ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

November 2, 2022

Global markets

All eyes today are on the FOMC which concludes its two-day policy meeting and a fourth consecutive 75bps rate hike is widely expected. Investors will scrutinize closely the official statement and Chair Jerome Powell's comments at the press conference for guidance towards the size of rate hikes at subsequent meetings amid hopes that the committee may introduce potential for a dovish pivot, conditional on upcoming data releases, particularly on inflation and the labor market. However, inflation data have provided so far little convincing evidence of a sustained deceleration, while labor data point to continuing tightness, as suggested by the September JOLTS report which showed that job openings unexpectedly rose. In addition, the economy appears to be more resilient that expected, with the ISM manufacturing index remaining in expansionary territory in October (50.2). Firmer than expected US data led once again to hawkish shift in Fed rate hike expectations, with futures pricing in a terminal federal funds rate above 5%.

Greece

The PMI manufacturing index, published by S&P Global, decreased to 48.1 points in October 2022 from 49.7 units in September 2022, remaining below the 50 boom-bust threshold for a fourth month in a row. As a result, the decline, albeit mild, of the operating conditions in the manufacturing sector which started in Q3 2022, continues in Q4 2022. Similar to the decrease of the Economic Sentiment Indicator (ESI) in October 2022, the value of the PMI manufacturing index was a 22-month low and the figure was higher compared to that in the Euro Area (48.1 vs 46.6 units). According to the S&P Global press release, the key findings of the October 2022 survey were: 1st quicker decline of production and new orders, 2nd input costs increase at a higher pace and 3rd business confidence drops to a 30-month low. The worsening of the soft data indicators, reflecting the impact of the energy crisis, raises the probability for a deceleration of growth in the coming quarters, especially in Q4 2022 and Q1 2023.

CESEE

The general government budget in Bulgaria posted in September a deficit of BGN 712.3mn, against a deficit of BGN 187.3mn a year ago. The deterioration of the fiscal balance came on the back of a 54.7% YoY widening in the budget expenditure, outpacing the 30.7% YoY increase in budget revenues. The expenditure expansion was driven by higher spending on wages, social expenditure, capital expenditure and subsidies, mainly to the business sector to tackle the energy crisis. Coming to budget revenues, the rise was supported by a 15.3% YoY increase in tax receipts and a solid 154.9% YoY widening in non-tax revenues, stemming from transfers of state-owned energy companies based on their profits to the energy system security fund, to cover energy subsidies. In the Jan-Sep period the surplus fell by 7.4%, YoY to BGN 989.2mn, accounting for 0.7% of the projected 2022 GDP. The central government debt rose to €18.3bn at end-September, representing 23.8% of the expected GDP for 2022.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr.Stylianos Gogos
Research Economist
sgogos@eurobank.gr

Michail Vassileiadis
Research Economist
mvassileiadis@eurobank.gr

Research Team

Dr. Tasos Anastasatos | Group Chief Economist
tanastasatos@eurobank.gr | + 30 214 40 59 706

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr
+ 30 214 40 63 456

Maria Kasola
Research Economist
mkasola@eurobank.gr
+ 30 214 40 63 453

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr
+ 30 214 40 63 455

Dr. Theodoros Rapanos
Economic Analyst
trapanos@eurobank.gr
+ 30 214 40 59 711

Dr. Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr
+ 30 214 40 59 708

Michail Vassileiadis
Research Economist
mvassileiadis@eurobank.gr
+ 30 214 40 59 709

More available research at: https://www.eurobank.gr/en/group/economic-research
Subscribe electronically at: https://www.eurobank.gr/el/omilos/oikonomikes-analuseis/forma-ekdilosis-endiaferontos
Follow us on twitter: https://twitter.com/Eurobank_Group
Follow us on LinkedIn: https://www.linkedin.com/company/eurobank