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Global markets

USTs rallied with the yield curve bull-steepening, driven by lingering concerns that the recent banking sector turmoil is not yet over, fears over a potential debt ceiling crisis and the weaker-than-expected March JOLTs report which pointed to a further easing in labor market tightness. Against this backdrop, the probability of a 25bps Fed rate hike today slipped from 96% to 88%, while market pricing for the June meeting swung from a 25% chance of a 25bps rate hike to a 20% probability of a 25bps rate cut, suggesting that today's widely expected rate move will likely mark the last hike of the Fed's current tightening cycle. EGB bonds also gained, favored by the ECB Q1 Bank Lending Survey which revealed a further tightening in credit standards and a heavy drop in demand, as well as April inflation data which showed that core CPI dropped to 5.6%YoY from a record high of 5.7%YoY, the first drop in ten months. Oil dropped amid fears over US-induced risks to the global growth outlook, gold rose above $2,000/oz and USD was broadly weaker.

Greece

According to the Stability and Growth Programme submitted to the European Commission on Saturday 29 April 2023, the real GDP growth rate for Greece is expected at 2.3%, 3.0%, 3.0% and 2.1% in 2023, 2024, 2025 and 2026 respectively, driven mainly by exports of services, investments supported by the Recovery and Resilience Facility and the Public Investment Budget. The inflation rate is expected at 4.5%, 2.4%, 2.0% and 2.0% in 2023, 2024, 2025 and 2026, respectively. The unemployment rate is expected at 11.8%, 10.9%, 10.0%, 10.0%, and 9.8% in 2023, 2024, 2025 and 2026, respectively. The primary fiscal balance is expected at 0.7%, 2.1%, 2.3% and 2.5% of GDP in 2023, 2024, 2025 and 2026, respectively excluding the effect of the permanent fiscal measures for the 2024-2026 period. In the absence of any new post-election measures, the 2023 primary balance could reach 1.1% of GDP. The gross public debt is expected at 162.6%, 150.8%, 142.6% and 135.2% of GDP in 2023, 2024, 2025 and 2026. The cash buffer was at €33.0 bn (March 2023).

CESEE

The latest hard data verify the anticipated economic slowdown in Q1-2023 in the region, albeit at modest levels. In Czechia, GDP fell by 0.2%YoY in Q1, based on yesterday's flash estimate, with the print beating to the upside the latest forecast of the Central Bank of Czechia (CNB) for a 0.9%YoY contraction, as well as the most recent forecast of the Ministry of Finance for a 0.6%YoY decline. The slowdown came on the back of a deterioration of household consumption and the retreat of investment, while net exports restrained the decelerating dynamics as they had a positive contribution. In Serbia, retail sales fell by 9%YoY in March, compared to a 3.8%YoY decline in February, while industrial output growth kept sliding to 0.9%YoY in March from a 1.9%YoY contraction in February. Later today, the CNB convenes and based on a survey in which local economists participate, consensus is for an unchanged key policy rate at 7%, laying at this level since August 2022, following extensive tightening since July 2021.

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