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GLOBAL & REGIONAL MONTHLY

After surprising mid-year strength, the global growth downturn has likely passed its trough. Yet, improved PMI data for November provided a reassuring signal that expansion continues, though moderating into year-end. Headline and core inflation continue to decelerate, though still above target, supporting market expectations for a near-term dovish pivot from a number of major CBs. By contrast, major CBs remain skeptical about the pace of disinflation, especially against sticky high wage growth, continuing to communicate that rate cuts are still a long way off and monetary policy should remain restrictive until there is clearer evidence of a sustained return of inflation to target.

Macro Picture

USA: after stellar Q3 performance, GDP is expected to slow amid intensified headwinds

EA: data point to activity stabilizing at subdued levels, but with no signs of a deeper downturn

UK: Q3 GDP beat expectations for a marginal contraction, but momentum remains weak

CESEE: key peers heading for a mild contraction in 2023, yet poised for a rebound next year

Markets

FX: EURUSD higher but consolidated at the end of the month due to softer EA inflation data

Rates: EU and US rates seen to move lower due to softer-than-expected inflation data

EM: sovereign fixed income yields lower on high probabilities of a dovish pivot from central banks

Credit: data-driven view

Policy Outlook

USA: Broad agreement among FOMC participants to keep rates restrictive for some time

EA: The ECB may soon debate ending PEPP reinvestments earlier than planned

UK: BoE determined to keep rates restrictive for "an extended period "

CESEE: heterogenous growth patterns in the region place CBs into distinct easing cycles

Key Downside Risks

DM: escalating geopolitical tensions; persistence of price pressures, renewed rises in energy prices or inflation expectations could force CBs to keep rates high for longer, causing a deeper recession

EM: sharper geopolitical fragmentation leads to risk repricing in countries with high-debt profile and intensifies supply chain disruptions

Special Topic in this issue:

→ UK policy constraints and rates pressure arising from its weak external position

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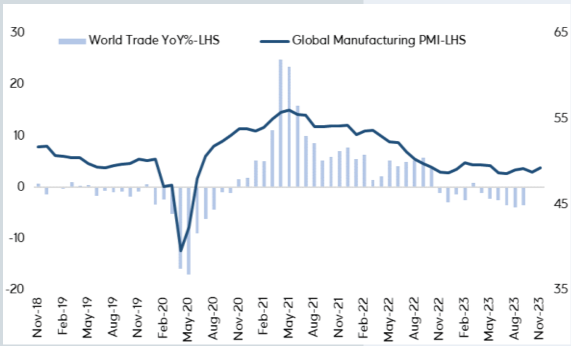
Macro Views
Latest world economic & market developments

Global expansion continues, but moderates into year-end, while major CBs maintain a "high-for-long" stance to ensure that inflation continues to decline

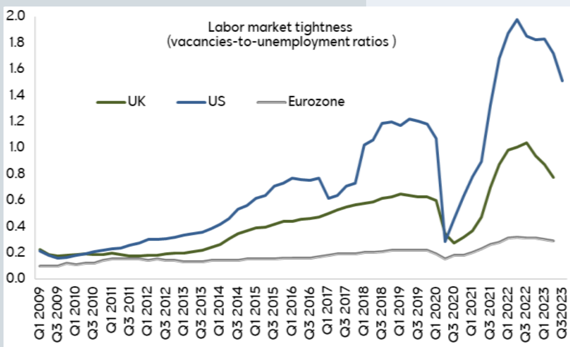
After a cumulative decline of 4.4pts since May following surprising mid-year strength on the back of lower energy prices and China's reopening, the global composite PMI edged up by 0.4pts in November to 50.4, supporting optimism that the global growth downturn has likely passed its trough and expansion continues, though moderating, into year-end. The manufacturing PMI remained stuck in contractionary territory recording another print below 50, the threshold of expansion and contraction, though the pace of downturn eased, as the index recorded a six-month high of 49.3 from 48.8 in October. Nevertheless, key forward looking sub-indices, including new orders, do not signal that a sustained recovery is underway, confirming that as long as trade activity remains subdued, the sector is unlikely to improve significantly. The services sector, which has proved to be the main engine of growth for the global economy this year, inched up by 0.4pts to 50.8, halting an eight-month declining streak and pointing to continued, though slow, expansion. All in all, the November improvement of the global composite PMI — that coincided with signs of stabilization in global consumer confidence, though to still-low levels by historical standards — supports market hopes that the global economy is poised for a soft-landing, mainly thanks to healthy private sector balance sheets. Geographically, the Eurozone remained the main drag on global private activity, while developing economies fared much better than the developed ones, led by India. According to market consensus, the global economy is expected to slow from 3.5% in 2022 to a still positive, though sub-trend pace of 2.9% in 2023 before slowing slightly further to 2.7% in 2024, with risks remaining skewed to the downside as several challenges remain. On the inflation front, the annual rate of the global headline CPI decelerated further in October amid lower consumer energy prices. At the same time, the year-on-year rate of the global core inflation continued to move further below 2022 highs, though by a slower pace, staying sticky above major CBs' comfort zones. Core goods inflation

Figure 1: As long as trade activity remains subdued, manufacturing is unlikely to improve significantly



Source: Bloomberg, CPB Netherlands Bureau for Economic Policy Analysis, Eurobank Research

Figure 2: In spite of recent loosening, DM labor markets remain tight



Source: Fed, ECB, BoE, Eurobank Research slipped further, remaining the key driver of core disinflation mainly on the back of a continued easing of supply chain bottlenecks. Services price inflation was also down, but only marginally, remaining stuck at uncomfortable high levels amid sticky high nominal wage growth as labor markets remain tight overall, despite some recent signs of cooling.

The ongoing disinflation process, combined with increased optimism that the global economy is heading for a soft-landing, have fueled market expectations for a near-term dovish pivot from a number of major CBs. In contrast, major CBs are well aware that the battle to drive inflation back to target is not over yet. They remain skeptical about the pace of disinflation ahead, especially against still robust labor market conditions, continuing to communicate that rate cuts are still a long way off and monetary policy should remain restrictive until there is clearer evidence of a sustained return of inflation to target.

Developed Economies

US: Q3 GDP growth was revised 0.3ppts higher from the advance estimate to 5.2%QoQ saar, the fastest pace since Q4 2021. As before, the main growth driver was private domestic final purchases, mainly supported by personal consumption which was reassessed 0.4ppts lower, though to a still robust 3.6%QoQ saar. But with real disposable personal income rising by the slowest pace since Q2 2022, and savings nearly depleted, personal consumption is likely to slow in the coming quarters, taking also into account still elevated — albeit decelerating — price pressures, softening labor market conditions, tightening lending conditions and the end of the student loan moratorium. That said, GDP growth seems poised to slow in Q4. However, the extent of slowing is not clear. IP dropped in October entirely driven by the drag in the activity of motor vehicles due to the UAW strike, but activity will likely bounce back in November after UAW workers returned to their jobs in late October. Retail sales dropped less than expected in October, and real personal spending rose slightly more than anticipated over the same month, along with a gain in real disposable income, its first increase since May. Against this backdrop, Fed officials appear unanimously comfortable with rates remaining restrictive “for some time”, awaiting GDP to slow below potential and further softening in the labor market before starting to cut rates.

Euro area: Real GDP contracted by 0.1%QoQ in Q3 after an average growth rate of 0.1%QoQ in the prior three quarters, pointing to sustained stagnation as increasingly tighter monetary policy is weighing on domestic demand, while external demand remains subdued. Looking ahead, incoming data suggest that economic weakness will likely persist in the coming quarters, with increased risks of another negative GDP growth print in Q4. Yet, in an encouraging note, high frequency indicators provide hopes that economic activity is likely stabilizing at subdued levels, but with no signs of a further sharp deterioration after Q3’s modest contraction. Meanwhile, disinflation is progressing. HICP inflation fell by a higher than expected 0.5ppts to 2.4%YoY in November, amid large energy price falls and a sharp drop in core inflation amid intensified disinflation in both core industrial goods and services inflation. But with energy base effects becoming less negative from now on and strong wage growth putting a floor on service prices, there is still not enough evidence of inflation moving back to 2% on a sustained basis, taking also into account recent tentative signs of stabilisation in economic activity.

