

GLOBAL & REGIONAL DAILY

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Global markets

All eyes this week are on the FOMC two-day policy meeting that concludes on Wednesday and will be accompanied by a new Summary of Economic Projections (SEP) ahead of Tuesday's US May inflation report, and the ECB meeting on Thursday along with the new macroeconomic forecasts. Markets expect the Fed to skip rate hikes this week, probably to have more time to assess the impact of tighter credit conditions, but to maintain a tightening bias amid sticky core inflation and resilient activity data. Market pricing implies just 7bps of Fed rate tightening this week, pointing to a 28% probability of a 25bps rate hike, while markets are pricing in fully a 25bps ECB rate hike and an additional one in July that would take the terminal deposit rate to 3.75%. Awaiting the outcome of the FOMC and the ECB meetings, Asian equity markets kicked off this week on a slightly negative tone, USTs and European government bonds were under pressure, especially the short end of the curve, and the EUR/USD was consolidating slightly above 1.0750.

Greece

According to ELSTAT, the inflation rate measured by the annual change of the HICP declined for the 8th month in a row to 4.1% in May-23, from 4.5% in Apr-23. The 5-month average inflation rate dropped to 6.7%, from 7.9% in the respective period of 2022. The main groups of goods and services that recorded the highest annual increases in their price levels in May-23 were: clothing and footwear (12.2%), food and non-alcoholic beverages (11.4%), household equipment (9.6%) and hotels-cafes-restaurants (8.7%). On the other hand, the two main groups of goods and services that registered an annual decline in their price levels in May-23 were: housing, water, electricity, gas and other fuels (-13.3%) and transport (-0.3%), mostly reflecting the annual drop in the energy prices. In other data releases, the manufacturing production index after 7 months in a row with positive monthly changes (0.9% MoM on average) decreased steeply by 5.0% MoM in Apr-23, whereas on an annual basis it increased by 3.5%.

CESEE

In the aftermath of the detailed Q1-2023 GDP growth estimate released late last week, hard economic data referring to April point to continuing loss of steam in the economy in early Q2-2023. GDP expanded by 2.1%YoY in Q1-2023, below the 2.6%YoY growth reading in Q4-2022, beating to the downside only by a tad the earlier flash estimate of a 2.2%YoY growth rate. In quarterly terms, seasonally adjusted GDP increased by 0.5%, slightly higher than the flash estimate of 0.4% and feebly lower than the 0.55% quarterly growth rate of Q4-2022. Data from both the supply and demand side of the economy point to further cooling in April as industrial output shrunk by 12.6%YoY, continuing to report negative growth rates for a fourth consecutive month and retail sales contracted by 2.7%YoY, marking the first annual decrease since July 2022. Finally, construction output retreated by 0.5%YoY, albeit milder than the 2.6%YoY drop in March.

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