

# GLOBAL & REGIONAL DAILY

December 16, 2022

## Global markets

The ECB hiked rates by 50bps at its meeting yesterday, as expected, lifting the deposit rate to 2.00%. Despite the downshift in the pace of tightening, the ECB warned that rates are expected to raise “significantly further” because “inflation remains far too high and is projected to stay above the target for too long”. In particular, President Christine Lagarde clarified that interest rates will have to rise “at a steady pace” of 50bps “for a period of time” to reach levels that are “sufficiently restrictive” in order to bring inflation back to 2% in a “timely” manner. The ECB also announced that it will start reducing its APP portfolio in March 2023 at an average pace of €15bn per month until June 2023, and that, afterwards, the pace of run-off will be reassessed “over time”. In reaction to the more hawkish than anticipated ECB meeting outcome, risk-off sentiment prevailed, EGBs came under heavy selling pressure and the EUR/USD briefly rose above 1.07 before moving back near 1.06, as increased risk aversion favored the USD’s safe haven appeal.

## Greece

According to the January-November 2022 State Budget Execution preliminary data, the overall fiscal balance registered a deficit of €5.68 bn, lower by €1.08 bn (15.9%) compared to the respective 2023 Budget target for the said month. The primary fiscal balance registered a deficit of €1.13 bn, higher by €1.11 bn (47.71%) compared to the respective budget target. The state budget revenue was at €53.39 bn overperforming compared to the respective budget target by €0.25 bn (0.47%) mainly due to the increased tax revenue. The state budget expenditure was at €59.80 bn, lower by 1.38% compared to the respective budget target. According to a recent European Commission report, the VAT gap for Greece – the difference between the full compliance (FC) tax revenue and the actual revenue – was at 19.7% of expected FC VAT revenue in 2020, the fourth highest among EU members, but improved by 3.7pp compared to 2019 mainly because of the various Covid19 related support measures.

## CESEE

In Bulgaria, inflation decelerated for a second consecutive month to 16.9% YoY in November, compared to 17.6% YoY and 18.7% YoY in October and September respectively. On a monthly basis, inflation eased by a tad to 0.8% from 0.9% in the previous month. The slowdown in the annual headline print was broadly driven by fuel and services prices. Food inflation remained elevated to 26.1% YoY from 26.3% YoY in October, with prices of vital goods such as meat, vegetables, milk and eggs continuing to accelerate. On the flipside, the increase of grain prices decelerated for a fifth month in a row, most probably on the back of the strong harvest during the summer in the country. Following Eurostat’s release of industrial production data on Wednesday, Bulgaria’s seasonally-adjusted industrial output went up by 5.8% YoY in October, which – despite the decelerated growth compared to September - it is the strongest growth among EU member states in Southeast Europe.

## Contributing Authors:

**Paraskevi Petropoulou**  
Senior Economist  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Dr.Theodoros Stamatiou**  
Senior Economist  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

**Maria Kasola**  
Research Economist  
[mkasola@eurobank.gr](mailto: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

**More available research at:** <https://www.eurobank.gr/en/group/economic-research>  
**Subscribe electronically at:** <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis/forma-ekdilosis-endiaferontos>  
**Follow us on twitter:** [https://twitter.com/Eurobank\\_Group](https://twitter.com/Eurobank_Group)  
**Follow us on LinkedIn:** <https://www.linkedin.com/company/eurobank>

### DISCLAIMER

This report has been issued by Eurobank S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

