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Global markets

Asian bourses recovered early losses to close modestly higher today, while futures point to a sluggish open in Europe and the US amid lingering concerns over a return to lockdowns in China as Covid-19 cases are rising in some cities. Meanwhile, oil prices remained under pressure amid worries over lower Chinese demand. Brent briefly dropped to a ten-month low near $82/bbl yesterday before recovering to levels slightly above $88/bbl thereafter, supported by the Saudi Arabian energy minister who denied speculation about an OPEC+ oil output increase, but still remained near 11% below early November highs. USTs were firmer on the day amid expectations of a slower pace of Fed rate tightening at the mid-December meeting, while Bund yields remained close to this week's lows following an unexpected 4.2%MoM decline in Germany's October PPI, the first drop since mid-2020. Elsewhere, the USD extended recent gains favored by its safe-haven appeal, with the EUR/USD remaining close to 1.0250, below recent peaks near 1.05.

Greece

According to the 2023 Budget submitted to parliament y-day, the real GDP growth for Greece in 2022 and 2023 is expected at 5.6% and 1.8%, respectively, higher compared to the respective European Commission (November 2022) forecasts at 6.0% and 1.0%. Inflation (HICP) is projected at 9.7% and 5.0%, and unemployment at 12.7% and 12.6% for 2022 and 2023 respectively. The primary fiscal balance is expected at -1.6% and 0.7% in ESA2010 terms for 2022 and 2023 respectively. The 2022 fiscal measures to address the COVID-19 pandemic and the energy crisis are estimated at €4.4 bn and €4.8 bn respectively. The fiscal measures for 2023 are expected at €5.6 bn in total (COVID-19, energy crisis and permanent fiscal measures), including a buffer of €1.0 bn aiming to address the increase in energy bills. The general government debt is expected at 168.9% and 159.3% of GDP in 2022 and 2023 due to high nominal GDP growth; the 2023 financing needs are expected at ca 5.5 bn (2.5%GDP).

CESEE

Fitch Ratings agency affirmed Bulgaria's sovereign credit rating at BBB, keeping the outlook positive in its latest rating action, released late last week. The agency cited that the rating reflects the strong external and public balance sheets compared to other BBB peers and the credible policy framework, supported by EU membership and the currency board. On the flipside, decelerating demographic trends are expected to act as headwinds on GDP growth and public finance in the long run. Regarding the prospects of the euro adoption, Fitch inferred that, while 2024 remains the target date, the key risk that could pose delays on the said date is broadly related with the inflation criterion, which is not currently met. The domestic political instability is expected to continue in 2023, possibly leading to new snap general elections in early 2023, but at the same time not derailing the economy from its path towards the Eurozone.

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