

GLOBAL & REGIONAL DAILY

May 26, 2022

Global markets

The minutes from the Federal Open Market Committee (FOMC) 3-4 May meeting that were released yesterday, were as broadly expected causing little reaction to the markets. All participants were in favour of the 50bps rate hike in order to tackle the high inflation, acknowledging that it had become a threat to the economy's performance and could race higher if no action were taken. Nevertheless, since the meeting, concerns over a recession have invoked comments that after the next couple of meetings the Fed's rate tightening policy may need to be less aggressive with Fed funds futures pricing in today a rate at 2.6% by the end of this year compared to 2.9% in early May. On economic data, Germany's Q1-2022 real GDP increased by 3.8%YY, slightly above the flash estimate of 3.7%YY, while in France, consumer confidence in May decreased to 86 from 88 in April.

Greece

According to the OECD "Taxing Wages 2022" report, the tax wedge (i.e. tax burden) in Greece fell by 2.23 ppts to 36.7% in 2021, due to lower social security contributions. This was the second biggest decrease among the OECD countries, while the average decrease in the OECD was 0.06ppts. In other news, according to ELSTAT, for the total of enterprises in retail trade, the turnover in Q1-2022 reached €12.8bn, recording an increase of 14.6%YoY. The activities that recorded the biggest annual increase are retail sale of second-hand goods in stores (+66.1%) and retail sale of footwear and leather goods in specialized stores (+55.1%). Meanwhile, the seasonally adjusted turnover index in wholesale trade in Q1-2022 increased by 3.9%QoQ from 5.0%QoQ in Q4-2021. On an annual basis, the aforementioned index increased by 20.6% in Q1-2022.

CESEE

CYPRUS: According to the EC 12th Post-Programme Surveillance Report, the economy rebounded strongly from the recession related to the pandemic, but Russia's invasion in Ukraine is expected to have an impact on economic activity, in particular due to the relatively strong economic ties with Russia. As a result, real GDP growth is estimated at 2.3% in 2022 (as in the recent EC Spring forecasts), down from 4.1% previously, while the anticipated slowdown is set to affect the labour market with a slight increase of unemployment. As for the financial sector, the EC noted that it performed well and significant further progress was achieved in reducing NPLs, however profitability is still affected by high impairment charges, elevated operating costs, limited income diversification and compressed lending margins in a small market characterised by strong competition.

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