

GLOBAL & REGIONAL DAILY

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Global markets

US headline CPI inflation reaccelerated in April to 0.4%MoM from 0.1%MoM in March, as expected, mainly on the back of higher gasoline prices, but the annual rate dropped by 0.1ppt to 4.9%, moving below 5.0% for the first time since April 2021. Core inflation rose by 0.4%MoM as core goods accelerated to 0.6%MoM driven by a robust increase in used car prices, while the annual rate edged slightly lower to 5.5% from 5.6% in March. More importantly, core services inflation excluding rent of shelter — a labor intensive category which the Fed Chair has repeatedly characterized as “the most important” in determining the future direction of monetary policy- rose by just 0.1%MoM, the slowest pace since last July, taking the annual rate to 5.2%YoY from March’s 6.1%YoY and adding to the view that the Fed will likely take a pause in its tightening cycle at the next meeting on 14 June. Against this backdrop, USTs gained with the yield curve bull-steepening, while the DXY USD index moved lower before recovering fully post-CPI losses earlier today.

Greece

The inflation rate based on the annual change of the HICP decelerated for the 7th month in a row in Apr-23 to 4.5% (7.0% in the Euro Area), from 5.4% in Mar-23 (6.9% in the Euro Area). Regarding the inflation rate in the main groups of goods and services, food and non-alcoholic beverages and hotels-cafes-restaurants depicted the highest rates with 11.1%, followed by household equipment (10.6%), health (6.5%), miscellaneous goods and services (6.1%), clothing and footwear (5.5%), transport (3.4%), recreation and culture (3.4%), alcoholic beverages and tobacco (2.4%), education (2.2%). Out of the twelve main groups of goods and services, two depicted negative inflation rate in Apr-23 (i.e., an annual drop in their prices), communication (-1.8%) and housing (-13.7%). The latter mainly reflects the annual decrease in the energy prices. According to the Stability Programme 2023, the 12-month average inflation rate is expected at 4.5%, 2.4%, 2.0% and 2.0% in 2023, 2024, 2025 and 2026 respectively.

CESEE

The central banks of Romania and Poland, conveying yesterday, decided to leave their key policy rates unchanged at 7.0% and 6.75% respectively, in line with market expectations. The course of inflation in the past two months was downward, allowing for the abidance of key policy interest rates at current levels while the communique by the Polish MPC chair, Adam Glapinski, left the door open for some monetary easing under the condition that inflation continues to reside. Elsewhere, in Bulgaria, retail sales growth kept shrinking in March, coming in at 1.1%YoY from 4.3%YoY in February, turning negative on monthly terms for a second consecutive month (-1.0% in Feb, -0.6% in Mar). On a more pronounced tone, industrial output contracted by 9.0%YoY in March from -2.7%YoY in February with the contraction even deeper for the month (-17.0%MoM). Hopes are pinned on the political front with the EU’s Innovation Commissioner Mariya Gabriel nominated by GERB, the ranking first party in recent elections, as the country’s new PM.

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