Emerging Economies

EM: geopolitics continue to draw attention despite the hopes spurred at the end of the month by the temporary truce between Israel and Hamas. That proved short-lived, with the turmoil in the Middle East still counting among the broad set of geopolitical risks roiling the wider emerging sphere and undermining the economic outlook for 2024. In particular, the war between Russia and Ukraine will have been going on for two years in February 2024, and several elections will be held within 2024 in key developing economies, among them Russia, India and Taiwan. An additional source of uncertainty has emerged recently in Latam following the victory of the radical right-wing Javier Milei in the presidential elections in Argentina, the second largest economy in South America and the intentions of the Venezuelan president, Nicolas Maduro, to annex almost the two-thirds of Guyana, a small South American nation. The OECD noted in its recent outlook that within an increasingly complex geopolitical environment, growth in developing economies in 2024 will remain resilient but also be put under stress, coming mainly from major Asian developing economies such as China and India.

CESEE: November was quite an eventful month for the region with a series of institutional outlooks out, credit rating actions and releases of Q3 GDP data. The core peers (CEE3) lacked homogeneity with respect to growth trends as Poland and to a lesser extent Hungary fared better than Czechia as evident in both flash and preliminary readings. In Poland, growth rate came in at 1.5%QoQ/+0.5%YoY compared to 0.3%QoQ/-0.6YoY in Q2 signaling a rebound, after H1's bottoming out, that primarily came on the back of net exports when looking at the annual print, which averages 0.1% for the first three quarters. In Hungary, GDP expanded by 0.9%QoQ on a sequential basis after remaining idle in Q2 and mildly contracting in Q1 by -0.2%QoQ. The set up was not that rosy once looking at the annual rates as GDP continued to contract for a third quarter in a row. Growth rate came in at -0.4%YoY from -2.4%YoY and -0.9%YoY in Q2 and Q1 respectively, bringing the annual 9M2023 average contraction rate at -1.2%. Czechia is the peer that failed to exhibit any signs of a turnaround either on sequential or annual terms; growth came in at -0.5%QoQ from -0.1%QoQ in both previous quarters while the contraction got more pronounced on annual terms as well, coming in at -0.7% from -0.4% in both Q1 and Q2 averaging -0.5%YoY in 9M2023. Still, Moody's affirmed Czechia's Aa3 sovereign credit rating by upgrading the outlook from negative to stable on the back a much lower energy risk related to natural gas supply. With respect to Poland's credit actions, both Fitch and the S&P affirmed the A- rating and kept the outlook stable.

Markets View

Foreign Exchange

EUR/USD: the market bias for EURUSD, remains bullish. A break above 1.0993 could pave the way for a potential upward push towards 1.1078. Further bullish momentum could potentially target the 52-week high near 1.1276. Relative Strength Index below 30 (RSI<30) is currently at 55.525 indicating that the market is in bullish territory. Moving Average Convergence Divergence (MACD) signal is currently at a bullish crossover, suggesting that upward momentum could be building. Support levels include 1.0742, 1.0687, and 1.0633 while resistance levels include 1.1103,1.1158, and 1.1213. 1M, 6M and 9M implied volatilities currently at 6.7075, 6.4525, and 6.4375%, respectively.

GBP/USD: same analysis for GBPUSD, suggests a bullish market bias, while a break above 1.2763 could potentially target the 1.3027 territory. Currently RSI (<30) shows 59.016 and indicates a technically set mid-term bullish area. MACD signal's bullish crossover, suggests an upward momentum, while support levels include 1.2306, 1.2244, and 1.2181 and resistance ones the 1.2891,1.2954, and 1.3018. 1M, 6M and 9M implied volatilities currently at 7.445, 7.28, and 7.425%, respectively.

Rates

EU: swap interest rates sold off in November across all tenors and the market is now pricing several cuts from the ECB in the coming year. The 10-year swap rate is trading at 280 bps, down from 330 bps at the beginning of the month. The yield curve slope has increased for a fourth consecutive month, with the 5s30s spread trading at -12bps, after a volatile month that exhibited a low of -30bps. Looking forward, it is anticipated that rates' volatility will decrease and yields in the front end will move even lower, given that EA inflation continued dropping in November.

US: swap rates ended the month significantly lower across all tenors. The 10-year SOFR swap rate is trading at 388bps, down from 430bps at the beginning of the month. The yield curve continued to steepen, with the 5s30s spread now at -15bps, up from -18bps at the beginning of November following significant volatility and having traded as low as -40bps. Going forward, swap rates are expected to remain volatile in the near term as investors assess the Fed's path of interest rate cuts and the outlook for inflation. The Fed is likely to start cutting rates in the coming months, but the pace of cuts will depend on inflation data releases.

Emerging Markets Sovereign credit

November was the best month of the year for EM assets, as the market rallied towards the year end driven by positive global market sentiment fuelled by expectations of a dovish pivot from major central banks and the scenario of a soft landing that gained momentum. The EMBI Global Index tightened by 16bps and closed at 341bps at the end of November. In CEEMEA, the truce agreement between Israel and Hamas has raised hope of a more-enduring peace deal amid fading concerns about any regional escalation, with the asset swap spread of the Israeli bonds stabilizing. We saw strong buying interest and therefore strong performance in Bulgarian and Hungarian bonds, with the former coming to the market with two new 7.5y and 12.5y benchmarks. In LATAM, Javier Milei, a radical right-wing libertarian who has vowed to “exterminate” inflation and take a chainsaw to the state, has been elected president of Argentina, leading South America’s second largest economy into an unpredictable and potentially turbulent future. In Asia, China slid back into deflation, highlighting the country’s struggle with shoring up growth through domestic demand, while the PBoC made some commentaries on the high ratio of government bonds held by commercial banks, pledging to improve the convenience for corpo-rates and residents to hold CGBs and achieve greater diversity in investor base. CGB yields closed slightly lower on the month. We are cautious but optimistic for EM assets due to reduced volatility and downward momentum in core rates and relatively resilient EM growth.

Corporate credit

November saw markets rallying across the board as hopes for a soft landing and a dovish central bank pivot gathered pace. Overseas, following the last FOMC meeting in the beginning of November, where it was repeated that financial conditions have tightened significantly, investors grew increasingly confident that central banks are at the end of their hiking cycle. The narrative got a further boost after a downside surprise in the US CPI print for October and an upward revision of US GDP for Q3, which led markets to fully price in a cut by the May meeting. Similarly in Europe, markets have fully priced in a cut by April after Eurozone inflation for November cooled more than expected. Fixed income advanced as a result, but we also saw a boost in risk appetite. Equities were strong across the board, with Stoxx 600 finishing the month up by 7.5% (a 12-month high). Volatility posted its largest drop in 12 months, with VIX down to 12.9pts, a post-pandemic low. Synthetics tightened, while demand for risky assets and a rally in sovereign bonds supported corporate debt, which saw spreads tightening significantly. The commodities space was more divergent, with oil prices starting the month on negative footing on geopolitical concerns, but recovering towards the end as fears of regional escalation around Israel abated and expectations that the OPEC+ group would be announcing further production cuts grew. These were eventually confirmed last week, but the market remains concerned that compliance may be weak, as additional cuts are on a voluntary basis rather than the typical agreement on production quotas.

In credit, European spreads tightened significantly, with the Itraxx Main -20bps and Xover 86bps November-to-date. Both indices moved broadly in line with US synthetics, where CDX IG registered a -18bps decline and CDX HY finished -120bps tighter. In EUR Corporate cash, IEAC ended -8bps and IHYG -30bps since the beginning of November. Financials and Comms outperformed among EUR IG cash (Snr Fins -10bps, Sub Fins -19bps, Comms -10bps) while Technology lagged (flattish on a monthly basis). In High Yield, Comms and Materials outperformed (-57bps and -54bps respectively), while Energy was a laggard (+109bps). Activity in the European Primary market picked up, with November issuance at almost €120bn, up from €70bn in the previous month.

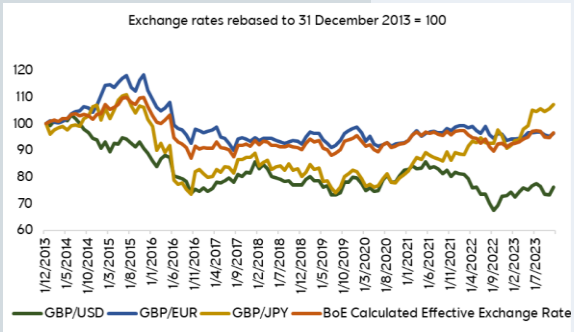
Looking ahead, attention remains on data, as the market seeks encouraging signs that those will support a central bank dovish pivot. In the near-term, focus is on US payrolls on Friday, ahead of the next central bank meetings in mid-December (FOMC 13/12 and ECB 14/12). Activity in the primary market may slow-down as the seasonal lull takes hold.

