

GLOBAL & REGIONAL DAILY

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Global markets

European government bonds came under significant selling pressure, with short-dated papers underperforming and the yield curves bear-flattening across the region, following hawkish comments from Governing Council member Robert Holzmann, suggesting that he expects the ECB to “hike rates by half a percentage point four more times this year” as core inflation “will not weaken significantly in the first half of the year”. The above remarks led to a fresh hawkish shift in ECB rate tightening expectations, with markets now pricing in a terminal deposit rate close to 4.00%, implying some 155bps of additional tightening compared to 150bps at the end of last week. In FX markets, the EUR firmed, hitting a two-week high of 1.0694 against the USD, also favored by lower natural gas prices which fell to a fresh 18-month low of €41.50/MWh. Focus now turns to the Fed Chair Powell’s testimony to the Senate Banking Committee (15:00 London time), with futures currently assigning a 22% chance of a 50bps rate hike at the next policy meeting.

Greece

Today ELSTAT is scheduled to announce the Q4 2022 national accounts data, along with the 1st estimate for the FY-2022 real GDP growth rate. The period from Oct-22 to Dec-22 was marked by a deterioration of the ESI (Economic Sentiment Indicator) and the PMI Manufacturing Index, and by a decrease of the volume indices in wholesale and retail trade. On the flip side, employment growth remained solid at 2.1% YoY from 2.3% YoY in Q3 2022. In Jan-22 to Sep-22 real GDP growth was 5.9% YoY, from 8.4% YoY in Jan-21 to Sep-21. According to the market consensus forecast, the real GDP growth rate is estimated at 5.2% for 2022, 1.0% in 2023 and 2.2% in 2024.

CESEE

In Serbia, the Producer Price Index (PPI) inflation decelerated for the seventh consecutive month in Feb-23, to 9.4%YoY from 10.6%YoY in Jan-23, a twenty-month low. Among the main industrial sectors, the PPI deceleration was stronger in energy, by 2.9ppts, to 7.5%YoY, after a 21.4%YoY multi-year high increase in Nov-22. PPI rise eased also in manufacturing, to 10.6%YoY from 12.2%YoY, whereas the index fall in mining-quarrying accelerated to 10.9%YoY from 10.1%YoY. Water supply -waste management was the only industrial sector where the PPI annual rate was unchanged (+6.6%). The deceleration in energy prices growth during Dec-22 – Jan-23 could trigger a gradual shift in the accelerating CPI inflation in the next months. However, the IMF Mission Chief to Serbia Donal McGettigan stated yesterday that, in line with the Stand-By Arrangement of the Fund with Serbia, energy prices will have to increase in the context of the energy sector transformation. The electricity tariff for households was hiked by 8% from Jan 1, 2023 and the next 8% increase is scheduled for May 1, 2023.

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