

# GLOBAL & REGIONAL DAILY

February 17, 2023

## Global markets

Coming in the wake of the last strong CPI data earlier this week, US pipeline inflationary pressures reaccelerated in January, with both the headline and core PPI rising by a higher than expected 0.7%MoM and 0.5%MoM respectively, adding to market concerns about inflation remaining high for longer. Separately, US initial claims unexpectedly dropped from 195k to 194k in the week ending February 11, providing further support to the prevailing view that the Fed's tightening cycle has more to run in order to tame inflation. Against this backdrop, Cleveland Fed President Loretta Mester and St. Louis Fed President James Bullard sounded very hawkish yesterday, with the latter saying that he would not rule out supporting a 50bps rate hike at the next policy meeting in March. In reaction, USTs came under further pressure, with the 10-yr yield rising by another 6bps earlier today to 3.93%, the highest level so far this year, while the USD retained a broadly firm tone, pushing the EUR/USD below 1.0650 for the first time since early January.

## Greece

According to the Jan-23 State Budget Execution preliminary data, the overall fiscal balance posted a surplus of €1.47bn higher by €0.55bn (60.4%) compared to the respective 2023 Budget monthly target. The primary fiscal balance recorded a surplus of €2.77bn, improved by €0.62 bn (28.8%) compared to the respective budget target. State budget revenue amounted to €7.16bn registering an increase of €0.57bn (8.6%) compared to the respective budget target; the excess tax revenue was mainly due to the overperformance of revenues from 2022 tax installment schemes and tax revenues from the current year. State budget expenditure amounted to €5.69bn, registering an increase of €0.01bn (0.2%) compared to the respective budget target. The additional fiscal space created from the revenues overperformance and the better-than-expected natural gas prices so far, permitted the implementation of additional fiscal support measures at a cost of €800mn.

## CESEE

Mixed trends in the EBRD Regional Outlook Update relative to its autumn report (Sep-22) about GDP growth in the CESEE countries in 2022, whereas projections about 2023 were revised downwards. Regarding 2022, Central Europe - Baltic countries are expected to grow faster than previously anticipated by 0.3ppts (+4.0%) mainly due to a stronger GDP increase in Poland (+0.8ppts, to 4.8%). On the contrary, a milder growth by 0.3 ppts is projected for the southeastern EU countries (+4.7%) and the Western Balkans (-0.2ppts, to 3.0%), on the back of a weaker performance by Romania (-0.7ppts, to 4.7%) and Serbia (-1.0ppt, to 2.3%) respectively. Concerning the EBRD outlook for 2023, the deterioration is stronger for the Western Balkans (-0.8ppts, to 2.2%), owed again to the aggravated prospects of Serbia (-1.3ppts, to 2.0%), with the Central Europe – Baltic (-0.7ppts, to 0.6%) and southeastern EU countries (-0.5ppts, to 1.5%) following. The performance of Hungary (-1.7ppts, to -0.2%) and Greece (-0.7ppts, to 1.5%) is the main reason behind the downward revision in the latter regions.

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