

# GLOBAL & REGIONAL DAILY

October 4, 2023

## Global markets

Coming on the heels of a higher-than-expected increase in the US manufacturing PMI earlier this week, US job openings released yesterday also surprised to the upside, rising unexpectedly in August by 783k to 9.6mn following July's upward revised figure by near 100k to 8.9mn. As a result, the market-implied probability for a 25bp Fed rate hike by the end of the year rose to around 53% from 30% earlier this week. Against this backdrop, bond-sell off extended further, with yields hitting fresh multi-year highs on both sides of the Atlantic. The 10-yr UST yield marked a new post-2007 high of 4.88% earlier today, with the bear-steepening momentum of the curve accelerating, taking the 2/10-yr yield spread to -37.6bps earlier today, the steepest level this year. EGB yields also moved higher, though to a lower extent, while peripheral bonds underperformed Bunds, as evident in the 10-yr BTP-Bund yield spread which widened near 198bps. Meanwhile, rising bond yields continued to weigh on risk sentiment, while the USD remained well supported across the board.

## Greece

The seasonally adjusted unemployment rate remained flat at 10.9% in Aug-23, yet significantly lower than the 12.3% recorded in Aug-22, according to ELSTAT's monthly Labor Force Survey. This was largely driven by a net monthly decrease in labor force participation (-1.5%MoM/+0.4%YoY), as employment was down by 1.1%MoM (+0.7%YoY). Labor force participation in Greece, at 60.7% of the 15-64 population group, is the second lowest among European OECD members (OECD-E) according to Going for Growth 2023 published yesterday by the OECD. The report pinpoints also that the Greek economy is dominated by a large number of very small firms; this discourages investment in innovation and digitization and contributes to labor productivity, measured as GDP per employee, remaining the lowest in OECD-E, despite the average hours worked per employee being the highest in OECD-E (1,886 annually). The overly slow resolution of judicial cases is identified as one of the deterrents to improving market functioning and boosting productivity.

## CESEE

In Turkey, inflation rose for the third consecutive month in September, albeit at a slower pace than in the previous month, with the headline print at 61.5%YoY from 58.9%YoY in August, a tad below market expectations (61.7%YoY). The acceleration in core inflation was faster, to 67.2%YoY from 63.5%YoY. On a monthly basis the CPI increased by 4.8%, after a 9.1% rise in the previous month. For another month, the yearly increase is mainly due to the upward trend in prices of transport (+76.1%YoY, up by 5.8ppts from August) and food and non-alcoholic beverages (+75.1%YoY, +2.3ppts). The surging inflation is owed to the implications of the switch to a tight monetary policy stance by the central bank after the May elections and the termination of support to the lira, which caused its devaluation in June-July vis-à-vis the USD by 22.6%, inflating import prices. Other factors behind the September spike are the continuing rise in oil prices globally and the second minimum wage raise in 2023, by 34%, put in effect from July.

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