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Global markets

Echoing his comments at last week's post-meeting press conference, Fed Chair Powell reiterated at the Economics Club of Washington yesterday that further rate hikes are likely needed to get inflation back to target, and the strong employment report underscores that there is a "significant road ahead", pointing out that the Fed may have to raise rates more than the December dot plot indicated, if the labour market reports continue to surprise to the upside. With markets having already repriced rate hike expectations upward after the US non-farm payrolls report, the overall tone the Fed Chair adopted was perceived as not materially more hawkish than that at last week's press conference, with Fed fund futures for July actually pricing in currently a terminal fed funds rate slightly lower at 5.138%. Against this backdrop, risk-on prevailed and UST yields moved higher, while EGBs also weakened after the ECB's announcement of a new ceiling for the remuneration of euro area government deposits at the euro short-term rate minus 20bps.

Greece

According to ELSTAT's commercial transaction data, the value -in current prices- of merchandise exports stood at €54.7bn in Jan-22 to Dec-22 registering an increase of 36.7% YoY. The categories of oil products (€19.5bn) and of products excluding oil and ships (€35.1bn) contributed 21.2 and 15.5 ppts respectively to the annual percentage change in total exports in 2022. On the debit side of the accounts, the value -in current prices- of merchandise imports rose to €93.0bn in Jan-22 to Dec-22 from €65.5bn in the respective period of 2021 (42.2% YoY). Similar to exports, the categories of oil products (€31.5bn) and of products excluding oil and ships (€61.1bn) contributed 22.8 and 19.0 ppts respectively to the annual percentage change in total imports. Given these results, the trade deficit widened to €38.4bn in Jan-22 to Dec-22 from €25.5bn in Jan-21 to Dec-21 (50.7% YoY). Excluding the categories of oil products and ships, the trade deficit stood at €26.1bn in 2022 from €19.9bn in 2021 (31.1% YoY).

CESEE

In Turkey, as a first response to the recent twin devastating earthquakes, President Erdogan declared a state of emergency in ten south-eastern provinces of the country. The emergency rule will encompass ten out of a total of 81 cities in Turkey. Furthermore, the government decided an initial budget of TRY100bn to be allocated to public institutions in the quake areas for emergency help and support measures. This first allocation already accounts for 2.6% of primary spending in the 2023 budget, whereas further support policies are expected shortly. The Central Bank of Turkey (TCMB) also proceeded with some initial support measures, by extending the maturities for repayments of rediscount credits (e.g., for exports) as well as for advance loans against investment commitment up to 180 days and free of interest. In its recent WEO update the IMF re-iterated the 2023 and 2024 GDP projections for Turkey (3.0% for both years), but at least the former is expected to be revised downwards after the earthquakes.

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