

GLOBAL & REGIONAL DAILY

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Global markets

The US ISM services PMI came in at a higher than expected 55.1, little changed from January's 55.2, confirming that its drop into contractionary territory in December was a one-off. The breakdown of the report was mixed, with the employment component rising to its highest level since late 2021 (54.0), but the prices paid sub-index dropped to a two-year low (65.6), though still remained well above the threshold of 50. Risk markets responded positively to firm US data, while fixed income markets were also firmer today, with the 10-yr UST yield hovering slightly below 3.95% at the time of writing after closing above 4.00% late last week for the first time since November 2022, taking the 2/10-yr yield spread to a new multi-year low near -90bps and the yield curve at its most inverted in more than 40 years. Meanwhile, in FX markets, major currency pairs remained stuck within recent trading ranges ahead of the Fed Chair Jerome Powell's semi-annual testimony before Congress on Tuesday and Wednesday and Friday's US February non-farm payrolls report.

Greece

After climbing to their highest level since May-11 at the end of 2022, non-financial private sector deposits at domestic MFIs retreated to €180.2bn in Jan-23, declining by 2.7%MoM, according to data released by the Bank of Greece. This monthly decrease was driven by declines in the deposits of non-financial corporations (-7.8%MoM) and households (-1.1%MoM). Adjusted for write-offs, reclassifications, and FX fluctuations, credit to the non-financial private sector decreased as well (-1.6%MoM) for the first time in twelve months. This decline is largely—albeit not fully—accounted for by seasonality, as a correction usually takes place in January, following December's strong performance. In annual terms, deposits increased by 4.3%. Both adjusted credit stock and gross monthly credit flows to the non-financial private sector remained deeply into expansionary territory, growing by 5.0% and 14.6% respectively.

CESEE

In Turkey, the CPI inflation decelerated further on an annual basis in Feb-23, for the fourth consecutive month, to a 12-month low of 55.2% from 57.7% in Jan-23. The new easing in inflationary pressures came mainly from a slower escalation of prices in furnishings - household equipment (+54.1%YoY after +61.9%YoY), transport (+44.9%YoY vs. +47.7%YoY) and food-non-alcoholic beverages (+69.3%YoY from +71.0%YoY), the two latter expenditure categories holding the third and first biggest weight respectively in the CPI basket. The annual slowdown was driven partially from base effects, especially in transport services, as well as from milder energy prices, globally and domestically, e.g., from the two cuts in Jan-Feb-23 in the power price cap by the energy market regulator (EPDK). A strong deceleration was averted by the new increase in the net minimum wage since Jan-23. The implications of the devastating earthquakes on household demand are expected to sustain disinflationary trends in the coming months.

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