Special Topic: Weaknesses in the UK's external position point to constrained policy choices and upward rates pressure

Introduction

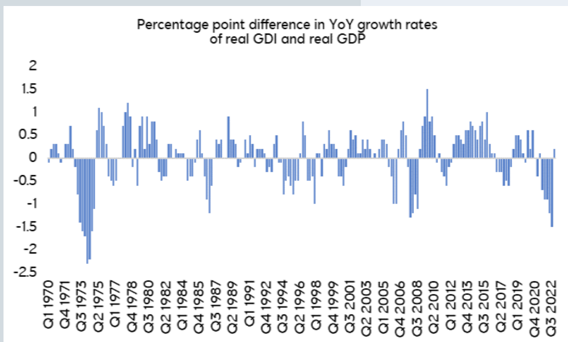
The series of structural shocks that the UK economy has gone through in the past few years – not least of which is Brexit – leaves it in an unusually vulnerable external position as we head towards 2024. The trade balance is becoming increasingly reliant on the country's strong services sector, as the UK's exit from the EU has disproportionately impacted trade in goods. The UK is still a major global financial hub, and the weight of gross assets and liabilities dwarf the country's trade flows. That ensures that the capital flows needed to finance a persistent current account deficit are unlikely to run dry – but flighty investors present their own set of challenges for UK policy makers, as Liz Truss found out during her short-lived premiership in late 2022. The pound probably remains overvalued relative to the country's economic fundamentals despite remaining about 14% lower against the USD at 1.26 than it was before the Brexit referendum. The EU remains the UK's most important trading partner, yet the GBP/EUR exchange rate at 1.17 is only around 3% lower than it was a decade ago, even after the barriers that have gone up in that time. From its peak within this period, just before the referendum, to its trough in 2019, the pound depreciated as much as 25.5% against the euro. However, the size of those moves owed something to the runup of sterling against the euro in the years prior to the referendum, which in turn was more a reflection of euro weakness during a period when the possibility that the single currency may lose a member was still a live one for investors. Any sterling depreciation from here has the potential to raise the price of imports and slow the path of disinflation in the UK. That puts pressure on Bank of England officials to behave more hawkishly than their peers at the Federal Reserve and the European Central Bank.

Figure 3: Sterling has depreciated 3.3% in the past decade against the BoE's weighted basket



Source: Bloomberg, Eurobank Research

Figure 4: The UK in 2022 suffered its worst terms of trade hit to income since the mid-1970s



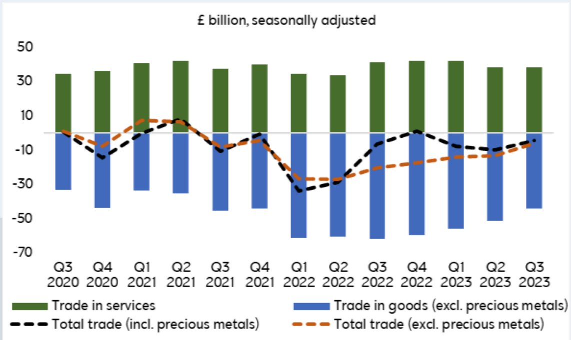
Source: ONS, Eurobank Research

External trade

The UK's decision to leave the EU didn't dent the country's trade openness at first, in the period between the June 2016 referendum and the country's formal exit from the bloc in January 2020. At the time of the referendum, the combined four-quarter sum of exports and imports stood at 61.1%

of GDP – a figure that rose steadily to reach 65% of GDP by Q1-2019. In analysing what came next, the challenge is to disentangle the effects of Brexit from the Covid-19 pandemic – which spread around the world at the same time as the UK officially left the EU – and the supply chain and energy shocks that followed. Between Q4-2019 and Q4-2021, the four-quarter sum of exports and imports fell by 9%, while as a proportion of GDP it dropped 4.3ppts to 60.4%. However, external trade has recovered since then to slightly surpass its pre-pandemic high in terms of levels (£1.46 trillion in 2022 vs £1.44 trillion in 2019), while as a proportion of GDP it stood at 64.8% in Q2-2023. The recovery in trade openness in 2022 happened concurrently with the UK suffering what was by some measures its worst terms of trade hit to income since the mid-1970s as energy prices surged following Russia's invasion of Ukraine. The value of UK exports of goods and services grew 8.6% in real terms in 2022 and 23.3% in nominal terms, whereas the value of imports increased 14.1% in real terms and 32.7% in nominal terms. Export prices rose 13.6% and import prices increased 16.3% in 2022, leading to a 2.2% deterioration in the country's terms of trade. So, while both exports and imports have recovered from the pandemic's impact, imports have risen more – in terms of volume, price and value.

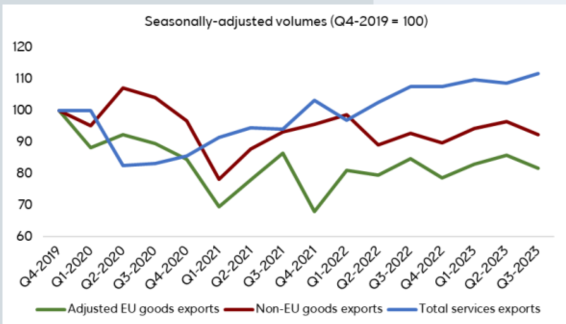
Figure 5: The UK briefly achieved a rare trade surplus in 2021, during the Covid pandemic



Source: ONS, Eurobank Research

That's led to the UK's trade balance moving from a rare surplus of £12.8 billion in 2020 to a deficit of £68 billion last year. Before diving deeper into these numbers, it needs noting that there are some technical difficulties in assessing the evolution of the UK's trade figures. One is that the trade figures in goods are distorted by London's role as a centre of the precious metals trade. This impacts the country's external trade statistics without affecting GDP, since these flows are offset by changes to inventories. The other is that there is a methodological break in the data on goods trade with the EU at the start of 2021. ONS guidance indicates that pre-2021 exports to the EU may be undervalued by approximately 5%, so we have applied that adjustment to the analysis that follows. Taking these factors into consideration, the volume of exports of goods excluding precious metals to both the EU and non-EU countries have taken hit in recent years, with neither recovering to where they were before Covid. The hit is larger on exports to the EU, which in Q3-2023 remained 18.4% below their adjusted Q4-2019 level in real terms. Exports to non-EU countries were down 7.8% during this period. Services exports, by contrast, after dropping 17.5%QoQ at the pandemic's outset in Q2-2020 have

Figure 6: Services exports recovered steadily after the initial shock of the pandemic



Source: ONS, Eurobank Research

since recovered at a steady pace, to the point where in Q3-2023 they stood 11.6% higher in real terms than they did at the end of 2019. The deterioration in the trade balance is mitigated somewhat in the current account by the improvement in the primary income balance, which in recent years has moved from deficit to surplus as a result of an increase in the country's net investment income – one positive side-effect for the UK of the weaker pound. Overall, the UK's current account deficit widened to 3.1% of GDP last year from 0.5% in 2021, making it the second largest among G7 nations after the US.

International Investment Position

Although it garners less attention than the balance of payments, the sterling's depreciation also plays an important role in equilibrating the country's net international investment position (NIIP). This measures the country's liabilities to the rest of the world, which are mostly denominated in sterling, and asset holdings against the rest of the world, which are not. The UK's NIIP is negative, which makes it a debtor against the rest of the world. Sterling's decline helped reduce it to -9.8% of GDP in 2022 from -14% of GDP the year before, despite the UK's current account being in deficit. That NIIP position is tiny compared with the UK's stock of gross assets and gross liabilities, at 562% and 572% of GDP respectively. External debt liabilities amount to 293% of GDP, with most of that being short-term debt that is sensitive to changes in market sentiment. We saw in September 2022 how the tax-cutting mini-budget of then-Finance Minister Kwasi Kwarteng caused government bond yields to surge and sterling to drop, eventually requiring the BoE to intervene with purchases to stabilize the gilt market. That episode is likely to act as a cautionary tale for politicians and keep fiscal policy relatively constrained in the coming years – though with elections likely within 2024 and the governing Conservatives trailing by about 20ppts in the polls, the government again announced tax cuts last month to try to close the gap.

