ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

April 26, 2023

Global markets

USTs rallied and EGBs followed suit, favored by a broad flight-to-quality on renewed US banking sector concerns, following news that First Republic Bank is exploring divesting up to $100bn of assets to restructure its balance sheet. Weak US corporate earnings results and concerns about a potential debt ceiling crisis, also had an impact, while on the US data front, a higher-than-expected increase in new home sales in March was overshadowed by a downside surprise in April Conference Board consumer confidence. The UST yield curve bull-steepened, as investors are pricing in more aggressive rate cuts in H2 2023. Markets are now pricing in less than a full 25bps rate hike by June FOMC policy meeting, suggesting a low probability of a 25bps hike in June after a likely 25bps hike in May, while the futures-implied rate for December indicates nearly 75bps of rate easing by year-end. Gold gained, briefly testing above the key psychological level of $2,000/oz, while the JPY and the USD retained a positive tone supported by safe-haven flows.

Greece

According to the final Jan-23 to Mar-23 State Budget Execution data, the overall fiscal balance posted a surplus of €0.22bn registering an overperformance of €2.87bn compared to the respective 2023 Budget monthly target. The primary fiscal balance recorded a surplus of €3.08bn, improved by €2.28bn compared to the respective budget target. State budget revenue amounted to €16.847bn registering an increase of €1.44bn (15.7%) compared to the respective budget target, with tax revenue at €13.61bn, higher relative to the target by €1.44bn (11.8%). Income tax and VAT (VAT on other goods and services excluding oil and tobacco) revenue overperformed by 13.3% and 8.0% (9.7%) respectively. Income tax and VAT revenue were at 30.4% and 41.2% of total revenue. The Public Investment Budget revenue registered an increase of €0.34bn (25.3%) compared to the respective budget target. State budget expenditure amounted to €16.62bn, registering a decrease of €0.54bn (-3.2%) compared to the respective budget target.

CESEE

According to the Spring Western Balkans Report released yesterday by the WB, the outlook for the said region remains subdued and uncertainty remains high. In the short term, the course of growth is tied with the EU economic performance, the route of energy and food prices, and the effects of the policy mix in the effort to tame inflation with the lingering war between Russia and Ukraine affecting all three aforementioned factors. Namely, for Serbia, which is the largest economy among Albania, Bosnia Herzegovina, Kosovo, Montenegro and North Macedonia that compose the Western Balkans area, GDP growth for 2023 is forecast to remain the same as in 2022 at 2.3% with a modest rebound of 3.0% expected in 2024. Inflation is expected to average 8.2% in 2023 from 11.9% in 2022 and 16% in Q12023. Staying in Serbia, but passing to local fixed income markets, RSD28.3bn in 2-year bonds which were first offered in January 2023 were raised yesterday with investors interest rendered strong, and an achieved yield of 5.48%

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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