro area's second largest economy having tightened more significantly in recent months, we see little reason to expect firms to revive capex plans after scaling back investment throughout the first three quarters of the year. Overall, therefore, there is a non-negligible risk that France has slipped back into technical recession. And while surveys so far suggest limited contagion to other member states and we expect German economic activity to accelerate again, we nevertheless expect euro area GDP growth to slow in Q4 and potentially beyond, leaving policymakers mindful of the risk that excessive further monetary tightening would unnecessarily amplify the downturn.

Euro area: GDP expenditure contributions by country



Source: Macrobond and Daiwa Capital Markets Europe Ltd.

France: Household expenditure on goods*



*Dashed lines represent quarterly averages. Source: Macrobond and Daiwa Capital Markets Europe Ltd.

German and Spanish inflation moderates on extension of auto fuel tax cuts

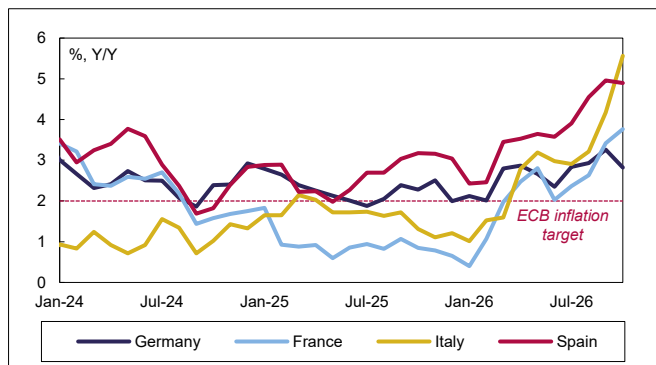
Of course, the Governing Council must balance mounting downside risks to growth against persistent upside risks to inflation. In that respect, today's flash German inflation estimates for October offered some encouragement, with the headline HICP rate falling a sharper-than-expected 0.5ppt to a three-month low of 2.8%Y/Y. Admittedly, that remained almost 1ppt above its level at the onset of the US-Iran war in February. And some of this month's moderation reflects the reintroduction of the government's auto fuel duty cut, which saw energy prices decline for the first time since June and inflation ease 2.7ppts to 12.2%Y/Y. The slight moderation in Spanish HICP inflation, by 0.1ppt to 4.9%Y/Y, similarly reflected lower petrol prices. More encouragingly for policymakers, however, there remained limited evidence that higher operating costs were feeding through materially to underlying goods prices. German food inflation remained very subdued at 0.4%Y/Y, while our estimate of non-energy industrial goods inflation was unchanged close to 2%Y/Y. Moreover, services inflation fell unexpectedly to 2.7%Y/Y, its lowest in more than four years, although the decline was largely driven by seasonal

components, including package holidays and restaurants. Overall, German core inflation fell a sizeable 0.3ppt to 2.1%Y/Y, its weakest rate since June 2021.

French and Italian inflation rise to highest levels since 2023 as energy pressures intensify

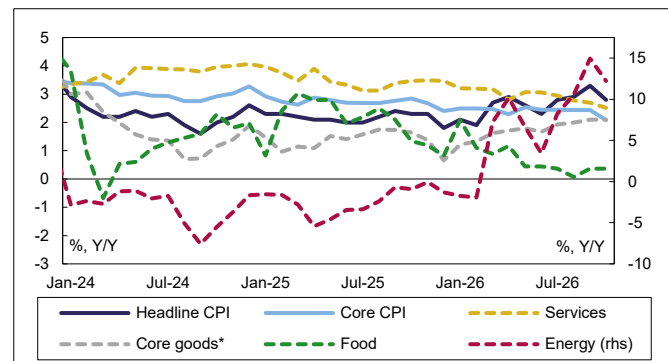
In contrast, French and Italian inflation rose more than expected in October, reaching their highest rates since 2023. In France, headline HICP inflation increased 0.4ppt to 3.8%Y/Y, while in Italy it jumped a striking 1.4ppts to 5.6%Y/Y, leaving the respective rates 2.7ppts and 4ppts above their February levels. As such, we now expect euro area headline inflation to rise 0.2ppt to 4.0%Y/Y in October. Given the continued rise in petrol prices, alongside a significant increase in Italian regulated electricity prices, energy inflation remained the principal driver in France and Italy, rising to the highest levels since 2022. But there were also signs of pressure in parts of the services sector. In France, services prices posted their largest October increase since 2008, lifting inflation in that category to the highest level in more than two years. While this acceleration was concentrated in notoriously volatile tourism-related categories, the rise in Italy was underpinned by record-high inflation in information and communication services. The impact of the summer drought and higher operating costs was also seemingly evident in fresh food prices. But while inflation in the broader food, alcohol and tobacco category jumped 1ppt to 2.9%Y/Y in Italy, it edged only slightly higher in France. More reassuringly, there remained little evidence that higher goods pipeline pressures were being passed meaningfully through the supply chain, suggesting that the pickup in core inflation in both countries might prove temporary and that risks of significant second-round inflationary pressures remain contained.

