

# GLOBAL & REGIONAL DAILY

January 9, 2023

## Global markets

US non-farm payrolls increased by a solid 223k in December, though slightly lower from November's downward revised gain of 256k and the monthly trend of 263k over the past three months. The unemployment rate dropped from a downward revised 3.6% in November to 3.5%, matching September's 50-year low, and average hourly earnings fell to 4.6%YoY from 4.8%YoY, though still well above levels required to be consistent with the Fed's 2% inflation target. That said, the US labor market is slowing, but very gradually. Separately, the ISM services index unexpectedly dropped by a hefty 6.9ppts to 49.6 in December, moving below 50 for the first time since May 2020. Amid expectations of a less aggressive pace of rate hikes from the Fed ahead, the DXY USD index lost ground ahead of Thursday's US CPI, risk-on sentiment improved and UST yields dropped sharply, while EGBs also gained, after Eurozone inflation data showed a bigger than expected decline in the headline CPI to 9.2%YoY in December, though core accelerated to 5.2%YoY.

## Greece

According to the Eurostat flash estimate for the inflation rate in December 2022, the annual change of the overall HICP declined for the third month in a row to 7.6% (9.2% in the euro area), from 8.8% in November 2022. This was the sixth lowest reading among the EA Member States. For the 12-month period of January-December 2022, the average HICP increased by 9.3% on an annual basis relative to 0.6% in January-December 2021. Core inflation, measured by the overall HICP excluding energy, food, alcohol and tobacco, also decelerated to 6.0% in December 2022 (5.2% in the euro area) from 6.8% in November 2022. ELSTAT is scheduled to announce the final figures on 12/1/2023. In other data releases, the Economic Sentiment Indicator improved to 104.3 in December 2022, from 101.4 in the previous month (to 95.8 from 94.0 in the euro area). However, it deteriorated for a second quarter in a row in Q4 2022 to 101.4 from 102.6 and 105.4 in Q3 2022 and Q2 2022 respectively.

## CESEE

The CPI inflation in Turkey posted a strong deceleration in December, to 64.3%YoY from 84.4%YoY in November, the lowest level of the last 9 months. The monthly pace also lost steam, to 1.2% from 2.9% in November and 3.5% in October. The significant weakening of inflationary pressures came mainly from prices in transport (+54.4%YoY vs. +107.0%YoY in November), food and non-alcoholic beverages (+77.9%YoY against +102.5%YoY) and furnishings - household equipment (+73.0%YoY against +92.8%YoY), the two former expenditure categories holding the biggest weights in the CPI basket. The slowdown is linked to lower prices of energy goods globally and the stabilisation of the lira exchange rate. Provided these trends will persist, in part because of macroprudential measures on banks, inflation could sustain a weakening momentum in the coming months; however, a continuous deceleration will be averted by the 54.7% new increase in the net minimum wage in January 2023.

## Contributing Authors:

**Paraskevi Petropoulou**  
Senior Economist  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Dr. Stylianos Gogos**  
Research Economist  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

**Michail Vassileiadis**  
Research Economist  
[mvasileiadis@eurobank.gr](mailto:mvasileiadis@eurobank.gr)

## Research Team



**Dr. Tasos Anastasatos** | Group Chief Economist  
tanastasatos@eurobank.gr | + 30 214 40 59 706



**Dr. Stylianos Gogos**  
Research Economist  
sgogos@eurobank.gr  
+ 30 214 40 63 456



**Maria Kasola**  
Research Economist  
mkasola@eurobank.gr  
+ 30 214 40 63 453



**Paraskevi Petropoulou**  
Senior Economist  
ppetropoulou@eurobank.gr  
+ 30 214 40 63 455



**Dr. Theodoros Rapanos**  
Economic Analyst  
trapanos@eurobank.gr  
+ 30 214 40 59 711



**Dr. Theodoros Stamatou**  
Senior Economist  
tstamatou@eurobank.gr  
+ 30 214 40 59 708



**Michail Vassileiadis**  
Research Economist  
mvassileiadis@eurobank.gr  
+ 30 214 40 59 709

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