

# GLOBAL & REGIONAL DAILY

January 4, 2023

## Global markets

According to the first estimate, Germany's HICP fell sharply in December to a lower than expected 9.6%YoY from 11.3%YoY in November, driven by lower energy prices and the government's one-off payment of household energy bills, increasing expectations that Friday's Eurozone flash December inflation data will surprise to the downside. In reaction, European government bonds gained, while the EUR lost some ground, briefly dropping below 1.06 against the USD, ahead of today's US ISM manufacturing survey for December and the minutes of the FOMC's 13-14 December meeting. Turning to the US, construction spending unexpectedly rose by 0.2%MoM in November supported by a hefty 1.7%MoM increase in private non-residential construction spending, while the October reading was revised slightly upwards to -0.2%MoM from -0.3%MoM initially reported, boding well for Q4 GDP growth. That said, as of January 3, the Atlanta Fed's GDPNow model projects an annualized growth rate of 3.9% for Q4 GDP, up from 3.7% shortly before Christmas.

## Greece

According to the data from the Independent Power Transmission Operator and the National Natural Gas System Operator, the Greek households and firms reduced their consumption for electricity and natural gas by 25.1% and 17.8% respectively in January-November 2022. More specifically, the consumption of electrical power dropped to 3.657 GWh in November 2022, from 4.881 GWh in January 2022. One explanatory factor for this result was the relatively mild weather conditions. Given the above developments, the official targets for a reduction in the consumption of electricity (5% during the peak hours) and natural gas (15% in August 2022 – March 2023 compared to the respective 5-year average) are on track. Finally, in other news, the passenger traffic in the 14 regional airports managed by Fraport stood at 31mn in 2022, recording an increase of 3.4% compared to the pre-pandemic year of 2019.

## CESEE

Based on preliminary data by Bulgaria's Ministry of Finance, the general government budget deficit, under the ESA 2010 standards, is estimated at 2.9% as a percentage of the projected GDP. The result bodes well for the Stability and Growth Pact criteria that refer to the fiscal discipline and, as such, the perspective for Bulgaria's convergence assessment in the upcoming EC and ECB's reports on its readiness to join the eurozone is shaped positive. Despite the more prudent budget execution in 2022 compared to the target of a 4.1% of GDP deficit, the unfulfilled expectations for stronger revenues from social insurance and tax contributions were highlighted as a factor to watch and improve in 2023. Meanwhile, with the first mandate given by President Rumen Raden in early December to GERB, the first winning party, for a government formation not having borne fruits, the second was handed in yesterday to WCC, the second largest party.

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