Euro area member states: HICP inflation



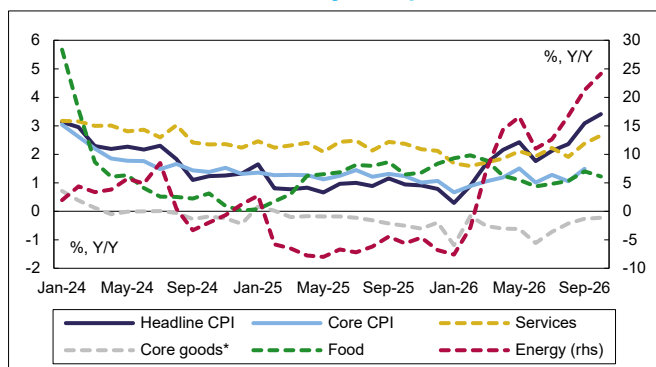
Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Germany: CPI inflation & key components



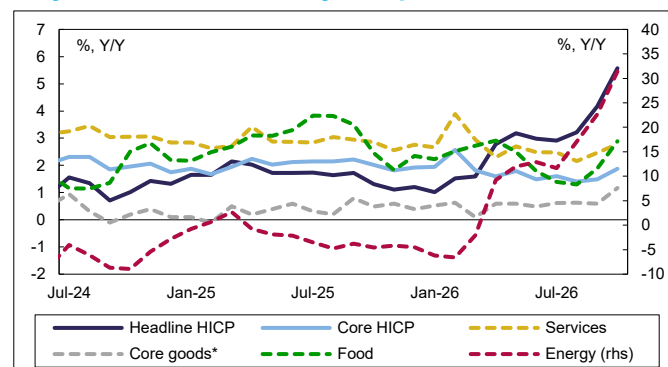
*Non-energy industrial goods. Source: Macrobond and Daiwa Capital Markets Europe Ltd.

France: CPI inflation & key components



*Non-energy industrial goods. Source: Macrobond and Daiwa Capital Markets Europe Ltd.

Italy: HICP inflation & key components



*Non-energy industrial goods. Source: Macrobond and Daiwa Capital Markets Europe Ltd.

The week ahead in the euro area

The euro area data highlight in the coming week will be the preliminary estimate of inflation for October on Wednesday. Given the effect of lower fuel prices on headline inflation in certain key member states, these should at least guard against the possibility of yet another energy-led acceleration this month. But, nor do we expect much respite. Weighing up the moves across the member states, we now expect headline inflation to rise 0.2ppt to 4.0%Y/Y, which would be the highest in more than three years. Today's data suggest that energy prices remain the key driver. The effects of higher input costs and recent heatwaves might have precipitated a further, albeit modest, uptick in food inflation from their lows over the summer. Signals for core components were more mixed, suggesting that their rate could also be nudged higher from 2.5%Y/Y even if price pressures haven't meaningfully broadened. Meanwhile, September's goods producer price inflation data (Thursday) are

likely to underscore the upside risks posed by rising input costs, with national figures pointing towards a third-consecutive sizable increase for the euro area and a gradual broadening of pipeline pressures from energy into other manufacturing subsectors. And perhaps of most interest to the Governing Council will be the ECB's wage tracker update (Wednesday) for signals of any notable upwards pressure on incoming wage settlements. Coverage for the first half of next year remains slightly lower than it did last year, but the tracker has implied settlements oscillating around 2.75%Y/Y.

