

GLOBAL & REGIONAL DAILY

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Global markets

Government bonds sold off, risk sentiment deteriorated, and the EUR weakened against the USD, after comments by several ECB officials raised questions about the likelihood of a rate cut any time soon. Bundesbank President Joachim Nagel was quoted as saying that it is too early to discuss rate cuts and Austrian central bank governor Robert Holzmann warned not to count on a cut at all this year. Even the President of the Central Bank of Cyprus, Constantinos Herodotou, who is among the GC's more dovish members, insisted that any discussion about rate easing would be premature and would not constitute a data-dependent approach. In terms of data releases, German GDP contracted by 0.3%YoY in 2023, the weakest annual growth since 2020. Q4 GDP fell by 0.3%QoQ but Q3 growth was revised up by 0.1ppts to flat, suggesting that the economy narrowly escaped a recession. In other news, former US President Donald Trump easily won the first 2024 Republican presidential contest in Iowa with around 51% of the vote.

Greece

According to the Jan-23 to Dec-23 preliminary State Budget Execution data the overall fiscal deficit was at €3.99bn on a cash modified basis, posting a 52.2% improvement compared to the 12-month target set for 2023 in the 2024 Budget. The primary fiscal balance registered a surplus of €3.69bn, exceeding the 12-month target by €4.54bn, improved by 533.8%. State budget revenue stood at €66.68bn, 102.3% of the annual target. Tax revenue was €61.67bn, rising by €0.65bn and standing at 101.1% of the annual target. Finally, state budget expenditure was at €70.77bn, higher by €1.78bn and at 96.2% of the annual estimate. In other news, the Ministry of Finance introduced draft legislation to align the country with EU Directive 2022/2523, targeting tax avoidance by large corporations, with a minimum 15% tax rate for firms earning over €750mn. The legislation aims to limit unfair competition and standardize EU tax rates. This move could affect 19 Greek and 900-950 foreign business groups, potentially increasing tax revenues by up to €80mn.

CESEE

Further steps in the disinflation process in the region, as Bulgaria's headline inflation eased in December to 4.7%YoY from 5.4%YoY the month before. Monthly inflation also lost pace, albeit fractionally, from 0.33% in November to 0.27% the following month. Among the goods and services categories included in the CPI, inflation slowed down mainly in recreation-culture (-6.2ppts), health (-2.3ppts), housing-water-utility (-0.7ppts) and restaurants-hotels (-0.7ppts). In Turkey, the central government budget deficit for 2023 amounted to TRY1,375bn or 5.4% of the projected GDP in the country's mid-term economic programme, after a 1.9% of GDP deficit in 2022. 60.5% of the 2023 deficit (TRY842.5) was realised alone in December, on account of unprecedented capital transfers of TRY 639.4bn mostly related to the reconstruction process due to the Feb-23 earthquakes. According to the Finance Minister Mehmet Simsek, net of the reconstruction spending, the central government deficit accounts for 1.7% of GDP.

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