

GLOBAL & REGIONAL DAILY

June 12, 2024

Global markets

The US Dollar Index (DXY) retained a firm tone earlier today, while USTs were little changed, consolidating Tuesday's gains triggered by a strong 10-yr reopening and the risk-off environment emanating from Europe due to political uncertainty ahead of snap elections in France. All eyes today are on the US May CPI release and the outcome of the FOMC policy meeting, with the committee widely expected to keep rates stable. Hence attention is expected to shift to the policy statement, the updated Summary of Economic Projections (SEP) and the latest dot plot which is likely to point to a shallower easing path this year compared to that the March SEP suggested. Meanwhile, EGBs were mostly firmer, having retreated from yesterday's fresh multi-month highs, favored by European equity markets' lackluster performance. In addition, the French president denied rumours that he would resign in case of a possible right-wing victory in upcoming elections. Bunds outperformed with the 10-yr Bund/AOT yield spread still widening to 65bps.

Greece

According to Eurostat pensions data released yesterday, Greece had the highest expenditure on pensions among EU-27 member states, reaching 16.4% of GDP, up from 16.0% in 2019 and 17.7% in 2015. In 2021, Italy ranked second with pension expenditure at 16.3% of GDP. The EU-27 average expenditure on pensions stood at 12.9% of GDP in 2021. Within Greece, old-age pensions accounted for the largest share at 13.3% of GDP, the highest among the EU-27, compared to the EU-27 average of 9.8%, and up from 13.1% in 2019. Survivors' pensions followed, representing 2.6% of GDP, again the highest in the EU-27, with the EU-27 average at 1.5%, and up from 2.3% in 2019. Other types of pensions contributed zero or close to zero. Greece's pension expenditure heavily supports old-age pensions, reflecting broader EU trends where old-age pensions make up most of the pension spending. This substantial expenditure underscores the significant public financial commitment required to sustain Greece's pension system.

CESEE

The World Bank either kept unchanged or revised upwards its GDP growth projections for key economies in the region in its Global Economic Prospects report released yesterday. For Poland, it projected growth of 3.0% in 2024, 0.4ppts higher than its January projection, while for 2025, its forecast of 3.4% remained unchanged. For Romania, projections were unchanged at 3.3% and 3.8% respectively. The latest CPI inflation figures for May indicate modest disinflationary trends. In Czechia, inflation decelerated to 2.6%YoY after the spike in April to 2.9%YoY from 2.0%YoY in March. On a monthly basis prices remained flat. The slowdown in the annual print came mainly from recovering deflation in food - non-alcoholic beverages (-3.7%YoY after -2.7%YoY) and a switch to deflation in utility – water supply (-0.5%YoY from 0.2%YoY). In Romania, CPI inflation moderated to 5.1%YoY from 5.9%YoY in April, while the monthly pace was marginally negative (-0.1%). Disinflation continued in all major items categories, mainly in food (1.2%YoY from 2.1%YoY).

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr. Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr

Michail Vassileiadis
Research Economist
mvasileiadis@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. Stylianos Gogos
 Research Economist
sgogos@eurobank.gr
 + 30 214 40 63 456



Maria Kasola
 Research Economist
mkasola@eurobank.gr
 + 30 214 40 63 453



Dr. Konstantinos Peppas
 Research Economist
kpeppas@eurobank.gr
 + 30 214 40 63 520



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



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



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

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