

# GLOBAL & REGIONAL DAILY

February 26, 2024

## Global markets

EGBs kicked off the week on a positive tone ahead of Eurozone February inflation data on Friday, allowing the 10-yr BTP-Bund yield spread to tighten further, reaching a more than two-year low of 141bps earlier today, after relatively dovish comments by ECB President Christine Lagarde related to “obviously encouraging” Q4 2023 Eurozone negotiated wage data. USTs were also firmer with the yield curve undertaking a notable bull flattening ahead of the US January core PCE print on Thursday, while in FX, the USD remained under some pressure against its G10 peers amid lower long-term UST yields. In terms of data releases, the second estimate of Germany’s Q4 2023 GDP growth confirmed a 0.3%QoQ contraction, reflecting drags from inventory changes (-0.1ppts) and gross fixed capital formation (-0.4ppts). Meanwhile, sentiment indicators provide little hope for a sustained near-term recovery, as suggested by the IFO business climate index which edged up by 0.3ppts to 85.5 in February, remaining though at clearly contractionary levels.

## Greece

Retail sales climbed to €68.1bn in current prices in 2023, up by 7.0% (+€4.4bn) compared to 2022. The economic activities driving this increase were Sale of cars and light motor vehicles (+28.0%YoY or +€1.7bn, accounting for 39.0% of the net increase) and Retail sale in non-specialized stores with food, beverages or tobacco predominating (+8.8%YoY or +€1.5bn, 33.7% of the net increase); Retail sale of automotive fuel in specialized stores (-22.4%YoY or -€1.0bn) had the largest negative contribution. In Q4 2023 in particular, retail sales amounted to €18.2bn, recording an annual increase of 3.7% (+€0.6bn), and remaining nearly flat on a quarterly basis (-0.1%). As a proxy for price changes, the Harmonized Index of Consumer Prices in 2023 grew by +4.2% (+3.5%YoY / +0.6%QoQ in Q4 2023), and the sub-indices of Motor cars by +6.2% (+2.5%YoY / 0%QoQ), of Food including alcohol and tobacco by +9.9% (+8.0%YoY / +1.5%QoQ), and of Fuels and lubricants for personal transport equipment by -7.5% (-6.4%YoY / -3.4%QoQ).

## CESEE

The European Commission will release this week up to €137bn of funds to Poland, according to a statement made on Friday by the EC President Ursula von der Leyen at a press conference with Polish PM Donald Tusk. The funds include €75bn in Cohesion Policy funding and about €60bn from the RRF. These developments were driven by Poland’s Justice Minister Adam Bodnar presentation last week of an action plan aiming to end a long-standing rule of law dispute between the EU and Warsaw, which had triggered the EC to launch an Article 7 of the EU treaty procedure in December 2017. In other country news, the unemployment rate rose slightly in Q4 2023, to 3.1%, 0.4ppts up from the previous quarter. The Q4 print was higher than anticipated, as markets projected an unemployment rate of 2.8%. Accordingly, unemployment eased slightly in 2023, to 2.8% from 2.9% in 2022. This week’s calendar is heavyweight, including releases of the GDP structure in several CEE countries (Croatia, Czechia, Poland, Serbia).

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