

# GLOBAL & REGIONAL DAILY

July 20, 2023

## Global markets

UK inflation surprised to the downside in June, with the headline CPI slowing down from 8.7%YoY to 7.9%YoY. The details showed a fairly broad-based moderation across the basket, but with a skew towards weaker goods inflation (CPI goods +8.5%YoY from +9.7%YoY and CPI services +7.2%YoY from +7.4%YoY in May). Core CPI (excluding food, energy, alcohol and tobacco) decelerated marginally to 6.9%YoY from 7.1%YoY in the previous month. Markets are now pricing for less aggressive rate hikes from the BoE. The probability of a 50bps hike at the next monetary policy meeting has been lowered from above 60% before yesterday's CPI data release to 31% at the time of writing, against 69% chances for a 25bps rate hike. In other news, US housing starts came in at 1.434mn in June, down by 8.0%MoM after a downwardly revised growth by 15.7%MoM in May. Building permits fell by 3.7%MoM to 1.409mn in June, after an upwardly revised 5.6%MoM pickup in the previous month.

## Greece

According to provisional Bank of Greece data, the Central Government Budget (CGB) posted a deficit of €2.9bn in H1 2023, reduced by 63% compared to H1 2022 (deficit of €7.8bn), on the back of increased revenue (€27.8bn, +15.1%YoY) and nearly flat expenditure (€29.7bn, -1.0%YoY). With an €1.5bn surplus, the primary CBG returned to positive territory, after having recorded a deficit of €3.9bn in H1 2022. On the debt front, the Public Debt Management Agency (PDMA) tapped the bond markets yesterday for €250mn by re-opening a bond with a 5-year maturity, aiming to boost liquidity and facilitate secondary market transactions. Total bids exceeded €1bn, oversubscribing the initial offering 4.18 times, with the yield settling at 3.3%, 77bps higher than the German bund with a similar maturity. This was the fifth bond reopening this year, which together with three new issuances, brings the amount PDMA has raised from the markets to €10.65bn, surpassing its medium-/long-term debt issuance target of €7bn for 2023.

## CESEE

In Cyprus, strong growth in the tourism sector continued in June. Tourist arrivals were higher by 22.7%YoY, a rise however milder compared to that in May (+33.3%YoY). Furthermore, arrivals stood below their level in the same month in 2019 for a second consecutive month (-10.3%). The June print brought the average annual increase in Q2-2023 to 24.9%. This trend, combined with the latest data about spending per capita, concerning April, which was marginally different compared to a year ago (-0.7%), indicates a potentially stronger boost from tourism to GDP in Q2-2023 compared to Q1-2023. In other country news, the NPLs ratio in April was unchanged relative to the previous month, at 9.0%, with no changes also in the components, concerning the main agent groups (business sector, households, public sector entities). On an annual basis, the ratio has improved by 2.4ppts, with the decline mainly owed to the reduction of NPLs held by other financial corporations, from 16.5% of their loan portfolio in April 2022 to 3.0% a year later.

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