Monetary policy implications

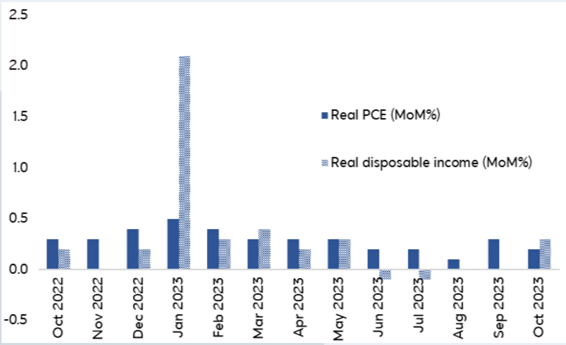
While the UK's terms of trade have improved slightly since last year's shock, a legacy of that shock was that inflation shot up higher than in the eurozone and the US and has taken longer to come down from its heights. That goes a long way to explaining why BoE officials have by and large continued to sound more hawkish in recent weeks, even as policy makers from the Fed and ECB have started to signal an increasing likelihood of a dovish pivot. Derivates markets are currently pricing 84bps of cumulative interest rate cuts by the end of 2024 from the BoE, compared with 128bps by the Fed and 144bps from the ECB. Given the underlying deterioration in the UK's structural current account balance – which has been in continual deficit since 1983 – as well as its NIIF deficit, sterling would seem to still be overvalued even after its depreciation of recent years. As a floating-exchange rate economy, explicitly propping up sterling is not a goal of the central bank. However, the current inflation cycle highlights the feed-through from a weaker exchange rate to higher prices via imported goods. Given the UK's high rate of home ownership and a mortgage market where most home loans will be repriced in the next two to five years, the economic costs of keeping rates high for longer could be severe in terms of squeezing real incomes and increasing pay pressure. That means BoE officials are likely to continue sounding hawkish for a while longer, in the hope that their words can be enough to prevent any sell-off of sterling.

US

GDP likely to slow after stellar Q3 performance amid intensified heawinds

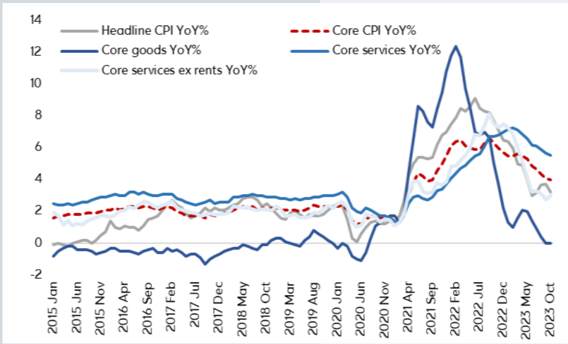
According to the second estimate, Q3 GDP growth was revised 0.3ppts higher from the advance estimate to 5.2%QoQ saar, the fastest pace since Q4 2021. As before, the main growth driver was private domestic final purchases (+3.3%QoQ saar), mainly supported by personal consumption which was reassessed 0.4ppts lower, though to a still robust 3.6%QoQ saar (+2.4ppts). But wth real disposable personal income rising by only 0.1%QoQ saar, the slowest pace since Q2 2022, and savings nearly depleted (4.0% in Q3, down from 5.1% in Q2 and well below pre-pandemic levels), personal consumption is likely to slow in the coming quarters, taking also into account still elevated, albeit decelerating, price pressures (headline CPI down in November for the fifth consecutive month, to 4.0%YoY), softening labor market conditions (average hourly earnings down to a more than a year low of 4.1%YoY in October, but still above levels consistent with the Fed's inflation target), tightening lending conditions and the end of the student loan moratorium, the second largest source of household debt after mortgages. Q3 GDP growth was also boosted by inventory investment (+1.4ppts) and government consumption (+0.9ppts) but their outlook also looks gloomy. The surge in inventories will likely, at least, partially unwind in Q4 and government consumption will probably be less supportive in the coming quarters given the split Congress in the way to the November 2025 elections. That said, GDP growth seems poised to slow in Q4. However, the extent of slowing is not clear. IP dropped by 0.6%MoM in October entirely driven by the drag in the activity of motor vehicles due to the UAW strike, but activity will likely bounce back in November after UAW workers returned to their jobs in late October. In addition, retail sales dropped less than expected in October (-0.1%MoM), and real personal spending rose by a slightly higher than expected 0.2%MoM over the same month, along with a 0.3%MoM gain in real disposable income, its first increase since May, suggesting that household spending retains momentum. Meanwhile, September saw a further increase in house prices, while forward-looking indicators have been mixed. Against this backdrop, Fed officials appear unanimously comfortable with rates remaining restrictive "for some time", awaiting GDP to slow below trend and further softening in the labor market so as to become confident about achieving price stability before starting to cut rates.

Figure 7: Real PCE continued to increase in October, alongside disposable income



Source: BSL, Eurobank Research

Figure 8: Disinflation is progressing



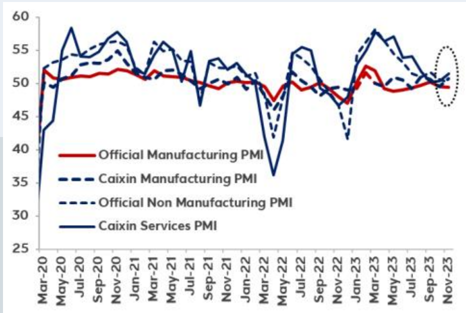
Source: BLS, Eurobank Research

China

Risks tilted to the downside after Moody's downgrades the credit outlook

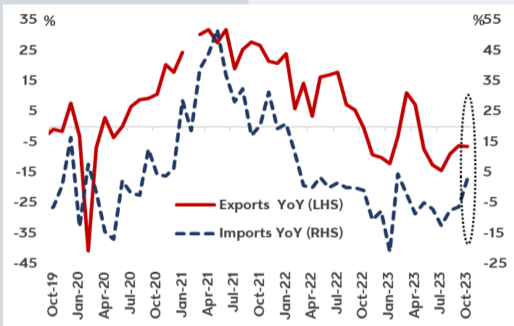
The CNY1trn fiscal package about to finance infrastructure investment in the shape of sovereign bonds which was declared in late October will most probably be followed by additional bold policy measures as the status of the economy leaves no room for complacency. The PBoC is about to announce liquidity injections which are expected to range between CNY0.5trn to CNY1trn in the shape of Pledged Supplemental Lending (PSL) and focus around three major initiatives: i. low-cost financing for affordable housing; ii. urban village renovation and iii. public infrastructure. At the same time, a whitelist of about 50 real estate developers eligible for financing support is being drafted to prevent any contagion risk into the economy from the still faltering property sector. Indeed, no signs yet of a turnaround at sight in the real estate sector as new home prices continued to decrease in October by -0.38%MoM from -0.30%MoM in September and the contraction of annual property investments (-9.1%YoY YtD in October vs -9.3%YoY YtD in September) and residential property sales deepened further in October than a month earlier (-3.2%YoY YtD in October vs -3.7%YoY YtD in September). Other sectors of the economy fared better in October such as imports which unexpectedly grew by 3.0%YoY after shrinking by -6.2%YoY a month ago, presumably in the aftermath of the declared fiscal stimulus which helped bolster a tentative demand comeback. Yet, exports faltered in the same month, contracting by a deeper -6.4%YoY compared to the -6.2%YoY print in September and market expectations for a milder contraction of -3.5%YoY, mirroring the lackluster external demand for Chinese goods. Industrial production and retail sales both kept growing healthily in October by 4.6%YoY and 7.6%YoY respectively from 4.5%YoY and 5.5%YoY in turn in September which along with the stimulus already and about to be deployed explained the improvement in some of the PMIs. The official group kept sliding in November with the manufacturing gauge staying below the 50 benchmark, most probably affected by the slower pace industrial firms extended gains in October for a third consecutive month. Still, those conducted by Caixin surprised to the upside and signaled a return to expansion. Whether December's PMIs will reflect the impact of the downgrade in the sovereign rating outlook by Moody's to negative from stable (rating kept unchanged at A1) remains to be seen; the fiscal and liquidity stimulus that improved November's forward-looking sentiment tilted risks to the downside for the economy, according to Moody's, on the back of the increasing levels of debt the policy stimuli come with.

