

# GLOBAL & REGIONAL DAILY

June 13, 2023

## Global markets

Ahead of today's US May inflation report on the eve of the FOMC two-day policy meeting the USD was broadly weaker, and USTs opened slightly higher with the yield curve undertaking some bullish steepening, while Asian bourses rose, tracking gains in Wall Street overnight. Market consensus reflects expectations for a deceleration in both US headline and core inflation, while market participants reduced the odds of a 25bps rate hike this week to just 23%, though for July the chance of such a rate move is now assigned a higher probability, above 80%, as the Fed is expected to maintain a tightening bias, making clear that a pause does not necessarily mean an end to its tightening cycle. Meanwhile, German Bunds were little changed ahead of the ECB policy meeting on Thursday, with markets pricing in almost fully a 25bps rate hike. On the flipside, UK gilts underperformed on hawkish BoE comments and today's strong UK labor data, which led to a hawkish shift in BoE rate tightening expectations.

## Greece

According to the Ministry of Finance Bulletin on the achievement of the state budget execution targets in the first quarter of 2023, the state budget total primary expenditure, including the fiscal impact of the change in the stock of payables to third parties, outside the General Government (GG), was at €13.76bn, short of the quarterly target by €2.03bn (12.9%). No action plan in correcting the deviations of GG entities from their targets was necessary. The Public Investment Budget expenditure – part of the total expenditure above – were at €2.03bn, less than their quarterly target by €0.86bn (29.7%). The latter probably signifies a slowdown of public investments in the first quarter of the year. In other news, on 9 June 2023, Fitch Ratings kept its rating for Greece, unchanged at BB+, one notch below investment grade, and its outlook at stable, despite the improved growth and fiscal outlook for 2023. The continuation of the structural reform process and of the improved fiscal path in the post-election period, both constitute prerequisites for the investment grade.

## CESEE

The week's calendar is broadly loaded with May's CPI prints and based on those already released yesterday and today, inflationary pressures continue to abate assisted by high base effects while the vigor varies among regional peers. In Czechia, CPI inflation eased to 11.1%YoY from 12.7%YoY, marking the lowest print in the last 16 months and decreasing quicker than the 11.6%YoY market consensus. However, on monthly terms, consumer prices rose by 0.3%, stronger than market expectations of 0.1% and above April's 0.2% decrease. In Serbia, inflation decelerated to 14.8%YoY from 15.1%YoY in the previous month while consumer prices increased by 0.9%MoM, higher than 0.7%MoM in April. Finally, in Romania inflation moderated to 10.64%YoY/0.64%MoM from 11.23%YoY/0.75%MoM in April. On Thursday, Poland's prints are due and the week concludes with Croatia's on Friday.

## Contributing Authors:

**Paraskevi Petropoulou**  
Senior Economist  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Dr. Theodoros Stamatiou**  
Senior Economist  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

**Maria Kasola**  
Research Economist  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

## Research Team



**Dr. Tasos Anastasatos** | Group Chief Economist  
tanastasatos@eurobank.gr | + 30 214 40 59 706



**Dr. Dimitris Exadaktylos**  
Economic Analyst  
v-dexadaktylos@eurobank.gr  
+ 30 214 40 63 449



**Dr. Stylianos Gogos**  
Research Economist  
sgogos@eurobank.gr  
+ 30 214 40 63 456



**Maria Kasola**  
Research Economist  
mkasola@eurobank.gr  
+ 30 214 40 63 453



**Paraskevi Petropoulou**  
Senior Economist  
ppetropoulou@eurobank.gr  
+ 30 214 40 63 455



**Dr. Theodoros Rapanos**  
Research Economist  
trapanos@eurobank.gr  
+ 30 214 40 59 711



**Dr. Theodoros Stamatou**  
Senior Economist  
tstamatou@eurobank.gr  
+ 30 214 40 59 708



**Michail Vassileiadis**  
Research Economist  
mvassileiadis@eurobank.gr  
+ 30 214 40 59 709

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