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Global markets

Awaiting tomorrow's US CPI release for December, USTs lost ground, with the 10-yr yield rising by almost 9bps yesterday, the biggest daily increase so far this year, before giving back around 3bps earlier today and still standing above a multi-session low near 3.51% recorded earlier this week following Friday's mixed US non-farm payrolls data. In a similar vein, European government bond yields were also above earlier lows, in reaction to hawkish comments by ECB Executive Board Member Schnabel at the central bank symposium in Stockholm yesterday that interest rates will have to rise significantly further to reach levels that are sufficiently restrictive so as to ensure a timely return of inflation to the target. Elsewhere, risk-on sentiment prevailed, while the EUR/USD extended recent gains hitting a year-to-date high near 1.0760. In other news, in its Global Economic Prospects released yesterday, the World Bank revised lower its global growth projection for 2023 at 1.7% from 3.0% previously, mainly driven by the advanced economies.

Greece

According to the January-November 2022 State Budget Execution final data, the overall fiscal balance on a modified cash basis, posted a deficit of €5.65 bn, or -2.7% of GDP, registering a decrease of €1.11bn (-16.4%), compared to the respective 2023 Budget target. The primary fiscal balance recorded a deficit of €1.09 bn, or -0.5% of GDP, improved by €1.15 bn (-51.27%) compared to the respective budget target. Note that the primary balance for 2022 is expected to be negative (deficit) at €3.41 bn or -1.6% of GDP in ESA2010 terms. According to the general government (GG) data, total GG arrears to the private sector in November 2022 stood at €2.47 bn, marking a monthly decrease of 1.00% (and a year-to-date increase of 50.7%). However, the net amount of arrears is even lower due to the health sector's rebate and clawback amounts that have not been settled yet.

CESEE

The National Bank of Romania decided yesterday an additional hike of the Key Policy Rate (KPR) to 7% from 6.75%, increasing also the interest rates on its lending facility (Lombard) to 8% from 7.75% and the deposit facility rate to 6% from 5.75%. The decision was broadly in line with market expectations as based on the latest CPI print (Nov) at 16.7%YoY, inflationary pressures have not shown yet signs of ease despite the extensive monetary tightening at play since Oct 2021. Tomorrow, the National Bank of Serbia convenes with an additional increase of the KPR, currently at 5.0%, on the table given the inflationary trajectory so far while Dec's CPI print is also due. Concluding, the WB, in its Global Economic Prospects released yesterday, downgraded its 2023 GDP growth for almost every regional peer compared to its previous review in June, sealing the worsening of economic prospects for the year ahead.

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