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Global markets

A busy day of economic data releases provided mixed signals over the direction of the US economy, though with a hint of weakening momentum in January. Following a hot CPI release earlier in the week, yesterday's January US retail sales print was weaker than expected, falling 0.8%MoM compared with the consensus estimate for a drop of 0.2%MoM following a downwardly revised 0.4%MoM increase in December. Meanwhile, industrial production unexpectedly contracted 0.1%MoM in the same month. Against that, the US labour market showed continued resilience, with initial jobless claims last week dropping to 212k – 8k fewer than expected – from a downwardly revised 218k the previous week, while the Philadelphia Fed reported a surprise expansion of factory activity in the region. With the economic signals being mixed, USTs are little changed after giving up post-retail sales gains. Earlier on Thursday, Q4 GDP data from the Japan and the UK showed both those countries entering technical recessions.

Greece

According to the European Commission's Winter 2024 forecasts published yesterday, Greece's real GDP growth slightly underperformed the Autumn Forecast, reaching 2.2% in 2023 due to reduced consumption growth and slower recovery in key EU trade partners, though investment and net exports contributed positively. The economic outlook for 2024 and 2025 remains stable at 2.3%, with consumption growth and increased investments due to RRF-funded projects and a shift towards more productive investments, constituting the two main drivers of growth. Inflation moderated to 4.2% in 2023, with core inflation higher at 5.3%. Inflation is expected to gradually decrease to 2.7% in 2024 and 2.0% in 2025, affected by a tightening labor market and the upcoming minimum wage increase. In other data, in Jan-24, the State Budget execution exceeded expectations with a €0.93bn overall fiscal surplus and a primary fiscal surplus of €2.12bn, driven by higher-than-anticipated tax and PIB revenue, as well as lower expenditure.

CESEE

The European Commission's winter forecasts point to a weaker growth in the region in 2024-2025. The EC revised downwards its GDP projections for 2024 relative to its autumn forecasts for six out of 11 CESEE countries, upgraded its forecast for three countries, and in two cases left the growth figure unchanged. The outlook for 2024 is less rosy mainly for Estonia (-1.3ppts, to 0.6%), Latvia (-0.7ppts, 1.7%) and Lithuania (-0.4ppts, 2.1%). On the flipside, a stronger growth is expected for Slovakia (+0.6ppts, 2.3%), Bulgaria (+0.1ppts, 2.5%) and Croatia (+0.1ppts, 2.6%). For 2025, weaker growth is projected in five countries, mainly Lithuania (-0.4ppts, 3.0%), Latvia (-0.3ppts, 1.7%) and Czechia (-0.2ppts, 2.8%), with forecasts revised upwards only for Slovakia (+0.6ppts, 2.6%) and Estonia (+0.5ppts, 3.2%), and the outlook for four countries unchanged. In other news, in Cyprus, the Q4 GDP flash estimate was stronger on an annual basis than the Q3 print (+2.3% from 2.2%), with the quarterly change remaining positive, though weaker (+0.8% vs. +1.1%).

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