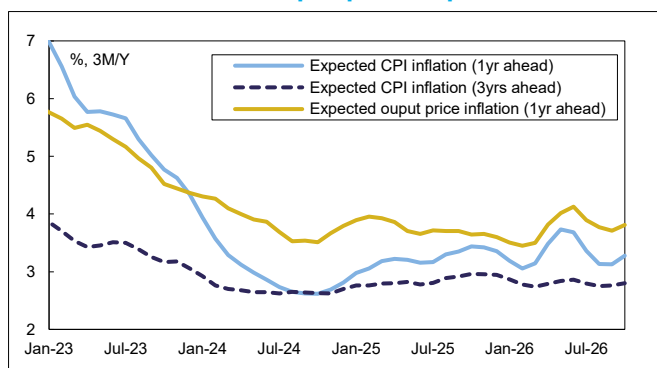
In terms of activity, the week ahead will also bring a handful of releases which could yet have a bearing on Q3 GDP estimates. September's euro area retail sales figures (Friday) are likely to confirm the first quarterly decline in three years. Ahead of September, sales volumes were running around ¼% below the Q2 average. That weakness largely reflects developments in Germany (September data due Monday), which following the expiry of temporary support measures and a broader pullback in discretionary spending left sales around 2% below the Q2 average. Meanwhile, German factory orders (Thursday) and industrial output (Friday) have fared slightly better thanks to firm ICT- and defence-related demand. Despite a sharp decline in orders in August (-10.6%M/M), reflecting payback for recent large transport orders, core orders edged down only slightly. And we might expect renewed growth in September. IP was broadly flat in the first two months of Q3, although this masks a significant divergence between construction activity strength (almost 5%) and weakness in manufacturing (-1½%), particularly in energy-intensive subsectors. In any case, September's PMIs suggest that the boost to construction activity might have been temporary, while a pickup in the manufacturing output index, alongside a bounce back from the autos sector following seasonal shutdowns earlier in the quarter, could reduce the decline in German manufacturing output last quarter. Moreover, the final October manufacturing and services PMIs (Monday and Wednesday) will be expected to confirm that improved momentum for German manufacturers carried into the start of Q4. Admittedly, risks to the overall euro area PMIs might be skewed to the downside, with additional survey responses likely to greater reflect the heightened uncertainty and disruption in France. The construction PMIs (Thursday) will also provide a signal regarding October's building activity. French IP data (Thursday) are also likely to flag that manufacturing weighed on growth ahead of September's goods trade data (Friday).

UK

Rising price- and softening wage-expectations warrant a measured response from the BoE

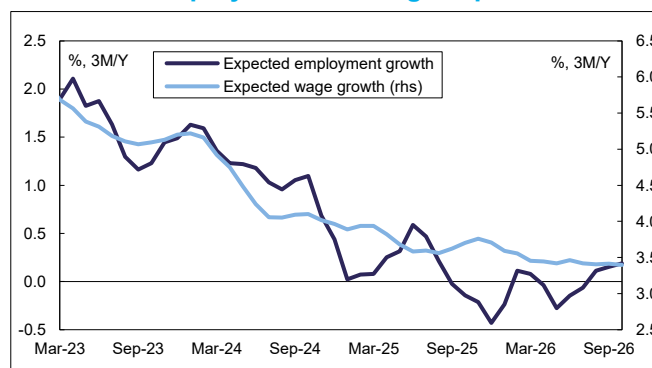
Given the relatively quiet calendar ahead of Thursday's monetary policy announcement – October's final PMIs being the only release of note still to come – today's Decision Maker Panel survey provided the final top-tier data for the MPC's deliberation. As expected, the survey reported a modest pickup in firms' year-ahead output price (3.8%3M/Y) and CPI expectations (3.3%3M/Y) on a three-monthly basis, by 0.1ppt respectively. The single-month readings for each of those series were also higher this month, suggesting that a modest uptrend will be maintained towards year-end. Output price expectations (4.0%Y/Y) in October were the firmest since before the US-Iran MoU was signed, perhaps hinting at an increased difficulty for firms to absorb prolonged energy and technology-related cost pressures. But perhaps most striking was the acceleration in reported current output price growth which, at 4.2%Y/Y, was almost ¾ppt above its rate two months earlier and a 25-month high. Admittedly, those pressures were most acute in sectors closest to the shocks, including communications and construction. And there is little evidence of longer-term inflation expectations becoming de-anchored. But, on balance, those signals on prices support the case for a hike in Bank Rate on Thursday (see our preview below).

UK: Firms' CPI and output price expectations



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

UK: Firms' employment and wage expectations*



*One-year ahead. Source: BoE DMP, Macrobond and Daiwa Capital Markets Europe Ltd.

