

# GLOBAL & REGIONAL DAILY

June 8, 2023

## Global markets

Following an unexpected 25bps RBA rate hike earlier this week, the BoC followed suit yesterday with a 25bps rate increase of its own after pausing in the previous two meetings. The central bank's rationale for this unexpected move was attributed to increased concerns "that CPI could get stuck materially above the 2% target", while market pricing had implied a probability of less than 50% for a 25bps rate increase. The hawkish surprise from the BoC sparked a big selloff among developed market sovereign bonds, with yield curves bear-flattening, reflecting market positioning for "higher-for-longer" rates. Against this backdrop, risk sentiment is deteriorating ahead of today's final Eurozone Q1 GDP estimate and US jobless claims, with equity futures pointing to a negative opening for European and US markets after Asian bourses ended lower, also affected by a strong upward revision in Japan's Q1 GDP. Separately, in its latest economic outlook, the OECD projects global GDP growth at 2.7% in 2023, before picking up slightly at 2.9% in 2024.

## Greece

After 10 quarters in a row with positive quarterly growth, real GDP decreased, albeit marginally, by 0.1% in Q1 2023 (vs. an expansion of 0.1% in the Euro Area), from a strong finish of 1.1% in Q4 2022. On an annual basis it increased by 2.1% (vs. 1.8% in the Euro Area), from 4.8% in Q4 2022, whereas compared to Q4 2019, i.e. the pre-pandemic level, it stood higher by 5.9% (vs. 2.9% in the Euro Area). Based on the expenditure approach in measuring GDP, the components that led to the deceleration of growth at the start of 2023 were inventory investment and fixed investment, with gross capital formation decreasing both on a quarterly and on an annual basis by 18.6% and 0.7% respectively (-1.0% QoQ and +8.2% YoY for fixed investment). On the other hand, private consumption, government consumption and net exports had a positive contribution to growth. Finally, according to the OECD's economic outlook released yesterday, the real GDP growth in 2023 and 2024 is expected at 2.2% and 1.9% respectively.

## CESEE

Mixed trends in the OECD fresh economic outlook concerning its member countries in the region relative to its previous forecasts in November 2022. GDP growth projections for 2023 were moderately revised upwards for four out of the seven countries, with the fresh figures standing higher mainly for Slovenia (+1ppt, to 1.5%) and Slovakia (+0.8ppt, to 1.3%). However, the downward revisions for this year were on average stronger than the upgrades, concerning mainly Estonia (-1.8pppts, to -1.3%) and Lithuania (-1.6pppts, to 0.0%). A somewhat stronger recovery was projected by the OECD for most CESEE economies in 2024, mainly for Slovenia (+0.6ppt, to 1.0%) and Lithuania (+0.6ppt, to 2.6%), partially offsetting in the second case the projected deterioration in 2023. Poland (-0.3ppt, to 2.1%) and Slovakia (-0.1ppt, to 2.0%) are now expected to experience a slightly slower growth pace in the next year than in the previous OECD outlook.

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