Figure 9: partial uptick of PMIs in November



Source: Bloomberg, Eurobank Research

Figure 10: ..on the back of stabilizing hard data

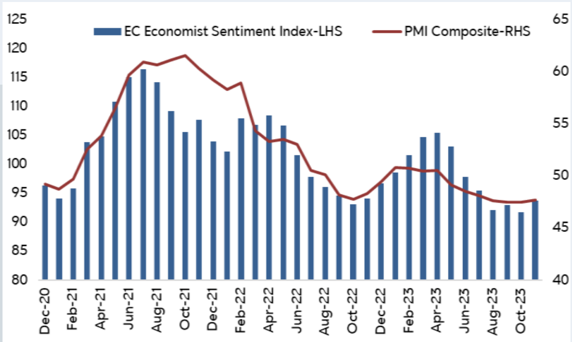


Source: Bloomberg, Eurobank Research

Euro area

Tentative signs of real activity stabilizing at subdued levels

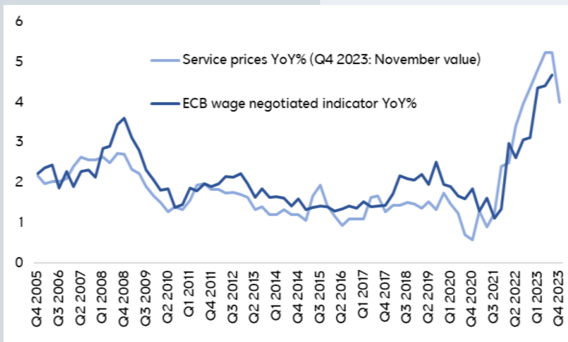
Figure 11: Signs of real activity stabilizing at subdued levels



Source: European Commission, Bloomberg, Eurobank Research

Real GDP contracted by 0.1%QoQ in Q3 after an average growth rate of 0.1%QoQ in the prior three quarters, pointing to sustained stagnation as increasingly tighter monetary policy is weighing on domestic demand, while external demand remains subdued. Looking ahead, incoming data suggest that economic weakness will likely persist in the coming quarters, with increased risks of another negative GDP growth print in Q4. Industrial production dropped by 1.1%MoM in September, pointing to a negative carry over effect of 0.5%QoQ into Q4 after bringing the Q3 level 1.3% lower compared to Q2. Along similar lines, retail sales declined by 0.3%MoM in September, the sixth monthly drop so far this year, confirming an ongoing negative trend since late 2021. Meanwhile, the transmission of tighter monetary policy via the banking sector remains strong, as reflected in the annual October bank lending data. Credit growth to households decreased further to an eight-year low of 0.6% from September's 0.8% and bank loans to non-financial corporates dropped into negative territory, -0.3%, for the first time since July 2015, on the back of a mix of tighter credit conditions and weaker demand. Yet, in an encouraging note, high frequency indicators provide hopes that economic activity is likely stabilizing at subdued levels, but with no signs of a further sharp deterioration after Q3's modest contraction. Economic sentiment improved in November for the second consecutive month, +0.3pts to 93.8, though it still remained in recessionary territory by historical standards (<95), while the composite PMI rose to 47.1 from 46.5 in October, just slightly below the September level, but still in the negative zone. Meanwhile, disinflation is progressing. HICP inflation fell by a higher than expected 0.5ppts to 2.4%YoY in November, the lowest level since July 2021, amid large energy price falls (-0.6ppts to 4.3%) and a sharp drop in core inflation, to 3.6%YoY from 4.2%YoY, amid intensified disinflation in both core industrial goods (to 2.9%YoY from 3.5%YoY) and services inflation (to 4.0%YoY from 4.6%YoY). But with energy base effects becoming less negative from now on and strong wage growth putting a floor on service prices (ECB wage negotiated indicator up to a fresh record high of 4.7%YoY in Q3), there is still not enough evidence of inflation moving back to 2% on a sustained basis, taking also into account recent tentative signs of stabilisation in economic activity.

Figure 12: Service prices to remain supported by strong wage growth



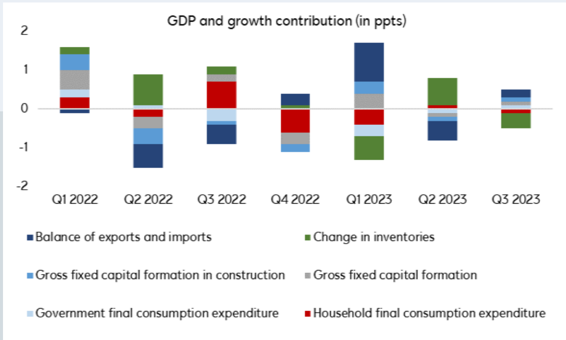
Source: Eurostat, ECB, Eurobank Research

Germany

On the brink of a technical recession in Q4

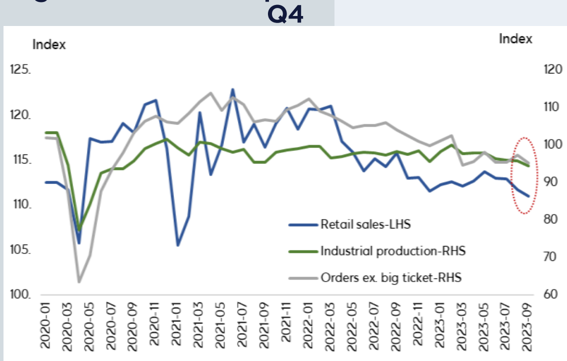
After broadly stagnating in H1 2023 (Q1: 0.0%QoQ, Q2: 0.1%QoQ), the economy contracted by 0.1%QoQ in Q3, continuing to lag behind most of its major Eurozone peers. Household final consumption expenditure shrunk by 0.3%QoQ, despite the rebound in real household income amid higher nominal wages (+1.4%QoQ) and decelerating inflation (5.8%YoY in Q3 vs. 7.5%YoY H1 average), subtracting 0.1ppts from growth. Inventories were also a drag on economic activity (-0.4ppts), whereas positive contribution came from business fixed investment (+0.1ppts), probably thanks to lagged effects from easing supply chain bottlenecks, and net trade (+0.2ppts) as imports dropped by a larger pace compared to that of exports (-1.3%QoQ vs. -0.8%QoQ). However, it is doubtful whether the support from the parts of the economy which was evident in Q3 can last longer. That said, the risk of a repeat contraction in Q4 seems highly likely. New orders in the manufacturing sector rose by 0.2%MoM in September, but on a less volatile 3-month moving average basis, overall demand was down by 3.1%. Excluding big ticket items, orders still dropped by 2.2%MoM, pointing to risks of a further decline in manufacturing production after falling in September for the fifth consecutive month (-1.4%MoM). Meanwhile, prospects for residential construction remain gloomy, as reflected in building permits which fell by a further 29.7%YoY in September. External demand for goods still looks subdued, with global manufacturing PMI remaining below the threshold of 50 since September 2022, while Gfk consumer sentiment still remains at very low levels by historical standards, despite the December improvement to -27.8 from -28.3, providing little hope for a rebound in household spending near-term. High-frequency indicators (PMIs, IFO) also point to risks of continuing stagnation, allowing us to keep unchanged our projection for a GDP growth contraction of 0.3% in 2023. More worryingly though, risks to our projection for a modest rebound in 2024 are skewed to the downside, in light of the budget crisis that forced Finance Minister Christian Lindner to announce a spending freeze across all federal ministries. He also suspended the debt break again for 2023, but this is unlikely to be an option for 2024. The financial gap for next year would reach up to €30bn, but coalition partners have not yet reached a compromise on how to cover it, fueling economic policy uncertainty and raising market talk over the government's longevity.