On the other hand, October's survey also emphasised the ongoing absence of pay pressures which, if sustained, would suggest limited need for additional monetary policy tightening thereafter. Realised wage growth (3.8%Y/Y) was reportedly the softest in the series' brief history while year-ahead expectations fell to a three-month low (3.3%Y/Y). The quarterly detail noted that expectations were highest in hospitality, but still slightly softer than the 3.9% increase to the National Living Wage from April 2027 announced this week by the government. Hiring sentiment, while improving, also remains relatively weak,

which should continue to limit the need to meet demands for compensation after recent inflation outturns. Moreover, a separate BoE report today suggested that the inflation shock has so far had limited influence on wage settlements in 2026 (3.6%) and pointed to a broadly similar level in 2027. In that regard, whether the BoE's Agents pay survey later this year verifies that assumption could be of importance in determining whether or not additional rate hikes in Q127 will be forthcoming.

MPC is expected to raise Bank Rate for the first time since August 2023 when it meets next week

All eyes in the UK over the coming week will be on Thursday's monetary policy announcement and accompanying Monetary Policy Report. Having left rates on hold since the start of the year, the BoE is finally expected to join its peers in resuming some form of tightening cycle. Governor Bailey recently reiterated that interest rates would have likely been lower in the absence of the energy price shock and that, alongside tighter financial conditions, the Bank's decision to keep Bank Rate unchanged this year already constituted a de-facto tightening of its stance. However, having asserted in July that the BoE was not edging towards a hike, Governor Bailey was forced to acknowledge in September that circumstances had changed. Echoing the sentiment of most MPC members – three of whom had already dissented in favour of raising Bank Rate at that meeting – he warned that “if the conflict in the Middle East persists for an extended period, as appears to be the case, and the risk of second-round effects emerging increases, it is likely that policy may have to tighten”. And since then, the conflict in the Middle East has indeed persisted and those risks of second-round effects have undoubtedly intensified. Wholesale energy prices have risen close to and above recent highs while widening crack spreads have amplified their transmission to prices of refined products. As a result, UK inflation rose to an 11-month high in September (3.5%Y/Y), leaving it tracking the BoE's ‘adverse’ scenario through Q3, and it is poised to replicate that form in the current quarter too. For what it's worth, financial conditions have tightened further since September, and evidence of second-round effects has thus far been absent. But since the activity data have repeatedly surprised the BoE with their strength, and labour market indicators suggest that slack has begun to bottom out, the case for a risk-management hike has grown. Overall, we expect that will lead a clear majority – perhaps barring only either of the dovish external members Dhingra or Taylor – to vote for a 25bps hike, thus taking Bank Rate back to 4.00%, its highest level since December.

Selected recent quotes from MPC members*

Governor Bailey (various)

“The economy is actually turning out to be more resilient than we expected... but it's not as strong a growth as frankly we need.”
 “We haven't raised the official rate, but we've effectively tightened policy relative to where it was expected to be [pre-energy shock].” (16 October)
 “The longer the pattern of higher energy prices persists, the more difficult this situation becomes” (8 October)
 “It's going to get harder to maintain that stance the longer we have high energy prices...we can't, as monetary policymakers, wait to get the full evidence on the second-round effects to make that call.” (25 September)

Deputy Governor Breeden (various)

“What's really different now relative to when we had the last energy shock in 2022 is that people aren't looking to push costs through.” (15 October)
 “The larger and longer the shock, the more likely it is we will see the material second-round effects policy needs to respond. As risks crystallise it's increasingly appropriate for bank rate to respond.” (24 September)

Deputy Governor Ramsden (28 September)

“The risks to the inflation outlook, whether external or domestically generated, have tilted more to the upside. Whilst the policy stance continues to provide restrictiveness, were upside pressures on the inflation outlook to continue to build, there could be a case for increasing Bank Rate.”

Deputy Governor Lombardelli (24 September)

“The longer higher energy prices persist, the greater the risk that indirect effects build and that inflation expectations, wage bargaining and price-setting behaviour begin to adjust in response. On that basis, policy is increasingly likely to need to tighten if elevated energy prices persist, absent clear evidence of disinflation or weaker activity.”

Alan Taylor (29 September)

“My view is that the current stance is also sufficiently restrictive ... Against that backdrop, the case for further rate increases is not compelling to me unless energy prices remain high for an extended period and also generate clearer signals of a transmission into broader inflation persistence.”

