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Global markets

Despite the recent tension in financial markets, the ECB hiked rates by 50bps yesterday, as had signaled in February, on the view that “inflation is projected to remain too high for too long”, while “the euro area banking sector is resilient”. Importantly, the ECB replaced the previous forward guidance signaling “significantly” further rate tightening with a fully data-dependent approach, refraining from any explicit commitment regarding the future path of rates, although, speaking at the press conference, President Lagarde left the door open for higher rates ahead if the economy evolves in line with the GC’s projections (showing above-target inflation through 2024 and 2025 at 2.4% and 2.2% respectively). Supported by growing expectations that major CBs will likely adopt a more cautious policy stance and news that major US banks agreed to make uninsured deposits into First Republic Bank, risk sentiment modesty improved today. EGBs retained most of post-ECB gains, and the EUR firmed, but gains were limited.

Greece

According to the Jan-Feb-23 State Budget Execution preliminary data, the overall fiscal balance posted a surplus of €2.29bn registering an increase of €2.26bn compared to the respective 2023 Budget monthly target. The primary fiscal balance recorded a surplus of €4.20bn, improved by €2.39bn compared to the respective budget target. State budget revenue amounted to €12.95bn registering an increase of €1.95bn (17.7%) compared to the respective budget target and an increase in tax revenue by €1.30bn (14.9%) due to the overperformance of revenues from 2022 tax installment schemes and tax revenues from the current year. State budget expenditure amounted to €10.66bn registering a decrease of €0.31bn (-2.8%) compared to the respective budget target. According to press reports, the government will announce later today, the increase in the minimum wage that will be applicable from 1 Apr-23 onwards. Estimates on the new minimum wage vary from €760 to €780 from €713 currently.

CESEE

With almost all February’s CPI prints having been released in the region, inflationary pressures remain unabated in Poland while signs of decompression are witnessed in Bulgaria. Polish inflation accelerated to 18.4%YoY from a revised 16.6%YoY in January, almost matching market consensus which stood a tad higher at 18.5%YoY. On the same footing, core inflation picked up to 12.0%YoY in February vs 11.7%YoY in January, boding well with yesterday’s statements by the MPC member Ludwik Kotecki that highlighted the absence of appropriate conditions that could allow for lower key policy interest rates until the end of 2025. The monthly print, however, allows for some optimism as it showed that prices increased by 1.2% compared to 2.5% in the previous month. In Bulgaria, inflation decelerated to 16.0%YoY from 16.4%YoY in January reflecting an easing in both food and non-food prices, while on a monthly basis prices increased by 0.8% compared to 1.1% in the previous month.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr.Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr

Maria Kasola
Research Economist
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 Stamatiou
Senior Economist
tstamatiou@eurobank.gr
+ 30 214 40 59 708

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

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