

GLOBAL & REGIONAL DAILY

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Global markets

The ECB's Governing Council left interest rates unchanged at its meeting yesterday, as expected, but signalled that it could ease policy at its next meeting in June. The hotter-than-expected US inflation print on Wednesday – which is seen delaying the likelihood of a Fed cut – wasn't enough to knock the ECB off course, with President Christine Lagarde saying that the central bank is “data-dependent, not Fed-dependent”. The market-implied probability of an ECB cut by June now stands at 78.1%, compared with 25.5% for the Fed. Nevertheless, the sell off since Wednesday's CPI print continued yesterday on both sides of the Atlantic for longer-dated government bonds. However, they recovered some of their recent losses today, with the yield on 10yr USTs currently 5bps below Thursday's fresh year-to-date high of 4.59% and 10yr Bunds some 10bps lower from yesterday's peak of 2.48%. Meanwhile, the EUR/USD has been continuing to fall following Wednesday's post-US CPI sell off, dropping below 1.07 to a five-month low of 1.0673 earlier today.

Greece

The Minister of Finance, K. Chatzidakis, announced fiscal measures totaling €870mn for the upcoming 2025 Budget during his speech at the Delphi Economic Forum. These measures include a 0.5% reduction in social insurance contributions, effectively abolishing the proportional tax for freelancers, returning special consumption taxes to farmers, increasing student housing allowances and pensions, and suspending the VAT on new construction. These interventions aim to strengthen incomes and reduce taxes and contributions, reflecting the government's commitment to a disciplined fiscal policy within the EU's financial rules. The primary surplus target for the next year is expected at 2.1% of GDP. The real GDP growth rate is expected at 2.5% in the upcoming years. According to ELSTAT, in Q1 2024, a 4.0% rise in car and a 10.8% increase in new motorcycle registrations was observed, despite a respective monthly (Mar-24) decline of 8.5% and 11.6%, signaling a mixed yet optimistic vehicle market trend.

CESEE

The National Bank of Serbia (NBS) left yesterday the base rate unchanged at 6.50% for the ninth consecutive month, in line with market expectations. The decision was based on weakening but still high global inflationary pressures, the current medium-term inflation projection, and persisting uncertainty regarding global energy and primary commodity prices. Regarding inflation dynamics in the period ahead, the NBS now expects inflation to return within the target band (3%+/-1.5ppts) in May, which is a bit earlier than envisaged in its latest medium-term inflation forecast, released in February. In Cyprus, NPLs fell in December 2023 below €2bn for the first time since the 2013 crisis, with the NPLs ratio declining to a multi-year low of 7.9% from 9.5% in end-2022. The weakening came mainly from households' NPLs, with the respective ratio at 10.2% vs. 12.0% a year ago, with SMEs' NPLs being the second defining factor of the improvement (9.0% from 9.7%).

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