Swati Dhingra (28 September)

“We should go slower simply because we're dealing with a supply shock and I'm worried that if we keep our foot on the brake for too long, that would mean that there's also lower investment, lower supply capacity in the future.”

Chief Economist Pill (14 October)

“Is it obvious that we will need to follow market pricing to four 25bps hikes and so forth? There I would be a little bit more sceptical. To get to 100bps, then I do think we probably need to see some more concrete manifestation of these [second-round inflationary] risks.”

Megan Greene (20 October)

“Our broad range of wage indicators suggests there is less slack in the labour market than we thought, and it may have peaked...this suggests the risk of second-round effects taking hold is higher. This is even more so the case as energy prices have remained high and volatile for longer. In my view, this makes a risk management approach to our monetary policy strategy even more appropriate.”

Catherine Mann (1 October)

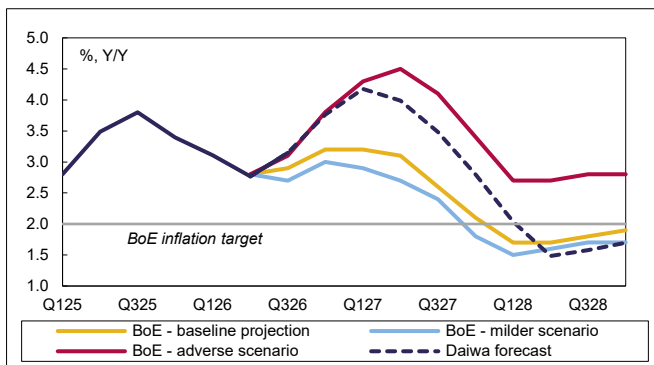
“At some point, we need to follow-through with Bank Rate rises – to maintain credibility, and to avoid policy expectations repricing downwards”
 “The appropriate response therefore is not to rely on risk premia to do the work of policy, but to reduce inflation risk and policy uncertainty through a clearly communicated reaction function and a sufficiently restrictive path for Bank Rate.”

*Since the latest MPC meeting on 17 September 2026. Blue shading shows MPC members who voted to hold Bank Rate at 3.75%, and gold shading shows MPC members who voted to raise Bank Rate to 4.00%. Source: BoE, Bloomberg, CNBC and Daiwa Capital Markets Europe Ltd.

Baseline inflation projections to be revised sharply higher, principally owing to energy prices

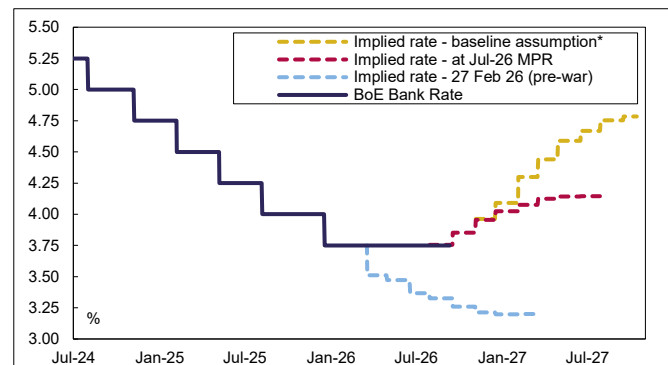
The MPC's policy summary, assessments of individual members stated in the minutes, and post-MPC press conference will all offer some clue as to the potential likelihood and frequency of further rate hikes. However, the BoE's updated macroeconomic projections and scenario analysis will be key. Given recent developments in energy markets as well as the overshoot realised in recent months, the BoE will be forced to revise its baseline inflation forecast materially higher. July's macroeconomic forecasts had been flattered by a dip in energy prices following the signing of the US-Iran MoU, which had all but broken down by the time of publication. Assuming a similar window to then, the assumptions used for Brent crude oil prices in 2027 should be revised up by around 25% and natural gas prices – which are the key driver of regulated electricity prices – by as much as 80%, exceeding the BoE's current 'adverse' scenario both this year and next. We expect that will push the baseline profile for inflation roughly 1ppt above its current baseline in the first half of next year, above 4¼%Y/Y in Q1 and 4%Y/Y in Q2. By virtue of the profile for energy prices, inflation is likely still to be shown gradually decelerating thereafter and falling to the 2% inflation target only slightly later in 2028. However, there remains significant uncertainty about the magnitude of additional second-round effects which will be factored in. Indeed, the propagation of indirect and second-round inflation effects has thus far appeared weaker than expected for the given increase in energy prices. But some rate-setters will view high inflation in H127 as a significant upside risk to wage settlements in April and likely to push the limits of firms' ability to absorb higher costs. There is also uncertainty about what fresh judgements the BoE might make in terms of AI-related price pressures and food inflation, which have undershot expectations thus far.

