

# GLOBAL & REGIONAL DAILY

July 7, 2023

## Global markets

Ahead of today's US June non-farm payrolls report, incoming data largely point to a still tight labor market with modest signs of cooling. ADP employment in the private sector surged by 497K in June and continuing jobless claims dropped to a 4-month low of 1.72mn in the week ending June 24. In addition, job openings totaled 9.82mn in May, down from April's upwardly revised 10.32mn, with the ratio of job openings per unemployed person falling to 1.61, the lowest since late 2021 compared to 1.82 in April, though still remained well above the post-pandemic average of 1.2. Separately, the headline ISM services index rose to a four-month high of 53.9 in June supported by an improvement in most of key subcomponents, including employment. In reaction to positive US data releases that point to increased risks of higher-for-longer US rates, USTs came under further pressure, with the 2-yr yield briefly rising to 5.12% yesterday, the highest level since 2008. Equity markets also took a hit, while the USD continued to consolidate recent gains.

## Greece

Prime Minister Kyriakos Mitsotakis, in his first speech in the Parliament yesterday, after the re-election of his party in the June 2023 general elections, set out the new government's main priorities for the next four years. Among others, these included the achievement of investment grade status by the end of 2023; the repayment before maturity of the loans originating from the first bailout agreement (2010-2011); the continuation of some energy crisis related support measures; the commitment to achieve "reasonable primary surpluses" in the following years (with the current primary surplus targets (SGP2023) at 1.1% of GDP for 2023 and at 2.3% of GDP on average for 2024-2026); the reduction of public debt as a ratio to GDP below 140% by 2027 from 171.3% in 2022; the further reduction of the unemployment rate; and the improvement of the export profile of the country.

## CESEE

On the same footing with the Central Bank of Romania that held its MPC on Wednesday and left the key policy rate (KPR) unchanged at 7%, matching market expectations, the Central Bank of Poland decided yesterday, as broadly expected, to keep its KPR at 6.75%, marking the tenth month of stable rates in a row. The post-meeting statement came along with GDP forecasts for 2023 which stand at a range between -0.2% and +1.3% (midpoint 0.55%), worsened, regarding the upper bound, compared to those of March (-0.1%-1.8%, midpoint: 0.85%). In Hungary, fresh hard data of May point to a continuing cooling in the economy, after the -0.9%YoY/-0.3%QoQ contraction in Q1. Retail sales declined by 12.3%YoY in May, not much changed compared to the 12.7%YoY decline in April while industrial output contracted by 6.9%YoY in May compared to an 8.3%YoY decrease in the previous month. Along these lines, inflation continued its downward path in June, sliding to 20.1%YoY from 21.5%YoY in May and 24.0%YoY in April.

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