

GLOBAL & REGIONAL DAILY

March 2, 2023

Global markets

February US manufacturing ISM rose less than expected to 47.7 comparing to January's 47.4, pointing to a contraction in manufacturing for a fourth consecutive month. However, the prices paid component unexpectedly jumped to 51.3 from 44.5 in January, exceeding the area of 50 for the first time since September, suggesting that inflation may remain high for longer. Meanwhile, Minneapolis Fed President Neel Kashkari mentioned yesterday that he is "open-minded" about 25bps or 50bps rate hike at the next meeting. He also said that "I think my colleagues agree with me that the risk of undertightening is greater than the risk of overtightening". To this end, the 10yr UST yields rose, peaking at 4.04% earlier today, the highest since November 2022. Against this backdrop, the USD retained a firm tone with the DXY USD index standing above 104.50 in early European trade today.

Greece

According to the final Jan-23 State Budget Execution data, the overall fiscal balance posted a surplus of €1.48bn higher by €0.56bn (61.4%) compared to the respective 2023 Budget monthly target. The primary fiscal balance recorded a surplus of €2.77bn, improved by €0.63 bn (29.2%) compared to the respective budget target. State budget revenue amounted to €7.17bn, registering an increase of €0.57bn (8.7%) compared to the respective budget target; VAT revenue overperformance was mainly due to the better-than-expected outcome of the other goods and services VAT category that posted an-over-the-budget-target increase of 14.1%. State budget expenditure amounted to €5.69bn, registering an increase of €0.01bn (0.2%) compared to the respective budget target. A boost in tax revenue is expected in Feb-2023 because of the revenues from the 2022 vehicle circulation tax and the 2022 income tax instalment schemes (payment deadline was in 28 Feb-23).

CESEE

The Cypriot economy grew by 4.5%YoY in Q4-2022 according to the final estimate released yesterday, marking a moderate deceleration relative to Q3-2022 (5.3%YoY). However, on a quarterly basis GDP increased by 1.1%, after a 1.7% rise in the previous quarter. The slowdown on an annual basis was mainly driven from the same trend in investments (+4.7%YoY vs. +32.5%YoY in Q3-2022), due to a smaller accumulation of inventories, as well as in household consumption (+6.6%YoY from +9.6%YoY). On the contrary, the external balance improved in Oct-Dec '22, both from a small acceleration in export growth (+10.4%YoY after +9.9%YoY), due to a stronger increase in exports of goods (+18.1%YoY from +10.6%YoY), and from a slowdown in imports (+12.2%YoY from +18.4%YoY). Overall, in 2022 GDP expanded by 5.6%, a moderate deceleration relative to the 6.6% growth rate in 2021 given the implications of the war in Ukraine.

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