Figure 13: Private consumption and inventories weighed on Q3 GDP growth



Source: Destatis, Eurobank Research

Figure 14: Hard data point to a weak start for Q4

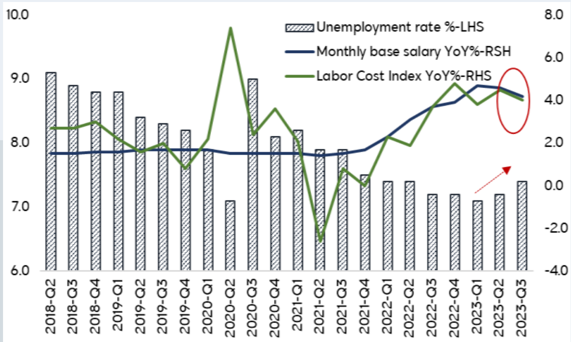


Source: Destatis, Eurobank Research

France

Braced for muted growth in Q4

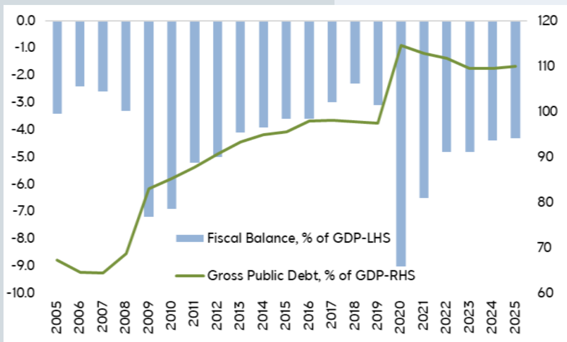
Figure 15: Labor market loosening



Source: INSEE, Eurobank Research

Real GDP was revised from 0.1%QoQ to -0.1%QoQ in Q3, a sharp deceleration from 0.6%QoQ in the prior quarter, reflecting a negative contribution from inventory changes and net trade amid a sharp decline in exports that outpaced that of imports. Looking into Q4, growth momentum has likely remained subdued, as suggested by sluggish hard data for September which provide a weak starting level for the last quarter of the year as well as lackluster forward-looking indicators. IP dropped in October for the third consecutive month (-0.3%MoM) pointing to a negative carry-over effect into Q4 of -0.4%QoQ and consumer spending contracted by 0.9%MoM after September's 0.0%MoM. Meanwhile, the composite PMI was unchanged in November from the prior month's level, coming in at 44.6, below the threshold of 50 and August's 46.0. The INSEE business climate indicator deteriorated in November for the second consecutive month, falling by 1pt to 97.2, its lowest level since April 2021 and further below its long-term average (100). Furthermore, the employment climate dropped by 2.1pts to 100.6, its lowest level since spring 2021, confirming a cooling in the labor market and suggesting that unemployment (which rose in Q3 for the second quarter in a row, up by 0.2ppts to 7.4%) is likely to continue rising in the coming quarters due to muted near-term growth outlook and the expected increase in the labor force as a result of the higher statutory retirement age. Adding to signs of labor market weakening, the monthly base wage slowed from 4.6%YoY in Q2 to 4.2%YoY in Q3, though well above its pre-pandemic average of 1.6%YoY. Undoubtedly, the weakening of the labor market is likely to weigh on household purchasing power. Yet, the expected impact is likely to be partially offset by the projected rise in real wages amid expectations of a further deceleration in inflation in the period ahead (November's HICP at 4.5%YoY). All in, we expect growth to stagnate in Q4, taking average growth for the full year at 0.9%, well below the government's 1.4% optimistic forecast in its FY 2024 budget, which envisions a drop in the budget deficit to 4.4% from 4.9% of GDP in 2023 mainly through the unwinding of exception measures taken to alleviate the cost of the pandemic and the energy crisis, with an ultimate target to bring it below 3% by 2027. Amid low fiscal consolidation progress, the European Commission placed France on its fiscal watch list, urging the government to take the necessary steps to meet the EU's fiscal recommendations.

Figure 16: Progress with fiscal consolidation remains limited



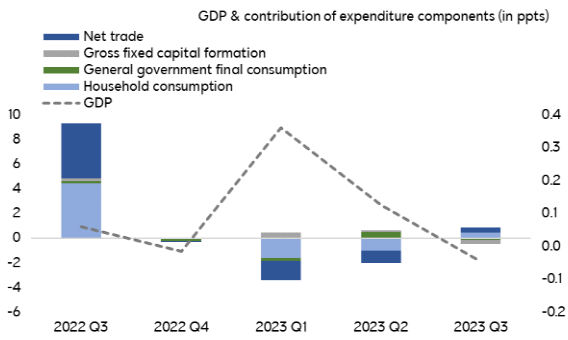
Source: INSEE Eurobank Research

UK

Q3 GDP beat expectations for a modest contraction, but momentum remains weak

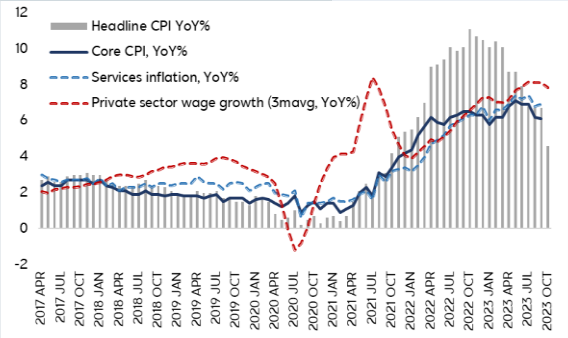
Monthly GDP rose by 0.2%MoM in September against expectations for a flat reading following August's downward revised print by 0.1pts to 0.1%MoM and a 0.6%MoM contraction in July. The main driver behind GDP growth in September was the services sector, boosted by the waning impact of strikes and the start of the latest round of Covid vaccinations. As a result, the September GDP gain left output flat for the whole quarter Q3, confounding expectations for a marginal contraction of -0.1%QoQ, and pointing to fairly decent momentum going into Q4 (0.3%QoQ carry over effect). That said, the UK will most probably avoid a recession this year. Yet, even though the economy continues to outperform expectations, growth momentum remains weak. The expenditure breakdown of the Q3 GDP data showed a sharp drop in domestic demand (household consumption -0.4%QoQ, government consumption -0.5%QoQ, gross fixed capital formation -2.0%QoQ) that was offset by a substantial boost from net trade (+0.4ppts). Making things even worse, the latter was driven by a reduction in imports (-0.8%QoQ), rather than a strong increase in exports (+0.5%QoQ). If that trend continues, especially against a subdued global growth environment and taking also into account the long and variable effects of monetary policy tightening, the spectre of a mild recession medium-term will likely loom for longer. Below-trend economic growth and ongoing disinflation have fueled expectations that the BoE's tightening cycle has come to an end and the next move in rates will be to the downside. Indeed, the headline CPI inflation dropped further in October, by more than expected to a two-year low of 4.6%YoY from 6.7%YoY in September, driven by easing utility price base effects. Core inflation also declined, though less sharply, from 6.1%YoY to 5.7%YoY, on the back of lower goods and services inflation (from 4.7%YoY and 6.9%YoY to 4.3%YoY and 6.6%YoY respectively). However, the road for inflation returning to 2% will be long and bumpy as wage growth is still growing at rates well above those consistent with the BoE's target. Private sector regular pay growth is slowing, but only gradually, from 8.1% 3mmavg/YoY to 7.8% in October, while vacancies dropped for the seventh month in a row, pointing to a further loosening in the labor market. Against this backdrop, the BoE is determined to keep policy restrictive for an" extended period of time", suggesting that rate cuts are likely a long way off.

Figure 17: GDP beat expectations for a modest contraction in Q3, but momentum remains weak



Source: ONS, Eurobank Research

Figure 18: Wage growth is still growing at rates above those consistent with the inflation target



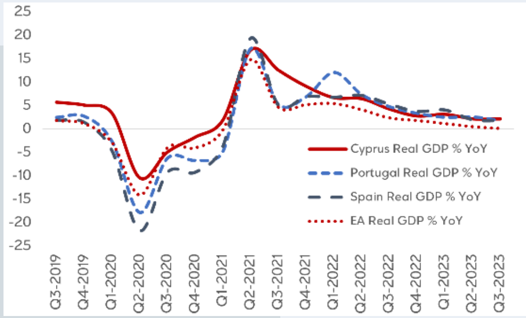
Source: ONS Eurobank Research

Cyprus

Growth to remain anchored on household consumption and transport equipment investment into year-end

Annual GDP growth continued unabated in Q3 2023 relative to the previous quarter, at 2.2%, a slower pace relative to Q1 (3.2%) bringing the 9M2023 average growth to 2.5%. GDP increased also on a quarterly basis, by 1.0% after the 0.4% decline in the quarter before. The increase of gross capital formation (GCF) by 24.5%YoY, against a 32.7%YoY fall in Q2, was the main growth driver, but it was mainly based on inventories (2/3 of the GCF rise), rather than gross fixed capital formation (GFCF) expansion (+8.5%YoY against -25.9%YoY in Q2). Q3 GDP growth was also anchored on household consumption rising at a faster pace (+5.1%YoY against 4.7%YoY in Q2), most probably on the back of higher partial wage indexation from June onwards, as inflationary pressures did not differ between quarters (3.3%YoY vs. 3.4%YoY). Despite improvement in exports (+0.1%YoY against -1.6%YoY), the external balance deteriorated relative to Q2, as imports rose by 5.6%YoY, in contrast to a 7.7%YoY fall in the prior quarter. Easing inflation in October-November after the temporary spike in August-September (2.6%YoY against 3.3%YoY), a trend expected to continue in coming months on the back of recent cuts in excise duties on transport fuel and heating oil, along with the continuing boost to real disposable income from stronger partial wage indexation and a tighter labour market, will sustain robust private consumption growth. In line with the investment outlook in the previous issue, fixed investment increase in Q3 came broadly from transport equipment, a trend expected to intensify in Q4, as GFCF in transports was highly negative in the same period of 2022. The war in Gaza will put on hold in the short-term placements by Israeli investors in the real estate market and weaken the 9M2023 strong number of sales growth (+19.9%YoY), but its implications are not expected to last for long, as Cyprus is considered a nearby, low-risk investment destination. Stronger negative war effects are expected at the exports of services front, as travelers from Israel were the main source of growth in foreign arrivals in 9M2023 by 23.4%YoY, which slowed down in October to 6.0%YoY, mainly from the trend reversal in arrivals from Israel to -27.3%YoY from +63.0%YoY in September. Household consumption and even more GFCF exhibit a strong correlation with imports of goods, thus the strong increase of both in Q4 will most probably deteriorate the external balance. In view of the Q3 GDP reading, our growth forecast for 2023 is revised upwards to 2.3% from 2.2%

