ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

July 15, 2022

Global markets

Asian bourses move lower today after data from China showed that Q2 GDP fell by a higher than expected 2.6%QoQ, the first quarterly contraction since Q1 2020, as Covid-19 lockdowns took a toll on economic activity. Yesterday's US data did not help risk sentiment either, with initial jobless claims unexpectedly rising from 235k to 244k during the week ending July 9, the highest since November, while the producer price index (PPI) increased by a hefty 1.1%MoM in June, driven by higher energy prices. Meanwhile, the EUR/USD recovered again above parity and UST yields retreated from yesterday's session highs after two Fed officials downplayed expectations of a 100bps hike at the next policy meeting on July 26-27 and signaled that a 75bp increase remained preferable, despite firmer than expected June inflation data. Over in Europe, Italian assets weakened on rising political uncertainty in the country, with the spread of 10-yr Italian yields over Bunds widening close to 230bps earlier today, the highest in near a month.

Greece

In the Summer Economic Forecast released yesterday, the European Commission (EC) revised upwards its 2022 real GDP growth projection to 4.0% from 3.5% in the Spring forecast (May-22), supported by the impetus from the RRF and the expected solid outlook for tourism, which remains in line with the projections for a full return to pre-pandemic levels by 2023. However, according to the EC, increased uncertainty is expected to further ease demand for new jobs, and coupled with the still high inflation rate, is anticipated to weaken growth in 2023. As a result, real GDP growth forecast for 2023 was revised downwards to 2.4%, from 3.1% in May. Finally, inflation is expected to peak at 8.9% in 2022 and then decline to 3.5% in 2023, driven primarily by the surge in international energy and food prices.

CESEE

According to the EC Summer Economic Forecast released yesterday, 2022 real GDP growth forecast for Bulgaria has been revised upwards to 2.8%, from 2.1% in May, while for 2023 it has been cut to 2.3%, from 3.1% previously. According to the EC, the upward revision for 2022 reflects mainly the strong recovery in Q1 2022, while the downward revision for 2023 is explained by the weaker external environment and the tighter lending conditions, combined with the weaker real wage growth. On the same footing, the EC revised upwards its GDP growth projection for Cyprus to 3.2% in 2022 (from 2.1% previously), driven by domestic demand and, albeit to a lesser extent, net exports of services, while it revised downwards its GDP growth projection for 2023 to 2.1% (from 3.5% previously), as private consumption is projected to be adversely affected by high inflation and the erosion in purchasing power.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Elia Tsiampaou
Economic Analyst
etsiampaou@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

Elia Tsiampaou
Economic Analyst
etsiampaou@eurobank.gr
+ 30 214 40 59 712

Περισσότερες εκδόσεις μας διαθέσιμες στην ηλεκτρονική διεύθυνση που ακολουθεί: https://www.eurobank.gr/en/group/economic-research
Εγγραφείτε ηλεκτρονικά, σε: https://www.eurobank.gr/el/omilos/oikonomikes-analuseis/forma-ekdilosis-endiaferontos
Ακολουθήστε μας στο twitter: https://twitter.com/Eurobank_Group
Ακολουθήστε μας στο LinkedIn: https://www.linkedin.com/company/eurobank