

# GLOBAL & REGIONAL DAILY

February 6, 2023

## Global markets

US January non-farm payrolls rose by 517k, the largest monthly gain since July 2022, following an upward-revised increase of 71k in the prior two months. Adding to the astonishing tone of the report, the unemployment rate unexpectedly fell to 3.4%, the lowest level since May 1969, while average hourly earnings dropped to 4.4%YoY from 4.8%YoY, though still remained well above levels consistent with the Fed's 2% inflation target. The US ISM services index for January also surprised to the upside, rising by 6ppts to 55.2, the largest monthly gain since June 2020. In reaction, short-term Fed rate tightening expectations were revised higher, with fed fund futures for June pricing in currently a terminal fed funds rate above 5%, while expectations of the Fed cutting rates by the end of this year were moderated. In reaction, Asian bourses ended mostly lower, also affected by rising US/China tensions, sovereign bonds weakened on both sides of the Atlantic, giving back last week's post central-bank meeting gains, and the USD DXY index rose above 103.

## Greece

According to Eurostat's flash estimate, the inflation rate eased for a fourth month in a row in Jan-23. More specifically, the HICP inflation decreased to 7.2% YoY (8.5% YoY in EA20) from 7.6% YoY in Dec-22 (9.2% YoY in EA20), the 6<sup>th</sup> lowest rate among the EA20 countries. On the contrary, the core component of the HICP inflation (overall index excluding energy, food, alcohol and tobacco) registered an acceleration to 6.5% YoY from 5.9% YoY in Dec-22 (unchanged at 5.2% YoY in the EA20) signaling that the current inflationary trend is spreading more broadly throughout the economy. In other news, according to press reports, the proposal of the General Confederation of Greek Workers (GSEE) for the increase in the minimum wage, scheduled to be introduced on April 1<sup>st</sup>, 2023, stands at 16% (€826), while employers are in favor of an increase around 6%. Based on the same reports, the government could move towards a scenario of a 9.5% rise to €780 from €713 today.

## CESEE

The CPI inflation in Turkey decelerated further on an annual basis in Jan-23, to a 10-month low of 57.6% from 64.3% in Dec-22. On the other hand, the monthly pace rose to 6.7% from 1.2% a month ago. The latest weakening of inflationary pressures came mainly from a slower escalation of prices in housing, electricity, gas (+56.2%YoY vs. +79.8%YoY) alcoholic beverages - tobacco (+50.6%YoY vs. +65.1%YoY) and furnishings - household equipment (+61.9%YoY from +73.0%YoY), the first and the third expenditure categories holding the biggest weights in the CPI basket. The slowdown is linked to milder energy prices, globally but also domestically, following the cut in the electric power price cap by the energy market regulator (EPDK) in January affecting the industry's production cost, as well as to price index base effects. The further cut in the power price cap in early February could sustain a weakening momentum in the coming months; however, a strong deceleration could be averted by the new 54.7% increase in the net minimum wage since January 2023.

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