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Global markets

US consumer price inflation surprised to the downside in October, supporting expectations that the Fed could slow the pace of rate tightening. Headline CPI rose by a lower than expected 0.4%MoM, taking the annual rate down to a nine-month low of 7.7% from September's 8.2%. Underlying price pressures also showed signs of easing, with core CPI rising by 0.3%MoM compared to 0.6%MoM in September, mainly on the back of a 0.4%MoM contraction in goods inflation as services inflation continued to rise, though by a slower pace of 0.5%MoM from 0.8%MoM. Softer than expected inflation data led markets repricing a lower path for future Fed rate hikes, with the terminal fed funds rate now seen below 5%, while for H2 2023, futures reflect expectations of 50bps in rate easing, about 15bps more than before the release of the data. Against this backdrop, risk-on sentiment prevailed, USTs rallied across the curve with the 10-yr yield moving back below 4%, and the USD was weaker across the board, pushing the EUR/USD above 1.02.

Greece

The inflation rate, measured by the HICP %YoY, decelerated strongly to a six-month low of 9.5% in October 2022, from 12.1% in September 2022. This drop is attributed exclusively to the category of housing, water, electricity, gas and other fuels, with the corresponding price index increasing by 11.6% in October 2022 from 38.1% in September 2022 on the back of government subsidies on the price of electricity and lower gas prices. Nevertheless, core inflation in terms of the national CPI remained on an upward trajectory, printing a value of 5.2% in October 2022 (with the overall national CPI change at 9.1%) from 4.9% in September 2022 (with the overall national CPI change at 12.0%), reflecting the widening of inflationary pressures. In other data releases, the manufacturing production index exhibited resilience in Q3 2022, posting an increase of 0.7% QoQ / 4.3% YoY from 0.8% QoQ / 4.6% YoY in Q2 2022.

CESEE

In line with market expectations, the National Bank of Serbia proceeded yesterday with an additional rate increase by 50bps bringing the Key Policy Rate to 4.5% amid continuing global cost-push pressure and rising import prices, which are reflected in the most recent inflation reading, that of September (14.0% YoY vs 13.2% YoY in August). Yesterday, developments also came from the fiscal front as the parliament adopted the revised 2022 budget that is targeting a deficit to RSD 279.1bn or 3.9% of the projected GDP compared to the initial target of RSD200.2bn or 3% of GDP. Among other factors, the budget had to be revised given the downward revision of the GDP growth forecast for 2022 which at the initial budget was penciled-in at 4.5%, while recently, it was lowered to 3.0%.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr.Stelios Gogos
Research Economist
sgogos@eurobank.gr

Maria Kasola
Research Economist
mkasola@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

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