

GLOBAL & REGIONAL DAILY

November 30, 2023

Global markets

UST yields continued to move lower with bull-steepening persisting, amid a more aggressive market pricing on Fed policy easing after a recent string of dovish comments from Fed officials. The upward revision in US Q3 GDP to an annualized rate of 5.2% from 4.9% previously, temporarily weighed on USTs, but losses proved short-lived following a 0.4ppts downwardly revised, though still robust, 3.6% increase in personal consumption. Fed Funds futures have brought forward the first Fed rate cut to May 2024 and 12bps of rate cuts are also priced into the March 2024 meeting, pointing to nearly five 25bps rate cuts throughout 2024. Bunds also rallied further with the short end of the curve continuing to outperform, while the EUR/USD returned below 1.10 hovering around 1.0940/60 earlier today, on softer than expected preliminary November inflation data from Germany and Spain. Yet, overall sentiment on the USD is still negative, as reflected in the DXY index which remained not far above 103 amid declining UST long-term yields.

Greece

The Greek economy is forecast to grow by 2.4% this year and slow down to 2.0% in 2024 as increased prices and interest rates take their toll on private consumption and fixed investment, according to the OECD Economic Outlook published yesterday. Yet as the inflation rate gradually subsides to 2.8% in 2024 and 2.4% in 2025, from 4.3% in 2023, economic growth is expected to rebound to 2.4% in 2025. The drop in unemployment is also projected to continue, albeit at a declining pace, from 10.9% of the labor force in 2023, to 10.0% in 2024 and 9.9% in 2025. Regarding fiscals, as the primary government surplus increases from 1.1% of GDP in 2023 to 2.1% in 2025, the public debt is set to recede to 152.4% of GDP in 2025 from 162.8% this year. Tackling delays in the implementation of the Recovery and Resilience Fund, improving the efficiency of the justice system, boosting productivity and labor force participation, and maintaining fiscal discipline remain key challenges in the short and medium run, according to the report.

CESEE

Based on the Economic Outlook by the OECD released yesterday, growth forecasts for 2023 were revised downwards for key regional economies compared to the previous outlook in June. In the CEE4 subgroup, Poland and Slovakia are expected to report positive, though trimmed, growth rates of 0.4% and 1.4% respectively but economic activity in Hungary and Czechia is anticipated to contract by 0.6% and 0.3% in turn. Moving to the southeastern part of the region, Bulgaria's growth forecast was cut by 0.2ppt to 1.7% on the back of stronger-than-expected external headwinds. Growth forecast for 2024 was also revised downwards to 2.8% from 3.2% but the narrative over a solid rebound in both 2024 and 2025 remained broadly unchanged due to EU funds disbursement which will act supportively to private investments and a gradual recovery in exports growth. Finally, inflation is projected at 9.5% in 2023, gradually easing to 4.5% in 2024 and 3.1% in 2025, with declining energy prices considered as the main driver of disinflation.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr. Theodoros Rapanos
Research Economist
trapanos@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



Marcus Bensasson
 Research Economist
mbensasson@eurobank.gr
 + 30 214 40 65 113



Dr. Dimitrios Exadaktylos
 Economic Analyst
y-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



Symeoni – Eleni Soursou
 Junior Economic Analyst
ssoursou@eurobank.gr
 + 30 214 40 65 120



Dr. Theodoros Stamatou
 Senior Economist
tstamatou@eurobank.gr
 + 30 214 40 59 708



Michail Vassileiadis
 Research Economist
mvasileiadis@eurobank.gr
 + 30 214 40 59 709

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