

GLOBAL & REGIONAL DAILY

HIGHLIGHTS

October 22, 2021

Global Markets

Inflation expectations continued to mount keeping DM sovereign bonds under pressure. Gilts led the descent after the new BoE chief economist Huw Pill was quoted saying that inflation is likely to rise “close to or even slightly above 5%” early next year. There was a similar bond sell-off in the US, with short-dated paper underperforming as investors brought forward their Fed rate tightening expectations. Interestingly, the renewed slide in DB sovereign bonds took place despite the fact that commodity prices moved broadly lower, yet still close to multi-year highs. Elsewhere, risk-on sentiment prevailed earlier today on news that property developer China Evergrande Group narrowly avoided default. In FX, major currency pairs remained stuck within tight trading ranges, ahead of today’s flash October PMIs from around the globe.

Greece

According to the Bank of Greece, the current account (CA) deficit for the period Jan-Aug 2021 stood at €5,417mn, down by €2,487mn compared to the corresponding period of 2020. This improvement is due primarily to a 70.5% increase in the services surplus that reached €7,957mn, driven by a strong rebound in travel receipts (+136%YoY), which at 6,582mn stood at 49.8% of the corresponding 2019 level. The contraction of the CA deficit was also supported by the primary income account, which registered a surplus of €922mn (+€1,246mnYoY) and the secondary income surplus, which reached €1,197mn (+€811mnYoY). On the contrary, the goods deficit widened to €15,493mn (+23%YoY), surpassing the corresponding 2019 level of €15,480mn.

CESEE

The BNB revised downwards its 2021 GDP growth forecast for Bulgaria from 4.1% projected previously to 3.9% in its latest macroeconomic forecast, expecting, however a stronger economic growth pick up of 4.6% in 2022 followed by some cooling to 3.8% in 2023 in its baseline scenario. The key growth driver for the projected period is broadly the investments components, which could be bravely backed by the RRF funds. The BNB’s forecast for 2021 remains more conservative compared to those of the government at 4.0%, the IMF’s at 4.5% and the EC’s at 4.6%, with only the WB standing lower, i.e. at 3.7%. In Serbia, a 2nd revision of the 2021 budget that lowers the deficit target to 4.9% from 6.9% of GDP in the 1st revision was adopted y-day amid better-than-expected budget revenues in January-September.

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