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Global markets

As expected, both the ECB and the BoE hiked rates by 50bps, taking the deposit rate and the Bank Rate to 2.50% and 4.00%, respectively, but shifts in their language raised hopes that central banks are nearing the end of their tightening cycles. In line with the official statement, ECB President Christine Lagarde said explicitly at the press conference that the committee has a “strong intention” to raise rates by a further 50bps at the next meeting in March. However, she did not provide guidance beyond March, noting that inflation outlook risks have become “more balanced”, and, after the March hike, the committee will reevaluate the subsequent path of its monetary policy, opening the door to a possible slowdown in the pace of rate hikes, or even a pause. Along similar lines, the BoE dropped its previous guidance that they would “respond forcefully” if inflationary pressures were more persistent. In reaction, EGBs and gilts rallied, both the GBP and the EUR weakened, while the USD moved higher ahead of today’s US January payrolls report.

Greece

Soft data indicators as the Economic Sentiment Indicator (ESI) and the PMI manufacturing index im-proved in Jan-23, giving a positive signal for the performance of the economy at the start of 2023. Nevertheless, it is too early to judge whether these improvements mark a turning point for the economy. The ESI increased for a third month in row at 104.9 (99.9 in the Euro Area) from 103.5 in Dec-22, reflecting an improvement in the subindices of industry and retail trade. On the other hand, the consumers’ confidence indicator remained constant, while the respective indices in construction and services deteriorated. In what concerns the PMI manufacturing index, it increased to 49.2 (4-month high) in Jan-23 from 47.2 in Dec-22, nevertheless remained below the boom-bust threshold of 50 for a 7-month in a row.

CESEE

In its Winter Forecast released earlier in the week, the Vienna Institute for International Economic Studies (wiiw) concluded that, despite the war in Ukraine, regional economies are demonstrating their resilience. Although economic activity has slowed significantly, most of them will continue to grow in 2023. The average GDP growth rate for the EU member states of the region is seen at 1%, the economies of the Western Balkans are expected to expand by an average 1.8%, with Turkey growing more strongly, by 3%. A full-year recession will most probably be largely avoided, with the exceptions of Hungary and Russia whose economies are forecast to contract, as most regional peers “have probably already digested most of the economic shock caused by the Ukraine war”. Under the assumption that Russia does not escalate the conflict further, growth in Eastern Europe should pick up again from the second half of the year according to wiiw, giving space to regional Central Banks for some monetary loosening.

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