

GLOBAL & REGIONAL DAILY

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Global markets

As widely expected, the ECB slowed the pace of rates hikes to 25bps, bringing the deposit rate to 3.25%. The policy statement did not provide a forward guidance on rates and though it emphasized that “the past rate increases are being transmitted forcefully to euro area financing and monetary conditions”, it appeared to leave the door open to further tightening, noting that “the Governing Council’s future decisions will ensure that the policy rates will be brought to levels sufficiently restrictive to achieve a timely return of inflation to the 2% medium-term target”. The ECB also announced an earlier than anticipated end of APP reinvestments, from July 2023, a decision that was perceived by investors as a likely compromise for less tightening via the policy rate. In reaction, market pricing of the ECB terminal rate fell sharply to 3.54% earlier today, around 15bps lower than before the meeting, also affected by mounting US regional banking woes. EGBs gained, and the EUR broadly weakened, ahead of today’s US non-farm payrolls report for April.

Greece

The seasonally adjusted unemployment rate declined to 10.9% of the labour force in Mar-23 (6.5% in the Euro Area), from 11.3% in Feb-23 and 12.7% in Mar-22. Nevertheless, it remained the 2nd highest rate among the Euro Area economies after Spain with 12.8%. Employment stood at 4,166.8k persons in Mar-23, higher on a monthly basis by 1.4% (+59.4k persons) and marginally lower on an annual basis by 0.1% (2.7k persons). Unemployment posted a value of 508.7k persons in Mar-23, recording a monthly decrease of 2.7% (14.1k persons), while on an annual basis it declined strongly by 16.5% (100.4k persons). Based on these results, the labour force (employment + unemployment) stood at 4,675.5k persons in Mar-23, from 4,630.2k persons in Feb-23 and 4,778.6k persons in Mar-22. Given the closing of the output gap, the annual rate of decline of the unemployment rate is expected to decelerate.

CESEE

In Cyprus, CPI inflation recorded a strong slowdown in April, to 3.7%YoY, the lowest since July 2021, against 5.8%YoY in March. However, the deceleration was due to base effects, as the CPI rose on a monthly basis by 0.8%. Among the goods and services categories, the annual deceleration was stronger in housing-water-electricity (-9.7ppts, to 5.3%YoY), transportation (-3.8ppts, to 1.3%YoY) and hotels-restaurants (-2.1ppts, to 6.3%YoY), the former two categories embodying the base effects of skyrocketing energy prices after the blast of the war in Ukraine. A further decline of inflation is expected in the coming months, supported by the recent imposition of a zero VAT rate on certain basic goods for a period of six months, starting from May, namely bread, milk, eggs, baby food and diapers etc. In other country news, credit contraction eased in March, to 0.5%YoY against 0.7%YoY in February and 0.9%YoY in January, mainly from a weaker fall in loans towards other financial intermediaries (-2.5%YoY from -6.1%YoY).

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