

GLOBAL & REGIONAL DAILY

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Global markets

Fed Chair Powell kept with the central bank's recent communication in testimony before the House of Representatives yesterday, arguing that he expects to see a cut in interest rates "at some point this year", but only after gaining "greater confidence that inflation is moving sustainably toward 2%". USTs rose, with the yield on the 10yr benchmark falling 5bps to 4.10% at yesterday's close. Powell will again testify to Congress today, this time before the Senate Banking Committee. In Europe, the ECB's Governing Council meets today and is expected to keep its policy rate on hold. Futures markets imply a 92% chance of an ECB cut by the June meeting and have fully priced in a first cut for July. Meanwhile in Japan, bets are growing that the BoJ will hike as soon as this month after wages grew more than expected in January. The JPY broadly gained, pushing the USD/JPY down 1% to a one-month low of 147.85 today as the implied odds of a hike at the 19 March meeting rose to 77% from 53% yesterday and as low as 21% on 28 February.

Greece

According to data released by Eurostat, the total general government expenditure in Greece in 2022 amounted to 52.9% of GDP, i.e. 4.8 and 7.3 pts lower than in 2021 (57.7%) and 2020 (60.2%), respectively. All functions of general government expenditure decreased between 2021 and 2022 but Recreation-Culture-Religion and Housing-Community amenities that remained unchanged (1.1% and 0.3% of GDP, respectively). The functions with the highest share in total general government expenditure were Social protection and Economics affairs. The former reported a drop to 19.0% of GDP from 20.9% in 2021 and the latter to 10.0% in 2022 from 10.6% a year before. The share of General public services was reduced to 7.1% of GDP from 7.8% in 2021 and Health expenses shrunk by 0.7 pts to 6.0% of GDP, from 6.7% in 2021. Then follows Education that its share dropped to 3.8% of GDP in 2022 from 4.1% in 2021 and, finally, the share of GDP for Defence expenditures went down to 2.6% from 2.8%.

CESEE

Broadly in line with market expectations, Poland's Central Bank (CB) decided yesterday to leave the Key Policy Rate (KPR) unchanged at 5.75%. In the post-meeting statement, it was cited that inflation developments in the following quarters are subject to high uncertainty related to fiscal, regulatory policies and the pace of economic recovery. Specifically, in case domestic demand is planned to be stimulated by wage growth, then this could result in renewed inflationary pressures. The baton is passed to the Serbian CB where no changes are expected in the KPR currently at 6.50% from the MPC held today. In Bulgaria, Prime Minister Nikolay Denkov submitted his resignation to the parliament on Tuesday, a day earlier than officially expected. The PM was agreed to resign under the ruling pact between the two largest parliamentary parties WCC-DB and GERB, which envisaged a PM rotation every nine months.

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