

GLOBAL & REGIONAL DAILY

September 27, 2023

Global markets

US equities closed lower yesterday, as 10yr UST yields hit fresh multi-year highs amid persisting expectations for “higher-for-longer” rates and worries about a potential government shutdown on 1 October. Moreover, weak US consumer confidence data contributed to rising concerns about the near-term economic outlook. Specifically, the US Conference Board consumer confidence index for September fell more than expected to 103.0, the lowest reading since May, from 108.7 in August, marking the biggest decline since August 2021. Asian equities were mixed this morning, while in the FX market, the DXY USD index marked a fresh 10-month high at 106.3 earlier today. Meanwhile, the 10-yr BTP/Bund yield spread rose to 194.2bps earlier today, the highest level since May, ahead of the presentation of the Italian government’s latest budget projections later today, with media reports suggesting a larger 2024 budget deficit target that could be as high as 4.5% of GDP.

Greece

Retail sales in Jul-23 amounted to €3.94bn in current prices, up by 12.3%YoY (+€0.43bn) and by 5.5%QoQ (+€0.20bn, non-seasonally adjusted), according to ELSTAT. In the 7-month period from Jan-23 to Jul-23 retail sales posted an annual growth rate of 15.6% (18.7% excl. vehicles, food and fuel). Given that the goods Harmonized Index of Consumer Prices (HICP) remained nearly flat in Jul-23 (-0.3%YoY), we should expect retail sales in inflation-adjusted terms to have moved accordingly. On the inflation front, Eurostat data released yesterday shows that Greece recorded the second largest annual increase in agricultural product prices in the EU27 in Q2 2023 (+21%), versus an EU27 average of 2.4%. In real (HICP-deflated) terms, the agricultural product inflation accelerated to 16.6%YoY, with the EU27 average passing into negative territory (-4.1%YoY). In the same period, the agricultural production input index declined by 2.3% annually (-5.9% in real terms), versus a 5% decline in the EU27 (-11.2% in real terms).

CESEE

Broadly in line with markets expectations, the Central Bank of Hungary kept the key policy rate (KPR) at 13.0% in yesterday’s meeting and cut the one-day deposit rate by further 100bps bringing it down to 13.0% and streamlining it, with the said decision, with the KPR. Along with the MPC, the Bank released yesterday September’s inflation report based on which inflation in 2023 will range from 17.6% to 18.1%, lowering slightly the upper end of the projection compared to the June inflation report. Inflation is expected to decelerate to 4.0-6.0% next year and will likely fall to 7.0-8.0% by the end of this year and ease further onwards, approaching the target range in 2025. In the same report, GDP forecasts for both 2023 and 2024 have been downgraded with those for 2023 ranging between -0.5% and 0.5% while those for 2024 point to a recovery of 3.0-4.0% growth. Today the Central Bank of Czechia takes the torch and holds its MPC with the KPR expected to remain unchanged at 7.0%.

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