

# GLOBAL & REGIONAL DAILY

February 1, 2023

## Global markets

Awaiting the FOMC to slow down the pace of rate tightening to 25bps today, but also to signal that further rate hikes are in store and restrictive policy will likely be maintained for longer, the US Employment Cost Index (ECI) — the Fed's preferred wage gauge — dropped to a lower than expected 1.0%QoQ in Q4 from 1.2%QoQ in the prior quarter, though still remained above levels consistent with the inflation target. Turning to the Eurozone, Q4 GDP unexpectedly rose by 0.1%QoQ, suggesting that, for the time being, a technical recession has been avoided, largely thanks to Ireland which recorded a stunning growth rate of 3.5%QoQ. Meanwhile, taking their cue from Wall Street's gains overnight, Asian bourses ended modestly higher today, the DXY USD index was still struggling at slightly above 102, and sovereign bonds were firmer on both sides of the Atlantic, thanks to the ECI drop and France's January CPI numbers, which — unlike the Spanish print earlier this week — were in line with expectations (HICP at 7.0%YoY).

## Greece

The seasonally adjusted retail trade volume index, a measure that is highly and positively correlated with real private consumption, recovered marginally in Nov-22, posting an increase of 0.7% MoM / 1.0% YoY, after decreasing for two straight months in Sep-22 (1.2% MoM) and Oct-22 (0.9% MoM). In the same month, the respective turnover index rose by 1.7% MoM / 12.3% YoY, reflecting the relatively high inflation rate (8.8% YoY in terms of the HICP). The specialized stored categories with the highest monthly increases in their sales in constant prices were books, stationery and other goods (6.3%, includes IT equipment), food, beverages and tobacco (3.2%) and automotive fuel (1.3%). In Oct-22 to Nov-22, the average retail trade volume index decreased by 1.1% relative to Aug-22 to Sep-22 and by 0.6% on an annual basis, increasing the downside risks for real private consumption in Q4-22. Today, ELSTAT and S&P Global are scheduled to announce the Dec-22 unemployment rate and the PMI manufacturing index respectively.

## CESEE

In its latest Macroeconomic Forecast, the Bulgarian National Bank (BNB) raised its GDP growth forecasts for 2022 and 2023 to 3.4% and 0.4% respectively from 2.8% and 0.1% projected in October and pinpointed a rebound of 3.2% in 2024. While risks are deemed broadly balanced for 2023, delays in the absorption of EU funds under the RRF framework were highlighted in the report as a drag for growth in 2023, a development which in our view is related to the lingering political uncertainty. Turning to Serbia, real GDP growth decelerated to 0.4%YoY in Q4 from 1.0%YoY in the previous quarter, based on yesterday's flash estimate. Under the assumption that the final print due on February 28 will coincide with the preliminary estimate, Serbia's GDP growth rate for 2022 is expected to land at 2.4%. Finally, based on the IMF's updated WEO, growth prospects in the region and the wider EM sphere have improved compared to the previous estimates in October.

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