

GLOBAL & REGIONAL DAILY

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Global markets

As was widely expected, the Fed unanimously decided to keep the Fed funds target range at 5.25-5.50% yesterday. Speaking at the post-meeting press conference, Chair Powell kept the door open for another rate hike, saying that the Committee is “not confident yet” that a “sufficiently restrictive stance has been achieved”. Nonetheless, reflecting a somewhat dovish tone, he noted that “inflation has moderated since the middle of last year” and emphasized on progress made so far in bringing the labor market into better balance, while also stressing that “persistent” tightening in financial conditions will weigh on economic activity. In reaction, USTs rallied, extending earlier gains driven by the Treasury’s announcement of a slow-down in the issuance pace of longer dated debt through January 2024 and the release of weak US data (ISM manufacturing PMI and the ADP report, both for October). Risk sentiment improved, while the USD weakened, as reflected in the DXY index which moved back below 106.50.

Greece

Despite weakening external demand, S&P Global’s Manufacturing PMI rebounded to 50.8 in Oct-23 as the impact of elevated input costs was partly offset by the largest hikes in selling prices since Apr-23. Moreover, increasing new orders, albeit at a decelerating pace, and improved output expectations for the year ahead kept the index over the 50-unit threshold for a tenth month in a row (and well above its Oct-22 level of 48.1), although workforce cuts at the highest rate in nearly three years moderated the index’s increase to +0.5 MoM. On other high-frequency data, ELSTAT’s Overall Volume Index in Retail Trade in Aug-23 was 3.6% lower compared to its Aug-22, despite posting a monthly increase of 0.2% in seasonally adjusted terms. The decreases in the goods categories of Food (-0.7%YoY) and Automotive fuel (-3.2%) outweighed the strong increase in all other goods (+15.0%YoY), which was primarily driven by the specialized category of Department stores (+18.2%YoY).

CESEE

In Poland, the CPI inflation remained on a fast-track deceleration in October according to the flash estimate. The CPI annual rate fell from 8.2% in September to 6.5%, a 21-month low. However, on a monthly basis, the CPI rose for the first time since April, by 0.2%. The annual decline in core inflation was sluggish, by 0.5ppts, to 7.9%YoY, implying that the deceleration in the headline index was mainly a result of prices in items falling outside the core index. Such dynamics are evident in prices of fuels for personal transport, which declined by 14.4%YoY in October, against -7.0%YoY in September, after the fuel price cuts by the state-controlled PKN Orlen. The latest sharp inflation weakening is expected to trigger a further policy rate cut by the central bank in November. In Cyprus, retail trade volume, a major determinant of private consumption which was the main GDP growth driver in Q2 2023, increased by 4.2%YoY in September, a ten-month low. Accordingly, the Q3 2023 average print came in at 6.2%YoY, below the 6.8%YoY increase in Q2.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr. Theodoros Rapanos
Research Economist
trapanos@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. Dimitrios Exadaktylos
 Economic Analyst
v-dexadaktylos@eurobank.gr
 + 30 214 40 63 449



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



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



Symeoni – Eleni Soursou
 Junior Economic Analyst
ssoursou@eurobank.gr
 + 30 214 40 65 120



Dr. Theodoros Stamatiou
 Senior Economist
tstamatiou@eurobank.gr
 + 30 214 40 59 708



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

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