

GLOBAL & REGIONAL DAILY

September 1, 2023

Global markets

Eurozone headline inflation remained flat at 5.3% YoY in August against expectations for a 0.2ppts decline. However, probably more importantly, core inflation fell from July's 5.5%YoY to 5.3%YoY, marking its first decline since May, reflecting both lower core goods and services inflation, which fell by 0.2ppts and 0.1ppts to 4.8%YoY and 5.5%YoY respectively. In reaction, markets reduced the implied probability of a 25bps ECB rate hike at the upcoming 14 September policy meeting to around 28% from just above 50% early this week, also affected by ECB Executive Board Member Schnabel's comments that economic activity has moderated "visibly". Against this backdrop, EGBs rallied, while the EUR weakened, trading around 1.0830 against the USD earlier today ahead of today's US non-farm payrolls report, after rising close to 1.0950 just two sessions ago, also pressured by yesterday's US data which provided further evidence of a strong start to Q3, with real personal spending rising by 0.6%MoM in July following June's 0.4%MoM gain.

Greece

According to ELSTAT's monthly Labour Force Survey (LFS), the seasonally adjusted unemployment rate decreased marginally to 10.8% in Jul-23, from 11.0% in Jun-23. Employment recorded a monthly decrease of 0.1% (3.0k persons) and unemployment posted a monthly decrease of 1.9% (9.9k persons). Compared to a year before, the unemployment rate was lower by 1.7ppts (decreasing by 12.5% or 72.9k persons), with employment increasing by 2.0% (62.0k persons). Regarding the participation rate (LFS/Population), it increased to 60.7%, from 60.4% in Jun-23, whereas relative to Jul-22 it was higher by 0.6ppts. According to the results of the 2021 census released yesterday by ELSTAT, Greece's population has decreased by 3.1% to 10,482,487 people, compared to 2011 with women at 51.1% of total population and men at 48.9%. The number of households increased by 4.8% to 4,332,447 compared to 2011.

CESEE

In Turkey, according to the GDP estimate for Q2 2023, growth on a yearly basis accelerated to 5.1% from 3.0% in the previous quarter, the strongest increase in the last four quarters. On a quarterly basis, GDP expanded by 3.5%, the fastest pace in the last seven quarters, after a stabilizing -0.1% in Q1 2023. The boost to economic growth on an annual basis came from all the components of domestic demand, as household consumption expanded by 18.6% against 16.8% a quarter earlier, backed by milder, albeit persisting inflationary pressures (40.5%YoY against 54.5%YoY), and public consumption widened by 9.5% -the highest rise in the last five years- in the aftermath of the February earthquakes and ahead of the presidential elections in May. On the contrary, the drag to GDP from the external sector strengthened, both from a bigger fall in exports (-8.0%YoY against -2.7%YoY in Q1 2023) and a stronger rise in imports (+19.3%YoY after +14.6%YoY), highlighting the implications of the further lira depreciation in Q2 2023 (average -11.5% vs. Q1).

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