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Global markets

Addressing the Committee on Economic and Monetary Affairs of the European Parliament yesterday, ECB President Christine Lagarde reiterated the Governing Council's intention to raise the key ECB interest rates by 25bps in July, adding that another rate hike is expected in September, the magnitude of which will depend on the updated medium-term inflation outlook. Beyond September, a gradual but sustained path of further increases in interest rates is expected to be appropriate. Lagarde also affirmed the ECB's resolve to address fragmentation in the Euro area (EA). On the back of expectations for higher ECB interest rates in the period ahead, Euro area bond yields edged up yesterday but are losing some ground at the time of writing, with the 10yr Bund at 1.716% and the 10yr OAT at 2.292%. Separately, oil prices are rising today (Brent crude futures at a session peak of USD116.00/bbl earlier today) on worries that stronger demand stemming from easing Covid-related restrictions in China coupled with increased travel may be met with constrained supply.

Greece

According to the Bank of Greece, in April the current account (CA) deficit contracted on an annual basis by €456.1mn (standing at -1,615.7mn) due to an improvement in the services balance (+€519mn), as well as in the primary and secondary income accounts (+€37.1mn and +€880.7mn respectively), which was partly off-set by a deterioration in the goods balance (-€980.6mn). January to April 2022, the CA deficit widened by €3,349.6mn (standing at -8,063.8mn), mainly due to a deterioration in the goods balance (-€4,739.2mn) and less so in the primary income account (-€348.7mn), which was partly offset by an improvement in the services balance (+€865.1mn) and the secondary income account (+€873.1mn).

CESEE

Fitch Ratings affirmed on Friday Bulgaria's sovereign rating at BBB and maintained the outlook to positive. The outlook was kept positive in view of the pursuit of the euro adoption in 2024, as the agency believes that the authorities will remain committed to this goal, despite some risks related to exogenous shocks, which could result in a delay of less than a year in euro accession. Moreover, Fitch projected GDP growth to ease to 3.0% in 2022, as higher inflation and weaker external demand affect domestic consumption and trade, respectively, while in 2023 GDP growth is expected to accelerate to 3.8%, on the back of the EU fund inflows under the Resilience and Recovery Plan. Average inflation is expected to rise to 11.8% in 2022, hitting its highest level in 15 years, due to the rising energy and food prices' spill-over to all price categories.

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