

# GLOBAL & REGIONAL DAILY

March 15, 2023

## Global markets

Reduced concerns about broader financial stability, led to a relief rally in risky assets, with Asian equity markets rebounding today, tracking Wall Street's gains overnight. Meanwhile, yesterday's US February CPI report reinforced expectations of further Fed rate tightening ahead. Headline CPI remained unchanged at 0.4%MoM, taking the annual rate down to 6.0% from January's 6.4%, but core CPI accelerated to 0.5%MoM from 0.4%MoM, translating into a 5.5%YoY increase, just 0.1ppt lower from January, on the back of a hefty rise in the Fed's closely watched non-housing services component. Persisting price pressures and easing SVB contagion fears led investors to reassess expectations for Fed policy tightening ahead. Markets now imply an 80% chance for a 25bps rate hike next week, while pricing for the terminal rate was up to 4.98%, with less than 50bps of rate easing priced in by December. Against this backdrop, the USD gained some ground ahead of today's US retail sales and the UST yield curve bear-flattened, led by 2-yr yields.

## Greece

According to ELSTAT's quarterly national accounts, real GDP growth surprised on the upside in Q4 2022, accelerating to 1.4% QoQ / 5.2% YoY from an upward revised 0.4% QoQ / 4.4% YoY in Q3 2022. The carry-over effect stands at 1.5ppts, higher by 0.3ppts compared to the current EC forecast (Feb 2023 winter forecasts) for the real GDP growth rate in 2023 (1.2%). However, revisions of the data may change this figure. Regarding the high frequency indicators that have been released, the outlook is positive for the performance of the economy in Q1 2023. The ESI (Economic Sentiment Indicator) and the PMI manufacturing have been improved in Jan-Feb 2023, while the manufacturing production index increased by 0.4% MoM / 8.4% YoY in Jan 2023 from 0.8% MoM / 5.6% YoY in Dec 2022.

## CESEE

Inflationary pressures remain unabated in some peers such as Serbia and Romania. February's print in Serbia came in at 16.1%YoY from 15.8%YoY in January with the core CPI accelerating to 11.1%YoY from 10.4%YoY in January. The monthly headline figure remained stable at 1.4%. The main pressure on the annual reading came from food and utility-related prices. Food prices increased by 24.6%YoY in February from 23.7%YoY in January and on the same footing utility-related prices augmented by 24.0%YoY in February from 23.0%YoY in the previous month. Regarding energy prices, their increase reflects the 8% hike in electricity prices for households and 11% increase in gas prices from the start of 2023, while two equivalent hikes are already routed for 2023 in May and November. In Romania, inflation accelerated to 15.5%YoY in February from 15.1%YoY in January, with almost half of the increase attributed to food inflation.

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