

# GLOBAL & REGIONAL DAILY

March 8, 2024

## Global markets

The ECB kept its key interest rates unchanged yesterday, as expected. However, President Lagarde strongly hinted that June is the most likely timing for the first rate cut, as she noted that "we need more data, we will know a little more in April, but a lot more in June". Nevertheless, the risk of a later start to the easing cycle cannot be ruled out. The ECB President also highlighted that the central bank is "particularly vigilant" on wages and profits data, making clear that the path for rates remains entirely data-dependent. The HICP inflation projection was revised down to 2.3% (-0.4ppts) for this year and 2.0% (-0.1ppt) for 2025, while core inflation is now expected at 2.6% (-0.1ppts) this year, 2.1% (-0.2ppts) in 2025 and 2.0% (-0.1ppts) in 2026. The downward revised forecasts were interpreted as dovish, helping equity markets gain and EGB yields to move lower. However, the EUR/USD firmed, rising close to 1.0950 ahead of today's US non-farm payrolls, favored by dovish-leaning comments by Fed Chair Powell at the Senate Banking Committee.

## Greece

According to ELSTAT's 1<sup>st</sup> estimate of the annual national accounts in 2023, real GDP growth slowed down to 2.0%, from 5.6% in 2022, reflecting to some extent the return of the economy to a lower growth path, following the post-pandemic boom. The macroeconomic performance of Greece in 2023 proved weaker compared to the forecasts made by the government (2.4% in Nov-2023), the European Commission (2.2% in Feb-24) and the market consensus (2.2% in Mar-24). From a domestic demand perspective, private consumption, on the back of employment and wage growth, increased by 1.8%, contributing approximately 1.3pts to the FY-2023 real GDP growth, followed by fixed investment (+4.0%, +0.6pts) and government consumption (+1.7%, +0.3pts). On the contrary, inventory investment shrunk, posting a negative contribution of 0.7pts to the FY-2023 real GDP growth. Finally, net exports of goods and services had a positive contribution of 0.5pts (0.0pts in goods and 0.5pts in services).

## CESEE

Broadly in line with market expectations, Serbia's Central Bank (NBS) decided yesterday to leave the Key Policy Rate unchanged at 6.50%. The NBS also left the deposit rate at 5.25%, and the lending facility rate at 7.75%, resulting in a fully holding fire mode since July 2023. The rationale of the decision was persistent global inflationary pressures, which, even though receding, remain considerable. The bank continues to expect that CPI inflation will return to the target band (3%+/-1.5pps) in the middle of 2024 despite the remaining distance to be covered given the 6.4%YoY headline inflation print in January which remains, however, in line with the latest NBS forecast released in February. In Bulgaria, retail sales remained almost idle in January (-0.1%YoY) while on a seasonally adjusted basis they edged up by 0.3%MoM.

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