UK: Inflation projections



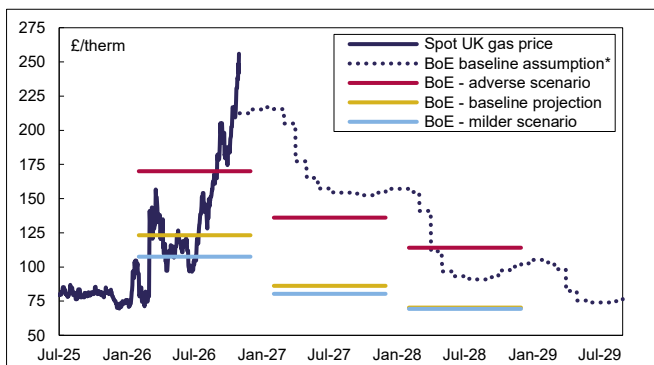
Source: Macrobond, BoE Jul-26 MPR and Daiwa Capital Markets Europe Ltd.

UK: Market-implied paths for Bank Rate



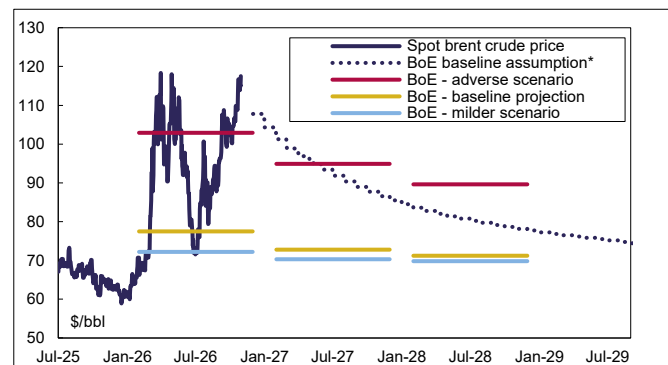
*Based on OIS prices in the 15 working days to 26 October 2026. Source: Bloomberg, Macrobond, BoE Jul-26 MPR and Daiwa Capital Markets Europe Ltd.

UK: Natural gas futures & BoE assumptions



*Based on futures curves in the 15 working days to 26 October 2026. Source: Bloomberg, BoE Jul-26 MPR and Daiwa Capital Markets Europe Ltd.

UK: Brent crude futures & BoE assumptions



*Based on futures curves in the 15 working days to 26 October 2026. Source: Bloomberg, BoE Jul-26 MPR and Daiwa Capital Markets Europe Ltd.

GDP surprises to be revised up too, but implications for second-round effects less clear

Uncertainty as to how the inflation shock will propagate through the economy should again be reflected in a suite of scenarios conveying different assumptions regarding energy prices and second-round effects. But it is probable that at least a degree of additional persistence will be factored into the baseline. As noted, all scenarios will have to reflect a more resilient labour market than had been expected. And the profile for GDP will be revised significantly higher, with current outturns suggesting annual growth this year should be marked up to 1½%Y/Y. Carry-over points towards a brighter outlook in 2027 too. But, while acknowledging the surprising resilience, some policymakers have questioned its longevity given expectations of greater price pressures and the recent role played by AI-related spending. Crucially, whereas the BoE's previous projections were conditioned on only two hikes in Bank Rate, current market pricing suggests that November's

forecasts will be conditioned on as many as three more hikes. And that additional restrictiveness should translate mechanically into weaker GDP growth and more subdued second-round effects than otherwise. However, to the extent that the markets' pricing partly reflects an additional risk premium, we suspect that the MPC would view that prescription as appropriate only under a new 'adverse' scenario. Indeed, even Chief Economist Huw Pill – who has dissented in favour of resuming hikes since the onset of the energy shock – has cast doubt on the markets' pricing without a “more concrete manifestation” of second-round effects. In our view, the new baseline scenario is likely to leave the door open to at least one more hike by the MPC over the coming months, albeit perhaps conditional on clearer evidence regarding the risks of inflation persistence. Meanwhile, a 'milder' scenario could signal a world with more manageable second-round effects, under which the BoE might be able to return to removing restrictiveness towards end-2027.