Figure 19: Cyprus's GDP growth performance was the third best in the EA in Q3, behind Croatia and Malta



Source: Eurostat, Eurobank Research

Figure 20: Strong correlation between transport equipment investment and imports of goods, especially in 2023, weighs on GDP growth

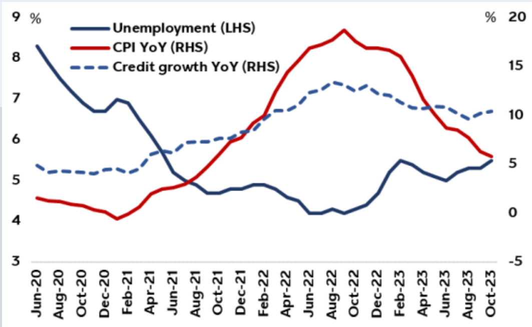
Source: CYSTAT, Eurobank Research

Bulgaria

Growth cooling in 2023 but milder than formerly expected

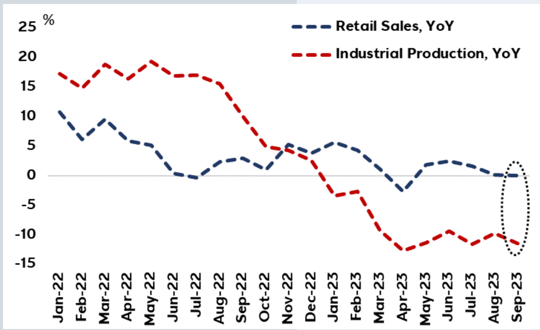
The flash estimate release in mid-November showed that GDP rose by 0.4%QoQ in Q3, same as in Q2 and only a tad lower compared to Q1. In annual terms, growth eased to 1.7% compared to 2.0% in Q2 and 2.4% in Q1, bringing the average 9M2023 rate at 2.0%. Looking ahead, we anticipate growth to remain stable in the last quarter and with this assumed, we slightly lift our forecast to 1.9% from 1.7% previously. The evolution of industrial production was far from rosy in both Q1 and Q2 as it kept contracting close to 10%YoY each month, however, this was only merely captured in Q2 and Q3 GDP data. On the flip side, retail sales growth, for the same period, moved on a more synced path with the GDP data. The annual prints remained almost idle in both August and September, but picked up on a sequential basis in both months and we expect this to last during the last quarter on the back of disinflation remaining unabated since November 2022 and the breather provided, thus, to real disposable income. HICP eased further in October, to 5.9%YoY from 6.4%YoY in September and 7.5%YoY in August after having climbed to 13.0%YoY in 2022 from 2.8%YoY in 2021 and averaged 9.4%YoY in January-October 2023. While there is still distance to be covered for headline inflation to return to levels consistent with price stability or even approaching the EU and EA average (3.6%YoY and 2.9%YoY respectively in October), Bulgaria's prints in the last couple of months appear among the lowest in the region. Among recent market developments, we highlight S&P's affirmation of the credit rating of the country at BBB/A-2 but with the outlook improved from stable to positive, spurring some optimism over the prospects of the economy in the foreseeable future. The change in the outlook mainly reflects the high chances of Bulgaria becoming a Eurozone member in the next 24 months, with all the required reforms throughout the preparatory process adding to the economic fundamentals. Towards that direction, the parliament has adopted the 2024 State budget bill on first reading, which targets a 2.9% of the projected GDP deficit. The target may comply with the fiscal criteria for accession in the Eurozone, yet perils loom over the budget's execution given the rather optimistic embedded assumption over 2024's growth rate at 3.2%, compared to ours at 2.5%, and the OECD's and the EC's at 2.8% and 1.8% respectively.

Figure 21: Credit growth, firm labor market and disinflation...



Source: NSI, BNB, Ministry of Labor and Social Policy, Eurobank Research

Figure 22: ..stabilise the economy primarily on the demand side



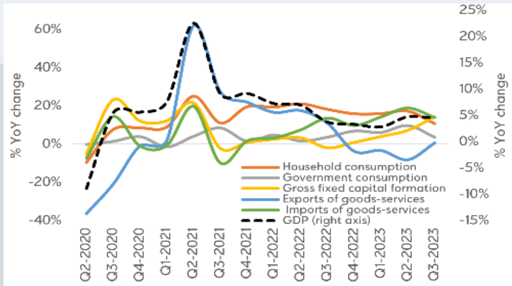
Source: NSI, Eurobank Research

Turkey

Strong growth continues in Q3, backed by the weaker lira and the reconstruction process after the earthquakes

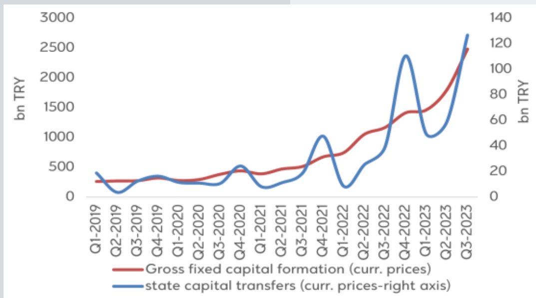
GDP annual growth decelerated in Q3 2023, to 4.5% from a downwards revised 4.8% in Q2 (against 5.1% provisional estimate in August). Growth weakening was more pronounced on a quarterly basis, to 0.3% in Q3, against 3.3% a quarter earlier, however, given the low base in Q1 because of the February earthquakes, a strong slowdown was broadly anticipated. As stated in previous bulletins, the resurgence of inflation in Q3 weighed on household consumption growth, which slowed to 10.8%YoY – a 2.5-year low- from 17.3%YoY in Q2. The external balance benefited from the lira devaluation after the monetary policy shift to a tightening stance from June onwards (-22.9% vis-à-vis USD in Q3 relative to Q2, to 0.037), as exports expanded for the first time in the last 4 quarters (+0.7%YoY vs. -8.0%YoY in Q2) and the increase in imports moderated to 14.0%YoY from 18.9%YoY in the quarter before. A significant boost to GDP came from gross fixed capital formation escalation to 14.3%YoY from 7.3%YoY in Q2, mainly due to the reconstruction process after the earthquakes, reflected at the accelerating state capital transfers in Q3. The Q3 GDP growth reading brought the 9M2023 average growth rate to 4.1%. Additional policy rate hikes in late-September-November, summing up to 1500bps, brought the key interest rate to an unprecedented 40.0%, and were followed by a moderate lira devaluation (-5.7% against the USD). After the November policy rate increase, the central bank forewarned for more rate hikes ahead, albeit at a slower pace and for a short period of time, as the current level of monetary tightness is assessed to be significantly close to the level required to commence a disinflation course. The stabilization of inflation during September-November to 61.5-62%YoY could be a prelude to this course. However, at such high levels, inflation will weigh on private consumption growth also in Q4 2023 and early 2024. The ongoing lira sliding is expected to support exports of goods, as evident in their widening (in $) by 0.6%YoY in October, against an average decline by 4.2%YoY in Q3. On the other hand, foreign arrivals growth continuously decelerates from May onwards, falling in October to 3.8%YoY -a 2.5-year low- against 6.2%YoY in Q3. As mentioned in previous issues, aggressive monetary policy tightening could impact investment through weakening of -still vigorous- credit expansion. However, this implication will be overshot by the reconstruction process after the earthquakes. Considering the Q3 GDP growth reading, our 2023 growth forecast is revised slightly upwards, to 4.1% from 3.9% previously.

