

GLOBAL & REGIONAL DAILY

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Global markets

US headline CPI rose by 0.3%MoM in April, less than March's 1.2%MoM increase, but still higher compared to market consensus, as a 2.7%MoM drop in energy prices was partially offset by a strong 0.9%MoM gain in food prices. Even so, this, along with negative base effects, took the annual rate down to 8.3% from 8.5% in March, marking the first drop since August 2021 and suggesting that peak inflation has likely passed. However, core CPI rose by a much stronger than expected 0.6%MoM, with many subcomponents surprising to the upside, including a hefty 18.6%MoM increase in airline fares. That said, underlying inflation pressures remain elevated, supporting expectations for further significant Fed rate hikes in the coming months. In a knee-jerk reaction to the US CPI report, UST yields surged but subsequently fell back on growth concerns. In FX markets, the USD gained, pushing the EUR/USD down to a fresh year-to-date low below 1.0450.

Greece

Fitch Ratings cut its GDP growth forecast for 2022 to 3.5% (from 4.1% previously) and for 2023 to 3.2%, due to higher prices, lower confidence, and weaker growth in key trading partners following Russia's invasion of Ukraine. Moreover, the rating agency expects a slower than previously anticipated decline in government deficit in 2022–2023, on the back of lower growth prospects and government measures to tackle the energy crisis (i.e. 4.8% of GDP in 2022 and 3.1% of GDP in 2023). In other news, according to ELSTAT, the overall industrial production index (IPI) increased by 7.9%YoY in March, up from 4.8%YoY in February, owing to an annual increase of 26.8% in the electricity supply and 4.3% in the manufacturing subindex. In the same month, the seasonally adjusted overall IPI increased by 5.1%MoM against 2.1%MoM in February.

CESEE

According to April's CPI prints, inflation pressures persist in the region. More specifically, in the Czech Republic and Romania inflation jumped to a higher-than-expected rate of 14.2%YoY and 13.8%YoY respectively, while in Hungary inflation accelerated by 9.5%YoY, on the back of stronger price growths in food and fuels. Given the continuing inflationary pressures, the Central Bank of Romania (NBR) maintained its hawkish stance in Tuesday's MPC meeting, by deciding to raise the Key Policy Rate (KPR) by 75bps to 3.75%. In other news, the four ruling coalition parties agreed on keeping January 1, 2024 as the target date for Bulgaria's eurozone accession. According to the agreement, the national euro adoption plan will be submitted for discussion in the parliament.

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