

GLOBAL & REGIONAL DAILY

April 18, 2023

Global markets

According to yesterday's US data releases, the Empire State Manufacturing Index unexpectedly rose in April coming in at 10.8, the first positive reading in the last five months, from -24.6 in March. In reaction, USTs came under further pressure, with the front-end continuing to underperform, also affected by the recent hawkish market repricing of the expected Fed policy path following a string of solid US economic data released over the last few sessions and a fresh round of hawkish comments by several Fed officials. Futures took the chance of a Fed rate hike at the next policy meeting on May 3 up to 88%, also reflecting a 24% probability for a 25bps rate hike at the June meeting, while just 55bps of rate cuts are priced in by December. Meanwhile, the USD gave back some of yesterday's gains, with the EUR/USD reapproaching the 1.0950 level earlier today ahead of today's German April ZEW survey and US March housing starts and building permits, 0.3% higher on the day, though still below last week's fresh year-to-date high of 1.1075.

Greece

The Overall Import Price Index (MPI) in industry decreased by 5.6%YoY / 3.4%MoM in Feb-23 according to the Hellenic Statistical Authority (ELSTAT), driven by declines in the subindices of Extraction of crude petroleum and natural gas (-22.4%YoY/-9.2%MoM) and Manufacture of coke and refined petroleum products (-9.5%YoY/-3.0%MoM), reflecting strong base effects. Nevertheless, on a twelve-month rolling basis (Mar-22 to Feb-23), the MPI stood 27.2% higher compared to the previous respective period (Mar-21 to Feb-22). In agriculture and livestock farming, the Input Price Index increased by 11.3%YoY / 2.1%MoM in Feb-23, with the Output Price Index (excl. subsidies) increasing by 20.5%YoY / 1.9%MoM. Meanwhile, registrations of new passenger cars maintained their post-pandemic upward trend, increasing by 49.8%YoY in Q1 2023.

CESEE

Signs of weakening headline inflation in CEE3 in March, however core inflation is proving sticky. In Czechia, the headline figure eased in March for the second consecutive month, to 15.0%YoY vs. 16.7%YoY, mainly due to base effects in fuels (-0.6%YoY against +6.9%YoY in February) and utility prices (+20.1%YoY vs. +22.2%YoY). Thus, core inflation (excluding fuels-energy-food) eased moderately, to 11.5%YoY from 12.1%YoY. In Poland, CPI inflation also decelerated in March, to 16.1%YoY from 18.4%YoY in the previous month. However, the core rate accelerated further to 12.3%YoY from 12.0%YoY, the highest level since October 1998, suggesting some stickiness in underlying inflation. Later this week, eyes will be on the release by Eurostat of the official fiscal balance and public debt numbers for 2022. Expectations are that fiscal deficits narrowed in all CEE countries but Poland, thanks to solid growth and the positive initial impact of high inflation on tax revenues.

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