Figure 23: Improved external balance, backed by the lira devaluation, and investment after the earthquakes sustained strong GDP growth in Q3 2023



* Source: Turkstat, Eurobank Research

Figure 24: Gross fixed capital formation is positively correlated with state capital transfers, especially after the February '23 earthquakes



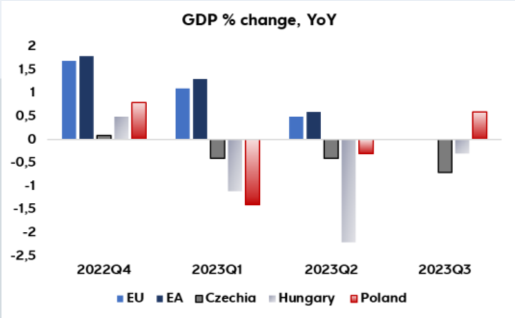
Source: Turkstat, Ministry of Treasury, Eurobank Research

CESEE

CEE3 towards a mild contraction in 2023 with Poland saving the day

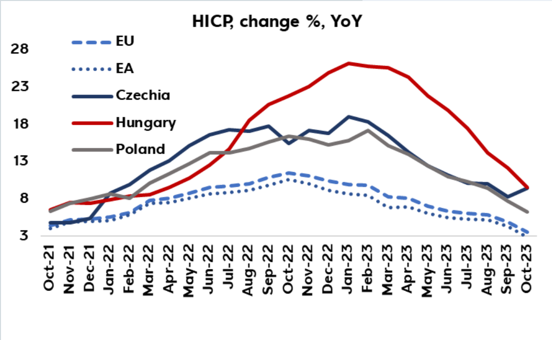
November was quite an eventful month for the region with a series of institutional outlooks out, credit rating actions and releases of Q3 GDP data. Based on flash GDP estimates, the core peers (CEE3) lacked homogeneity with respect to growth trends as Poland and to a lesser extent Hungary fared better than Czechia and this trend remained evident in the preliminary readings. In Poland, growth rate came in at 1.5%QoQ/+0.5%YoY compared to 0.3%QoQ/-0.6YoY in Q2 signaling a rebound, after H1's bottoming out, that primarily came on the back of net exports when looking at the annual print, which averages 0.1% for the first three quarters. Exports declined by 11.0%YoY in Q3, but imports contracted even further, by 20.3%YoY, leading net exports to contribute the most in the recovery. In Hungary, GDP expanded by 0.9%QoQ on a sequential basis after remaining idle in Q2 and mildly contracting in Q1 by -0.2%QoQ. The set up was not that rosy once looking at the annual rates as GDP continued to contract for a third quarter in a row, though at a slowing pace, with increased public expenditure, less contracting private consumption and positive net exports contributing to the improvement in Q3. Growth rate came in at -0.4%YoY from -2.4%YoY and -0.9%YoY in Q2 and Q1 respectively, bringing the annual 9M average contraction rate at -1.2%. Czechia is the peer that failed to exhibit any signs of a turnaround either on sequential or annual terms; growth came in at -0.5%QoQ from -0.1%QoQ in both previous quarters while the contraction got more pronounced on annual terms as well, coming in at -0.7% from -0.4% in both Q1 and Q2 averaging between January and September -0.5%YoY with net exports failing to support the economy as those shrunk by 0.5%YoY after expanding by 5.0%YoY in the previous quarter. Still, in late November, Moody's affirmed the country's Aa3 sovereign credit rating by upgrading the outlook from negative to stable on the back a much lower energy risk related to natural gas supply and with Fitch Ratings remaining the only major rating agency to hold the rating on a negative outlook. With respect to Poland's credit actions, both Fitch and the S&P affirmed the A- rating and kept the outlook stable.

Figure 25: Divergent paths of growth in Q3 among CEE peers



Source:Eurostat, Eurobank Research

Figure 26: ...as disinflation broadly proceeds...



Source: Eurostat, Eurobank Research

Eurobank Macro Forecasts

	Real GDP (YoY%)			CPI (YoY%, avg)			Unemployment rate (% of total labor force)			Current Account (% of GDP)			General Budget Balance (% of GDP)		
	2022	2023f	2024f	2022	2023f	2024f	2022	2023f	2024f	2022	2023f	2024f	2022	2023f	2024f
World	3.5	2.9	2.7	8.7	6.1	4.4									
Advanced Economies															
USA	1.9	2.4	1.2	8.0	4.1	2.7	3.6	3.7	4.3	-3.8	-3.1	-3.1	-5.4	-6.2	-6.0
Eurozone	3.4	0.5	0.6	8.4	5.5	2.6	6.7	6.5	6.7	-0.6	1.4	1.7	-3.6	-3.5	-2.7
Germany	1.8	-0.3	0.4	8.6	6.1	2.7	5.3	5.7	5.7	4.6	5.9	5.6	-2.5	-2.4	-1.7
France	2.5	0.9	0.8	5.9	5.7	2.7	7.3	7.3	7.4	-2.0	-0.9	-0.8	-4.8	-4.9	-4.5
Periphery															
Cyprus	5.1	2.3	2.9	8.1	3.9	2.3	6.8	6.2	5.8	-9.1	-11.0	-8.0	2.3	3.4	3.9
Italy	3.7	0.7	0.4	8.7	6.1	2.3	8.1	7.7	7.6	-1.5	0.5	0.9	-8.0	-5.3	-4.5
Portugal	6.9	2.3	1.2	8.1	5.3	2.7	6.0	6.6	6.6	-1.2	1.4	0.5	-0.3	-0.2	-0.1
Spain	5.8	2.3	1.4	8.3	3.6	3.0	12.9	12.1	11.9	0.6	2.1	1.7	-4.7	-4.1	-3.4
UK	4.3	0.5	0.4	9.1	7.4	3.1	3.7	4.2	4.6	-4.9	-3.4	-3.1	-4.3	-4.8	-3.5
Japan	0.9	1.7	0.9	2.5	3.2	2.2	2.6	2.6	2.5	1.9	3.3	3.4	-6.7	-5.5	-4.0
Emerging Economies															
BRICs															
Brazil	3.0	3.0	1.6	9.3	4.6	4.0	9.5	8.0	8.5	-2.7	-1.9	-2.0	-4.6	-7.6	-6.9
China	3.0	5.1	4.5	2.0	0.5	1.6	4.9	5.3	5.1	2.2	1.5	1.2	-4.7	-5.5	-4.6
India	7.0	6.3	6.4	6.7	5.4	4.7		NA		-2.1	-1.5	-1.7	-6.4	-5.9	-5.3
Russia	-2.1	2.5	1.4	13.8	5.9	6.0	3.9	3.3	3.4	10.2	3.2	3.8	-2.2	-2.6	-2.0
CESEE															
Bulgaria	3.9	1.9	2.5	15.3	9.6	4.1	4.5	4.4	4.5	-1.4	0.5	-0.3	-2.9	-3.2	-3.1
Turkey	5.4	4.1	3.5	72.0	53.2	41.6	10.5	9.5	8.9	-5.4	-6.8	-5.5	-0.9	-4.0	-2.3

Sources: European Commission, World Bank, IMF, OECD, Bureaus of National Statistics, Bloomberg, Eurobank Research

Eurobank Fixed Income Forecasts

	Current	December-23	March-24	June-24	September-24
USA					
Fed Funds Rate	5.25-5.50%	5.25-5.50%	5.20-5.45%	4.97-5.20%	4.62-4.85%
3m SOFR	5.36%	5.39%	5.29%	5.04%	4.75%
2yr Notes	5.50%	5.50%	5.45%	5.20%	4.85%
10yr Bonds	5.25%	5.25%	5.20%	4.97%	4.62%
Eurozone					
Refi Rate	4.50%	4.50%	4.45%	4.25%	3.95%
3m Euribor	3.96%	3.94%	3.86%	3.68%	3.50%
2yr Bunds	2.68%	3.00%	2.95%	2.79%	2.65%
10yr Bunds	2.35%	2.64%	2.56%	2.51%	2.44%
UK					
Repo Rate	5.25%	5.25%	5.25%	5.10%	4.85%
3m Sonia	5.23%	5.28%	5.23%	5.13%	4.90%
10-yr Gilt	4.19%	4.33%	4.28%	4.15%	4.00%
Switzerland					
3m Saron	1.75%	1.77%	1.75%	1.68%	1.58%
10-yr Bond	0.73%	1.19%	1.25%	1.24%	1.23%

Source: Bloomberg (market implied forecasts)

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