The next Euro wrap-up will be published on Wednesday 4 November 2026

Daiwa economic forecast

		2026			2027			2026	2027	2028
		Q2	Q3	Q4	Q1	Q2	Q3			
GDP		%, Q/Q						%, Y/Y		
Euro area		0.6	0.4	0.3	0.2	0.2	0.2	1.1	1.1	1.2
UK		0.5	0.7	0.2	0.5	0.3	0.3	1.5	1.5	1.2
Inflation, %, Y/Y										
Euro area										
Headline HICP		3.0	3.3	4.0	4.2	3.5	3.1	3.1	3.3	1.9
Core HICP		2.4	2.5	2.6	2.8	2.8	2.7	2.4	2.7	2.2
UK										
Headline CPI		2.8	3.1	3.8	4.2	4.0	3.5	3.2	3.6	1.7
Core CPI		2.5	2.6	3.0	3.1	3.2	3.0	2.8	3.0	2.5
Monetary policy, %										
ECB										
Deposit Rate		2.25	2.50	2.75	2.75	2.75	2.75	2.75	2.75	2.50
Refi Rate		2.40	2.65	2.90	2.90	2.90	2.90	2.90	2.90	2.65
BoE										
Bank Rate		3.75	3.75	4.00	4.00	4.00	4.00	4.00	4.00	3.50

Source: Bloomberg 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
Euro area	 GDP – first estimate Q/Q% (Y/Y%)	Q3	0.4 (1.3)	<u>0.3 (1.3)</u>	0.6 (1.2)	-
	 Unemployment rate %	Sep	6.5	6.4	6.4	6.5
Germany	 GDP – first estimate Q/Q% (Y/Y%)	Q3	0.2 (1.3)	<u>0.1 (1.1)</u>	0.3 (1.0)	-
	 Preliminary HICP (CPI) Y/Y%	Oct	2.8 (2.8)	3.1 (3.0)	3.3 (3.3)	-
	 Unemployment claims rate % (change 000s)	Oct	6.4 (4)	6.4 (5)	6.4 (12)	-
France	 Import prices M/M% (Y/Y%)	Sep	2.1 (10.4)	2.0 (10.3)	1.0 (8.3)	-
	 GDP – first estimate Q/Q% (Y/Y%)	Q3	-0.1 (-0.1)	<u>0.1 (0.3)</u>	0.0 (0.5)	-
	 Preliminary HICP (CPI) Y/Y%	Oct	3.8 (3.4)	3.6 (3.3)	3.4 (3.1)	-
	 PPI Y/Y%	Sep	6.8	-	4.8	4.9
	 Consumer spending M/M% (Y/Y%)	Sep	-0.5 (-0.4)	0.1 (0.4)	-0.5 (0.8)	- (0.6)
Italy	 Preliminary private sector payrolls Q/Q%	Q3	-0.1	-	-0.1	-
	 GDP – first estimate Q/Q% (Y/Y%)	Q3	0.0 (0.8)	<u>0.1 (0.9)</u>	0.2 (1.0)	-
	 Preliminary HICP (CPI) Y/Y%	Oct	5.6 (5.4)	4.6 (4.6)	4.2 (4.2)	-
Spain	 Hourly wages Y/Y%	Q3	2.5	-	2.4	-
	 GDP – first estimate Q/Q% (Y/Y%)	Q3	0.6 (2.7)	<u>0.4 (2.5)</u>	0.7 (2.6)	-
	 Preliminary HICP (CPI) Y/Y%	Oct	4.9 (4.9)	4.9 (4.9)	5.0 (4.9)	-
UK	 DMP – year-ahead output price (CPI) expectations 3M/Y%	Oct	3.8 (3.3)	3.8 (3.3)	3.7 (3.1)	-
	 Nationwide house prices M/M% (Y/Y%)	Oct	0.0 (0.5)	-0.2 (0.6)	-0.2 (0.8)	-0.3 (-)

