

GLOBAL & REGIONAL DAILY

September 5, 2023

Global markets

Markets were fairly quiet yesterday due to the US Labor Day holiday. Asian shares rose on Friday's news that China is set to introduce additional measures to stabilize the economy. However, the optimism faded today and Asian shares ended lower on weak data from China showing a decline in the August services PMI to an eight-month low of 51.8, 2.3pts lower from July. Meanwhile, sovereign bond yields on both sides of the Atlantic are higher today on the back of increased inflation expectations due to higher oil prices, as Brent crude exceeded \$89/bbl yesterday, marking a new high for 2023. In other news, ECB President Christine Lagarde delivered a speech yesterday at a seminar in London organized by the European Economics & Financial Centre where no new clues were provided on future actions by the ECB, but comments that "actions speak louder than words" and a recap on the cumulative 425bps interest rate increase the ECB has delivered so far.

Greece

Despite payroll employment decreasing by 8,294 persons in Jul-23, its aggregate change in the period from Jan-23 to Jul-23 remained at a record high of 296,624 (+9.8%YoY), according to the Ministry of Labor and Social Affairs. The industries with the highest net increase in Jul-23 were restaurants and food services (+17,177) and accommodation (+7,996), while the largest net decline came from education services (-25,867), with these changes attributed to seasonal factors (peaking of the tourist season and end of the school year respectively). According to data released by the Athens International Airport, the busiest airport in Greece, passenger traffic increased by 15.5%YoY in Aug-23, pushing total traffic year-to-date to a new high of 18.7mn (+27.3%YoY). International passenger traffic in the first eight months of 2023 was up by 30.3%YoY and by 6.9% compared to the same period in pre-pandemic 2019, signaling that the record of incoming visitors to Greece achieved in that year (34mn) is likely to be exceeded this year.

CESEE

In Turkey, inflation rose for the second consecutive month in August, with the headline print climbing at 58.9%YoY from 47.8%YoY in July, the fastest pace so far in 2023, also exceeding market expectations (56%YoY). The acceleration in core inflation was slightly weaker, to 63.5%YoY from 54.3%YoY. On a monthly basis the CPI increased by 9.1%, the second strongest rise in the last 19 months. The yearly increase is mainly due to the upward trend in prices of transport (+70.2%YoY, up by 26.8ppts from July) and food and non-alcoholic beverages (+72.9%YoY, +12.1ppts). The inflation increase is considered reflecting the implications of the switch to a tight monetary policy stance by the central bank after the May elections, through two key policy rate hikes in June and July by 9.5ppts cumulatively, to 17.5%, and the termination of support to the lira, which led to its devaluation in June by 22.6% vis-à-vis the USD, inflating imports prices. Another factor behind the August spike is the second minimum wage raise in 2023, by 34%, put in effect from July.

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