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Global markets

Ahead of today's US non-farm payrolls report, data released yesterday showed that initial jobless claims rose more than expected in the week ending March 4, to 211k, the highest level so far this year, suggesting that labor market conditions may be softening. Reflecting investors' sensitivity to US employment-related data as Fed Chair Powell has made clear that, along with inflation data, they are key drivers of the central bank's monetary policy stance, market pricing for a 50bps rate hike at the March 22 policy meeting fell sharply, close to 45%, from near 70% ahead of the jobless claims data release. Against this backdrop, the DXY index lost some ground, though still holding above the 105 level, while USTs gained sharply with short-dated paper outperforming and the 2/10-yr yield curve bull-steepening. After marking a fresh post-2007 peak at 5.08% earlier this week, the 2yr-yield dropped further today to a fresh multi-session low of 4.75%, returning to levels that prevailed before the Fed Chair's hawkish comments to the Senate on Tuesday.

Greece

Despite the energy crisis and the pickup in the building material costs, the construction sector had a robust performance in 2022. Among the 10 aggregate sectors of economic activity (NACE Rev. 2), construction printed the highest percentage increase in terms of real gross value added (26.0% YoY), with its share in total real GVA rising to 2.4% from 2.0% in 2021 (all-time record high at 6.2% in 2006 and all-time record low at 1.7% in 2017). Moreover, real fixed investment in dwellings and other buildings and structures increased strongly by 36.1% YoY and 21.5% YoY respectively in 2022. Finally, the confidence indicator in construction (source: IOBE and EC) registered a value of 7.7 in Feb-23 (from -24.2 in Jan-23) which marks a 17-month high.

CESEE

In line with market expectations, the National Bank of Serbia (NBS) delivered yesterday an additional 25bps rate increase, setting the Key Policy Rate (KPR) at 5.25%. The increase is the 12th in a row of a hiking cycle at play since April 2022, translated into 475bps of cumulative tightening up to date. The decision is well reasoned on the grounds of inflation rising since July 2021 and remaining unabated 18 months after, with prospects over imminent decompression considered limited. That said, the CPI print came in at 15.8%YoY in January accelerating from 15.1%YoY in December while, in monthly terms, headline inflation increased by 1.4% from 0.5% in the previous month. While the NBS anticipates prices to ease in H2-2023 before peaking further in Q1-2023, routed increases in energy prices by 8% from May 1, 2023 and up to May 1, 2024 agreed between the Serbian government and the IMF in order for the latter to greenlight in late Dec-2022 the EUR2.4bn Stand By Agreement (SBA), render inflationary pressures hard to ease.

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