

GLOBAL & REGIONAL DAILY

HIGHLIGHTS

January 4, 2022

Global Markets

Positive risk sentiment prevails on market optimism that the Omicron variant will be less severe than the Delta strain and, thus, may represent less of a drag on global economic growth. Encouraging EA data y-day showing that final manufacturing PMI dropped to 58.0 in December from November's 58.4, matching the initial estimate and still well above the boom-or-bust threshold of 50 on the back of a tentative easing in supply chain bottlenecks, had also had an impact. Against this background, sovereign bond markets remained under pressure, with the 10-yr UST yield rising above 1.60%. In FX markets, the USD/JPY hit a fresh five-year high near 116 earlier today, and the EUR/USD moved back below 1.13 ahead of today's US ISM manufacturing for December, as interest rate differentials remain a key driver for major exchange rates.

Greece

On Covid-19, Greece is seeing a big spur of infections with the 7-day average daily cases standing at 30,073 from 6,615 one week earlier and the corresponding average positivity rate at 11.4% from 3.4% one week earlier. Nevertheless, the number of patients in ICUs dropped slightly with the weekly average at 625 yesterday, compared to 639 the week before. Due to the significant escalation of cases, today the committee of health experts will meet again to consider taking new measures and especially the possible delay of the opening of the schools. In other news, the assessment of Greece's request for the disbursement of €3.6 billion from the Recovery and Resilience Fund is expected to be completed within two months.

CESEE

The Serbian economy concluded the outgone year on a positive footing, according to preliminary statistical estimates. The FY2021 real GDP growth rate came in at 7.5% YoY, which once confirmed by the final print due in late February, will outperform the forecasts of local authorities and IFIs. That said, the latest GDP growth forecast by the Ministry of Finance stood at 7.0% YoY with the National Bank of Serbia having identical expectations. On a more conservative tone, the IMF and the EBRD projected GDP growth rate at 6.5% in 2021, the European Commission at 6.7% and the World Bank at 6.0%. In terms of expenditure, the key economic growth driver of the outgone year was domestic demand, backed by the, evidently, effective measures the government adopted in order to tame the economic repercussions of the pandemic.

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