

# GLOBAL & REGIONAL DAILY

January 25, 2024

## Global markets

USTs were slightly firmer earlier today ahead of the advance estimate for US Q4 2023 GDP, recovering part of yesterday's losses recorded in the aftermath of a notably weak \$61bn 5-yr UST auction and the surprisingly strong preliminary US PMI survey for January. The manufacturing PMI unexpectedly rose and came back in expansion territory, up by 2.4ppts to 50.3, while the respective figure for services improved by a higher than anticipated 1.5ppts, to 52.9. On the flipside, EGBs were under some modest pressure, with the 10-yr UST/Bund yield spread narrowing close to 181bps ahead of today's ECB monetary policy meeting, where the central bank is widely expected to stay put on rates and President Christine Lagarde to reiterate that rate cuts are still some way off as they wait for more data to assess the prospects of inflation returning on a sustained basis back to target. Elsewhere, risk assets retained a positive momentum on encouraging corporate earnings results, while in FX markets, the USD was a tad weaker against most of its G10 peers.

## Greece

The IMF's 2023 Article IV consultation report on Greece, published yesterday, forecasts a gradual slowdown in GDP growth, with rates decreasing from 2.3% and 2.1% in 2023 and 2024 respectively, to 1.2% by 2028. Inflation is expected to decelerate from 4.2% and 2.8 in 2023 and 2024 to 1.9% by 2028. Unemployment is projected to fall from 10.6% in 2023 to 8.0% by 2028. The banking sector shows significant improvement yet requires further risk management and restructuring. Fiscal policies are expected to stabilize, maintaining a primary balance at 2.1% of GDP for 2024-2028. Public debt is high but considered sustainable due to low-interest official loans. The report stresses the importance of structural reforms and the continuation of their implementation. In 2023, Eurostat reported that 14.1% of Greek internet users aged 16 to 74 had engaged in online courses or used online learning materials. This marks a 9.9pps decrease from 2022 but an 8.1pps increase from 2017, placing Greece third from last in the EU for this metric.

## CESEE

In Bulgaria, the stock of outstanding bank loans to the private sector increased by 10.9%YoY in December, slightly picking up from 10.1%YoY in November. In real terms, lending growth speeded up to 6.0%YoY in the last month of 2023 compared to 4.5%YoY in the previous month, with credit growth having been on an upward trend since August on the back of the parallel disinflation process. Credit growth was driven by both corporate and retail loan segments with the first group increasing by 6.9%YoY and the latter by 15.9%YoY in December. By breaking down further the pool of retail loans, consumer lending growth stood at 12.3%YoY and housing lending growth accelerated to 20.5%YoY, which is the highest rate in the past 12 years. The quality of the credit portfolio also kept improving in December, with bad and restructured loans consisting of 5.1% of the total loan portfolio from 5.5% in November, and the reduction of the non-performing loans evident in both corporate and retail segments of loans.

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