

GLOBAL & REGIONAL DAILY

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Global markets

After three consecutive increases, the German IFO business climate indicator was stable at 89.3 in May against market expectations for a modest improvement, supporting the notion that, though the economy may have bottomed out, a strong recovery is not yet in sight. Meanwhile, several ECB officials appeared to lean on the dovish side, with the chief economist, Philip Lane, suggesting that further disinflation can be expected in 2025 and the governor of the Bank of France indicating that a back-to-back rate cut in July should not be excluded. In light of these developments EGBs gained, with the 10-yr Bund yield trading around 2.54% in early European trading today after marking a peak close to 2.62% late last week. Elsewhere, USTs opened higher today as investors resume activity after yesterday's US public holiday, while in FX, major currency pairs remained range bound, as reflected in the EUR/USD which continued to hover around 1.0870, despite the softer than expected German IFO survey and dovish ECB comments.

Greece

According to the final data published by the Ministry of Finance, in Jan-Apr-24 the State Budget on a modified cash basis reported a deficit of €0.25bn, surpassing the 2024 Budget target by €2.45bn (-90.7%), with a primary surplus of €3.28bn, higher than the target by €2.65bn (420.1%). Total revenue reached €22.54bn, above the target by €2.34bn (111.6%), mainly due to a) the collection of the first installment of ENFIA earlier than expected (May-24), b) the increased Public Investment Budget revenue, c) the Recovery and Resilience Facility revenue that do not affect the outcome in fiscal terms, and d) the tax revenue originating from 2023. Expenditure was at €22.79bn, below the respective target by €0.11bn (-0.5%). In his speech at the Athens University of Economics and Business and Eurobank event yesterday, the BoG Governor, Y. Stournaras, emphasized the need to boost domestic savings through measures such as combating tax evasion, developing capital markets, and promoting private insurance.

CESEE

Ahead of today's Q1 GDP release of in Croatia, short-term economic activity indicators revealed mixed trends in March. Turnover in the industrial sector (working day-adjusted) expanded by 0.6%YoY, a pace slower from 2.7%YoY in February, mainly due to a downfall in consumer durables (-30.5%YoY after -8.2%YoY in February) and a reverse of trend in energy (-33.4%YoY vs. +18.0%YoY). The March reading brought the Q1 2024 average growth rate to 1.2%YoY, significantly below the 7.4%YoY Q4 2023 print. In contrast, output in the construction sector continued expanding vigorously, by 14.6%YoY, thus slightly lower from the 15.0%YoY rise in February. Strong growth in March was driven by both buildings' construction and civil engineering works as the former activity grew at a slightly slower, yet rapid pace (+19.4%YoY after +21.9%YoY), while output rise in engineering works speeded up to 4.9%YoY from 3.7%YoY. In Turkey, annual growth in foreign visitors decelerated to 8.7%YoY in April from 15.7%YoY a month earlier, slowing the average rise in January-April to 11.7%YoY from 27.5%YoY a year ago.

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