

# GLOBAL & REGIONAL DAILY

June 16, 2023

## Global markets

The ECB raised policy rates by 25bps yesterday, and confirmed that APP reinvestments will end in July, as widely expected. The real surprise was the hawkish revision to the inflation projections throughout the three-year forecast period, and especially core inflation into 2025, which is now expected at 2.3%, revised up by 0.1ppt on the back of higher unit labor costs, providing a strong signal that, barring a deterioration in the growth outlook, the ECB has further to go on rate increases to get inflation back to target. The policy statement also confirmed a tightening bias, while President Lagarde's communication was clearly hawkish saying that the ECB is "very likely" to hike again in July. EGBs came under pressure, also affected by sharply higher gas prices on news that the Netherlands is set to permanently shut down Europe's biggest gas field on October 1, while the EUR rose back above 1.09 against a broadly weaker USD after US data showed that jobless claims unexpectedly remained at last week's level of 262k, the highest since October 2021.

## Greece

According to the Jan-May-23 State Budget Execution preliminary data, the overall fiscal balance posted a deficit of €1.13bn, improved by 74.7% compared to the respective 2023 Budget monthly target. The primary fiscal balance recorded a surplus of €2.29bn, improved by €3.69bn compared to the target. State budget revenue amounted to €26.24bn, registering an increase of €2.94bn (12.6%) compared to the target, whereas tax revenue increased by €2.01bn (9.6%). The revenue overperformance was mainly due to the disbursement of an ANFA installment of €0.60bn in April 2023 for which there was no plan in the 2023 Budget, the increased Public Investment Budget revenue and the overperformance of the tax revenue (including VAT revenue) compared to their targets. State budget expenditure amounted to €27.37bn, registering a decrease of €0.38bn (-1.4%) compared to the target.

## CESEE

In line with the May consumer prices prints in Czechia, Serbia and Romania released earlier this week, Poland's CPI inflation on an annual basis eased for the third consecutive month, to 13.0% against 14.7% in April, the slowest pace in the last 13 months. However, the CPI remained on an upward trend on a monthly basis (+0.6%), marking a marginal deceleration compared to April (+0.7%). The decline in core inflation was somewhat weaker than that in the headline index, to 11.2%YoY from 12.2%YoY, as the rise in food and non-alcoholic beverages prices was almost unchanged relative to April (ca 19.0%YoY). Same yearly dynamics in the CPI inflation in Bulgaria, with the May print at 10.1% against 11.6% in April, decelerating for the seventh consecutive month. On the contrary, for the first time in almost three years, the monthly inflation was marginally negative (-0.1% vs. 0.3% in April). The faster decline in food - non-alcoholic beverages and energy prices compared to that in the headline index implies a slower fall in core inflation.

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