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Global markets

The minutes of the November FOMC meeting reported that “a substantial majority of participants judged that a slowing in the pace of increase would likely soon be appropriate” due to the uncertain length of the lags in the response of the economy to monetary policy action, and also revealed that the committee was split on how high interest rates would need to rise. Providing further support to the view of less aggressive Fed rate hikes ahead, the US manufacturing PMI fell from October’s 50.4 to 47.6 in November, pointing to the first contraction in factory activity since mid-2020, while jobless claims rose to a higher-than-expected 240k in the week ending November 19. In reaction, USTs rallied ahead of Thanksgiving today, risk-on sentiment prevailed, and the USD weakened, with the EUR/USD rising above 1.04 also helped by better-than-expected eurozone flash November PMIs. Elsewhere, oil prices dropped, with Brent crude coming down close to $85/bbl on reports suggesting that the EU is discussing capping Russian oil at $65-70/bbl.

Greece

The tourism sector is one of the major contributors to the post pandemic economic recovery of Greece. Tourist receipts continued their steep upward trajectory in September 2022, registering a value of €2.9bn in current prices, higher by 35.1% compared to September 2021 and lower by just 1.1% relative to September 2019. For the January-September 2022 period, travel revenues stood at €15.6bn, recording an annual increase of 78.3% and standing at the 96.9% of the respective 2019 level. The inbound traveller flows more than doubled in January-September 2022 (23.7mn from 11.6mn people) but remained lower by 12.1% compared to the respective pre pandemic level. The expected slowdown or even short-term recession of Greece’s major trading partners in terms of tourist services, including Germany and the UK, along with the expected relative high base of tourist receipts in 2022, constitute downside risks for the contribution of the tourism sector in the annual growth rate of 2023.

CESEE

In its Transition Report published on Tuesday, the EBRD sees downside risks to the 2022-2023 economic outlook for certain countries in the CESEE region. Specifically, the Bank maintained its 2022 GDP growth forecast for Bulgaria at 3.0%, while a growth slowdown to 1.5% is projected for 2023. The deceleration in the next year is broadly based on the growth slowdown in the eurozone that will affect exports, the lingering political uncertainty, which could delay reforms and the potential of inflation to rise further. In Hungary, after an anticipated 5.0% GDP growth rate this year, a deceleration to 1.5% is expected in 2023. High commodity and energy bills, weakening external demand and high interest rates will lead to a notable slowdown in economic growth starting since late-2022.

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