

GLOBAL & REGIONAL DAILY

January 13, 2022

Global Markets

In the US, headline CPI climbed further to an almost four-decade high of 7%YoY in December, while core CPI (excl. food and energy) rose 5.5%YoY, the largest annual increase since Feb-91. The energy index rose 29.3%YoY – although it receded slightly by 0.4%MoM ending a long series of monthly increases – and the food index increased 6.3%YoY. Headline CPI data were in line with expectations and Fed funds futures so far continue to price in almost fully a March rate hike. Following the CPI report, yesterday treasuries rallied vigorously with the UST 10yr yield dropping to an intraday low of 1.711%, but pared back some losses to stand around 1.75% in early European trade today at the time of writing. 10yr Bund yields edged down yesterday dropping -2.5bps to -0.057%, approaching positive territory for the first time since May-19.

Greece

Prime Minister Kyriakos Mitsotakis announced the launch of eleven employment support schemes through the Labour Employment Office (OAED), to be funded by EU structural funds (ESPA) and the Recovery and Resilience Fund. Through these initiatives, the government aims to create 86,000 new jobs in 2022. According to OAED data, pandemic support schemes have so far created more than 50,000 jobs in the past eighteen months. Finance Minister Christos Staikouras **reaffirmed the government's commitment to back** households and firms amid persistently high energy costs through new initiatives, ruling out however further VAT cuts. He nevertheless left open the possibility of easing or undercutting repayment requirements for the Advance Payment schemes beneficiaries.

CESEE

In Serbia, CPI accelerated to a record high of 7.9% YoY in December compared to 7.5% YoY in the previous month, remaining well above the upper end of the NBS target tolerance band of 3%±1.5pps for the fourth consecutive month. In monthly terms, inflation expanded by 0.4%, down from 0.9% in November. The main upward pressure on the headline index came from food and fuel prices. In other news, the World Bank (WB) in the latest Global Economic Prospects report kept its GDP growth forecast for Serbia at 6% in 2021, 4.5% in 2022 and 4% in 2023, the same as projected in October. In the same report the WB revised downwards its GDP growth forecast for Bulgaria to 3.3% in 2021, down from 3.7% projected in October, while it maintained the forecast for 2022 at 3.8% and for 2023 at 3.6%.

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