ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

June 27, 2023

Global markets

Germany's IFO business climate index dropped in June for the second consecutive month by a higher than expected 3.0pts to 88.5, the lowest level since November 2022, mainly due to a sharp decline in the business expectations component (-4.7pts to 83.6) amid concerns about a weaker than earlier expected post-opening rebound in China, a looming US recession, and the prospect of higher ECB interest rates. In reaction, Bunds rallied with longer-dated paper outperforming, before moving slightly lower earlier today ahead of President Christine Lagarde's introductory speech at the ECB's annual forum in Sintra (10:00 CET). In FX markets, favored by the US currency's broad modest weakness, the EUR/USD rose above 1.09, while the NOK was among the best performing G10 currencies thanks to slightly higher oil prices. Elsewhere, Asian bourses ended mixed today and futures point to a positive opening for European and US equity markets ahead of a string of US data releases, including June's CB consumer confidence and May's durable goods.

Greece

According to the Jan-23 to May-23 final State Budget Execution data published yesterday, the overall fiscal balance posted a deficit of €1.12bn, improved by 74.9% compared to the respective 2023 Budget monthly target. The primary fiscal balance recorded a surplus of €2.30bn, improved by €3.70bn (264.8%) compared to the target. State budget revenue amounted to €26.25bn registering an increase of €2.95bn (12.7%) relative to the target. Tax revenue (TR) increased by €1.92bn (9.1%) with income tax (27% of TR) and VAT on other goods and services (36% of TR) revenue increasing by 11.5% and 7.2% compared to their targets. State budget expenditure amounted to €27.37bn registering a decrease of €0.38bn (-1.4%) compared to its target. For reference, the 10-YR bond yield earlier today, was at 3.56% and the spread with the respective German bond was at 123.3 bps, improved by 78.4 bps year-to-date.

CESEE

Further signs of negative implications from the loose monetary policy in Turkey. In May, the value of exports of goods (in US dollars) widened by 14.4%YoY, but the increase in imports was stronger (+15.5%YoY). Given the much higher level of imports of goods compared to that of exports a year ago, the goods balance deteriorated in May by 17.6%YoY. In the January-May 2023 period, during which the TRY/USD fell by 9.4%, standing at 0.048 in end-May, the value of exports of goods was unchanged on an annual basis (+0.1%), however imports rose by 8.8%, worsening the goods balance by 29.3%. The strong devaluation of the lira in June, by another 23.1%, to ca 0.039 at the time of writing, is expected to sustain the deteriorating trend in the goods balance in the short-term. On the other hand, last week's increase in the policy rate by the MPC, to 15% from 8.5%, implying a significant shift from the unconventional monetary policy applied since September 2021, could gradually support the TRY and the value of Turkey's exports.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr. Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr

Michail Vassileiadis
Research Economist
mvassileiadis@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

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