ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

May 25, 2023

Global markets

Risk-off sentiment prevailed on debt ceiling woes, leading Fitch to put its AAA rating of the US sovereign on negative watch. On top of that, UK inflation data for April surprised to the upside, with headline CPI falling by less than expected to 8.7%YoY from 10.1%YoY in March, and core CPI unexpectedly rising by 0.6ppts to a multi-decade high of 6.8%YoY, pushing markets to reprice higher the expected terminal Bank Rate, to around 5.35%, implying a cumulative 85bps of additional BoE rate hikes by year-end. UK Gilts came under pressure with the yield curve bear-flattening, while USTs followed suit, also affected by fresh hawkish comments by Fed officials, with market participants continuing to assign an increased risk for a Fed hike in June or July, while the amount of rate easing priced in by the end of the year fell to 42bps. Against this backdrop, the USD extended recent gains, hitting a new year-to-date high close to 140 against the JPY, while the EUR/USD dropped near 1.07 pressured by weaker-than-expected German Ifo data.

Greece

Yesterday the European Commission (EC) published the second post-programme surveillance report on Greece. The EC acknowledges: 1st the solid macroeconomic performance in 2023 (real GDP growth rate at 5.9% vs 3.5% in the Euro Area), despite the uncertainty in the external environment. 2nd the fiscal adjustment to a primary surplus of 0.1% of GDP in 2023, despite the energy crisis needs. The EC forecasts a primary surplus of 1.9% and 2.5% of GDP in 2023 and 2024 respectively. 3rd the strong profitability of the banking sector, based on a solid core performance, but also, to some extent, on one-off gains. The NPLs continue to decline (8.7% end-December 2022), nevertheless they remain above the EU average. 4th the benefits of the previous reforms in the banking sector (out-of-court workout and insolvency frameworks), although further actions are needed. 5th the capacity of the Greek economy to service its debt. 6th the need for further progress in areas such as the cadastral mapping and the clearance of the non-pension arrears.

CESEE

In Poland, after the GDP annual growth stagnation in Q1 2023, against a 0.6%YoY increase in Q4 2022 and a growth rate of 4.6% in 2022, incoming data about economic activity in April point to a further weakening in early Q2 2023. Industrial production fall widened to 6.4%YoY, from 3.0%YoY in March, the strongest decline since June 2020. Among the main industrial sectors, the acceleration of the fall was more pronounced in manufacturing (-5.6%YoY vs. 0.4%YoY in March) and mining-quarrying (-11.7%YoY against 7.4%YoY), however output decline eased in utility & water supply (-14.3%YoY against -23.2%YoY). Retail sales shrunk for the second consecutive month by 7.3%YoY, also the strongest fall since June 2020, albeit slower than market consensus (-8.1%YoY). The sales fall widened in four out of seven subsectors, predominantly in motor vehicles-motorbikes (-5.1%YoY against -1.2%YoY), and eased mainly in fuels, on the back of falling crude oil prices (-14.5%YoY vs. -20.7%YoY).

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr

Michail Vassileiadis
Research Economist
mvasseiliadis@eurobank.gr

Eurobank Research

EUROBANK

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

More available research at: https://www.eurobank.gr/en/group/economic-research
Subscribe electronically at: https://www.eurobank.gr/el/omilos/oikonomikes-analuseis/forma-ekdilosis-endiaferontos
Follow us on twitter: https://twitter.com/Eurobank_Group
Follow us on LinkedIn: https://www.linkedin.com/company/eurobank