

GLOBAL & REGIONAL DAILY

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Global markets

At the 14-15 June meeting, the FOMC decided to raise the federal funds rate by 75bps – the biggest rate hike since 1994 – in a target range of 1.5% to 1.75%, after two consecutive hikes of 25bps and 50bps in the previous two meetings in March and May 2022. The move was fully priced in by market participants after the latest alarming inflation data (May CPI at 8.6%, core CPI at 6%), which shifted expectations towards more aggressive tightening. The updated Summary of Economic Projections (SEP) reflects the Fed Chair Jerome Powell's recent assessment that tackling inflation will involve "some pain". Indeed, real GDP projections were revised to 1.7%, 1.7% and 1.9% in 2022, 2023 and 2024 respectively, from 2.8%, 2.2% and 2.0% in the March SEP. PCE inflation is now seen at 5.2%, 2.6% and 2.2% in 2022, 2023 and 2024 respectively, from 4.3%, 2.7% and 2.3% in March. The benchmark policy rate is now penciled in at 3.4% by the end of 2022 and 3.8% in 2023, from 1.9% by the end of 2022 and 2.8% in 2023 previously. Separately, after an extraordinary meeting yesterday, the ECB announced that it would apply flexibility in reinvesting redemptions coming due in the PEPP portfolio and would accelerate work on a new tool to tackle fragmentation, after yields for Italian and Spanish government bonds recently reached their highest level in years.

Greece

According to the January-May 2022 preliminary State Budget execution data on a modified cash basis, the overall fiscal balance registered a deficit of €4.06bn, compared to a targeted deficit of €6.5bn, while the primary fiscal balance registered a deficit of €1.48bn, against a targeted deficit of €3.91bn. Tax revenues overperformed by €2.91bn (or by +16.4%) against the target, due to the extension of the deadline of the payment of road duties until the end of February 2022, the better performance of the previous year taxes collected in installments until the end of February 2022, the better performance of the collection of taxes of the current year, as well as, the collection of the first installment of ENFIA, which was initially expected to be collected in September.

CESEE

As May's CPI prints keep being released throughout the week, the pressure on the region in terms of price increases remains unabated. In Bulgaria, inflation jumped to a multi-year high of 15.6%YoY, up from 14.4%YoY in April, on the back of rising fuel prices (+51.1% YoY) and food prices (+22.1%YoY). In Poland, the final inflation print came in at 13.9% from 12.4% in April, confirming the recent flash estimate. In other news, the FX reserves of the National Bank of Serbia (NBS) stood at €13.9bn in May, down by €210mn compared to April. The FX reserves were sufficient to finance more than five months of imports and covered M1 by 128%. The net FX reserves, which exclude mandatory reserves of commercial banks and other requirements, stood at EUR 11.3bn in May.

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