

GLOBAL & REGIONAL DAILY

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Global markets

US data released yesterday surprised to the upside, highlighting risks of inflation staying high for longer and providing further support to the prevailing view that the Fed's tightening cycle has more to run in order to tame inflation. US retail sales rose by a higher than expected 3.0%MoM in January, the biggest monthly increase in nearly two years, manufacturing production rose by a solid 1.0%MoM, recovering part of a cumulative 2.6% decline in the prior two months, the NAHB housing market index rose from January's 35 to a five-month high of 42, and the February's Empire manufacturing index, though still in negative territory, climbed by 27.1, the biggest monthly increase since July 2020, to -5.8. The above firm US data point to solid GDP growth at the start of the year, with the Atlanta Fed revising up its Q1 GDP growth estimate to a seasonally adjusted annual rate of 2.4% from 2.2% previously. Against this backdrop, 10-yr UST yields rose further marking a fresh year-to-date high close to 3.83% and the USD retained a broadly firm tone.

Greece

According to ELSTAT, the annual inflation rate based on the HICP, after hitting an all-time high in Sep-22 (12.1%), declined for a fourth month in a row in Jan-23 registering a value of 7.3% (8.5% in the Euro Area), marginally higher than Eurostat's flash estimate, from 7.6% in Dec-22. Among the 12 main groups of goods and services that form the overall HICP, the highest contribution to the Jan-23 inflation rate came from the categories of food and non-alcoholic beverages (15.2% with a weight of 20.3%), transport (9.4% with a weight of 13.0%) and hotels-cafes-restaurants (7.9% with a weight of 20.6%). The inflation rate in the category of housing, water, electricity, gas and other fuels, the workhorse behind the rising prices in 2022, turned negative in Jan-23 (-0.3% from +23.7% in Jan-22), reflecting strong base effects from the drop in energy prices. Based on the EC's winter economic forecast, the 12-month average inflation rate is projected to ease to 4.5% in 2023 and 2.4% in 2024.

CESEE

The Cypriot economy grew on an annual basis by 4.4% in Q4-2022 according to the GDP flash estimate released earlier this week, marking a deceleration relative to Q3-2022 (5.4%). Based on the non-revised in the flash estimate annual growth figures for the previous quarters last year, average GDP increase in 2022 stands at 5.6%, thus, not much lower compared to a robust growth rate of 6.6% in 2021, despite the implications of the war in Ukraine. The FY2022 print exceeds by a tad the latest consensus forecast (5.5%) and slightly falls below the EC projection in the recent Winter 2023 Economic Forecast (5.8%). Although the preliminary figures for GDP and its components are due on March 1, it was mentioned in the press release for the flash estimate that growth in Q4-2022 was mainly based on the sectors of Hotels - Restaurants, Transport - Storage, Information - Communications and Wholesale - Retail Trade, which were the main growth drivers also in the previous three quarters.

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