

# GLOBAL & REGIONAL DAILY

June 14, 2023

## Global markets

US headline CPI rose by 0.1%MoM in May comparing to 0.4%MoM in April, taking the annual rate down to 4.0%YoY from 4.9%YoY, the slowest pace since March 2021, fueling expectations that the Fed will keep interest rates unchanged at the end of the two-day policy meeting today. Markets are currently pricing in only an 8% chance of a 25bps rate hike. However, the probability assigned for a 25bps rate increase at the July meeting is still high (61%), possibly due to the sticky core CPI, which rose by another 0.4%MoM in May for the third consecutive month. In other news, the ZEW Indicator of Economic Sentiment in Germany slightly improved to -8.5 in June from -10.7 in May, remained, though, below zero and implying, thus, negative expectations for the German economy. According to the survey's commentary, the weak global economy will likely affect export-oriented sectors, adding, however, that "the current recession is generally not considered particularly alarming".

## Greece

According to Eurostat, the seasonally adjusted labour productivity, measured as real GDP per hour worked, decreased marginally on an annual basis by 0.2% in Q1 2023. The other metric of labour productivity, i.e. real GDP per employee, increased on an annual basis by 1.1%. Given these results, hours worked per employee – a metric of the utilization rate of the labour factor – increased on an annual basis by 1.3% in Q1 2023 (approximation). Hence, the annual growth performance of Greece at the start of 2023 (2.1% real GDP growth) was driven by the increase in the number of employees and of hours worked per employee. Given that hours worked per employee are already high in Greece (top 5 among the OECD countries in 2021) and that employment growth faces downside risks due to the downward trend of the labour force, supply side policies aiming to boost productivity and labour participation are important conditions for Greece's growth performance.

## CESEE

Amid the lingering social unrest and the escalating tense between Serbia and Kosovo recently, incumbent President Aleksandar Vucic confirmed plans for early parliamentary elections calling also for opposition talks in the meantime in his effort to tame the waves of continuing protests in the country. Along these noisy lines, the Ministry of Finance announced yesterday that it will offer RSD5bn in two-year Treasury bonds at an auction scheduled for June 20 in a reopening of a previous issue held on January 23, 2023. The securities carry an annually paid coupon of 5% and mature on January 25, 2025, while upon their initial offer, RSD27.2bn of securities were sold. Elsewhere in the region, the Bulgarian Ministry of Finance, following the recent formation of a coalition government, is working on a budget for 2023 which will target a fiscal deficit of 3% of the projected GDP under the ESA methodology, following the 6.1% targeted deficit by the caretaker government in late April.

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