Auctions

Country	Auction
- Nothing to report -	

Source: Bloomberg and Daiwa Capital Markets Europe Ltd

The coming week's data calendar

The coming week's key data releases

Country	GMT	Release	Period	Market consensus/ <i>Daiwa forecast</i>	Previous
Monday 2 November 2026					
Euro area		09.00 Final manufacturing PMI	Oct	<u>52.4</u>	52.9
Germany		07.00 Retail sales M/M% (Y/Y%)	Sep	0.4 (-0.2)	1.3 (-0.4)
		08.55 Final manufacturing PMI	Oct	<u>54.2</u>	53.9
France		08.50 Final manufacturing PMI	Oct	<u>49.3</u>	50.6
Italy		08.45 Manufacturing PMI	Oct	49.8	50.4
Spain		08.15 Manufacturing PMI	Oct	50.5	51.0
UK		09.30 Final manufacturing PMI	Oct	<u>52.8</u>	51.9
Tuesday 3 November 2026					
- Nothing scheduled -					
Wednesday 4 November 2026					
Euro area		09.00 Final composite (services) PMI	Oct	<u>51.9 (51.7)</u>	53.1 (53.0)
		10.00 Preliminary headline (core) HICP Y/Y%	Oct	<u>4.0 (2.5)</u>	3.8 (2.5)
Germany		08.55 Final composite (services) PMI	Oct	<u>52.8 (51.7)</u>	53.8 (52.9)
France		08.50 Final composite (services) PMI	Oct	<u>48.4 (48.4)</u>	51.1 (51.2)
Italy		08.45 Composite (services) PMI	Oct	50.7 (51.5)	51.0 (51.7)
Spain		08.00 Unemployment change (employment net change) 000s	Oct	-	23.6 (108.8)
		08.15 Composite (services) PMI	Oct	56.2 (57.8)	56.8 (58.3)
UK		09.30 Final composite (services) PMI	Oct	<u>53.1 (53.1)</u>	52.0 (52.1)
Thursday 5 November 2026					
Euro area		10.00 PPI M/M% (Y/Y%)	Sep	2.5 (10.6)	1.9 (8.2)
Germany		07.00 Factory orders M/M% (Y/Y%)	Sep	5.0 (3.3)	-10.6 (2.7)
		08.30 Construction PMI	Oct	-	43.5
France		07.45 Industrial production M/M% (Y/Y%)	Sep	0.4 (-0.3)	-0.3 (0.3)
Italy		09.00 Retail sales M/M% (Y/Y%)	Sep	-	0.3 (0.5)
UK		09.00 New car registrations Y/Y%	Oct	-	12
		09.30 Construction PMI	Oct	46.5	46.1
		12.00 BoE Bank Rate %	Nov	<u>4.00</u>	3.75
Friday 6 November 2026					
Euro area		10.00 Retail sales M/M% (Y/Y%)	Sep	-0.1 (0.6)	0.1 (0.8)
Germany		07.00 Industrial production M/M% (Y/Y%)	Sep	-0.2 (1.4)	2.0 (2.3)
France		07.45 Trade balance €bn	Sep	-	-6.1
		07.45 Preliminary wages Q/Q%	Q3	-	0.7
Spain		08.00 Industrial production M/M% (Y/Y%)	Sep	-	-0.7 (1.5)

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

The coming week's key events & auctions

Country		GMT	Event / Auction
Monday 2 November 2026			
- Nothing scheduled -			
Tuesday 3 November 2026			
Germany		10.30	Auction: to sell up to €5bn of 2.9% 2031 bonds
UK		10.00	Auction: to sell £3.25bn of 4.625% 2037 green bonds
Wednesday 4 November 2026			
Euro area		09.00	ECB to publish wage tracker update
		13.20	ECB Chief Economist Lane speaks in Berlin
Germany		10.30	Auction: to sell up to €1bn of 2.6% 2041 bonds
		10.30	Auction: to sell up to €1bn of 1.25% 2048 bonds
Thursday 5 November 2026			
Euro area		08.05	ECB's Schnabel opens the ECB's Conference on Money Markets in Frankfurt
France		09.50	Auction: to sell up to €12bn of 3.7% 2036, 4% 2038, 2.5% 2043 & 4.4% 2057 bonds
Spain		09.30	Auction: to sell 3.1% 2031, 3.4% 2036, 3.5% 2041 bonds & €750mn of 0.7% 2033 inflation-linked bonds
UK		12.00	BoE monetary policy announcement, summary and minutes, and Monetary Policy Report to be published
		12.30	BoE Governor Bailey to conduct post-MPC press conference
Friday 6 November 2026			
Euro area		09.30	ECB Chief Economist Lane to participate in a fireside chat at the ECB's Conference on Money Markets in Frankfurt
UK		12.15	BoE Chief Economist Pill to brief the MPC's national agents on updated macroeconomic projections

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

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