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Global markets

As widely expected, the Fed left interest rates unchanged yesterday, but kept a hawkish tone, with the updated dot plot showing the median end-2023 dot at 5.6% unchanged from June's monetary policy meeting, thus still pointing to another 25bps rate hike by the end of the year. However, the median dots for the end of 2024 and 2025 were revised upwards to 5.1% and 3.9% respectively, both up by 50bps comparing to the prior projections in June, suggesting fewer rate cuts than previously anticipated. Furthermore, the newly published end-2026 dot stood at 2.9%, above the longer-term neutral rate estimate of 2.5%, signaling a higher-for-longer rate path. In reaction, UST yields rose with the 2yr yield exceeding 5.20% for the first time since 2006. In the FX market, the DXY USD index rose, hitting a six-month high slightly above 105.50 earlier today.

Greece

According to the Bank of Greece, the current account balance (CAB) for July 2023 registered a deficit of €827.5mn, €135.2mn (or 16.5%) lower than the deficit observed in July 2022. Over the seven-month span from January to July 2023, the CAB showcased a deficit of €7,030.5mn, marking a decrease of €3,567.4mn (or 33.7%) compared to the same period in 2022. The primary driver behind the reduction of the CAB deficit in the first seven months of 2023 was the goods balance. Specifically, the downturn in energy prices led to a decline of €2,205.3mn (or 34.6%) in the oil balance deficit from January to July 2023. Furthermore, the deficit on goods, excluding oil and ships, decreased by €1,198.7mn (or 8.0%). In its Monetary Policy Report (June 2023), the Bank of Greece forecasts a CAB deficit of 7.0% of GDP in 2023, 6.7% in 2024, and 6.1% in 2025, in contrast to the 9.7% of GDP recorded in 2022.

CESEE

In Cyprus, the HICP inflation rebounded in August, after a 12-month period at a falling trend, accelerating to 3.1%YoY against 2.4%YoY in July, with the monthly rise at 1.1%, down from +1.4% a month earlier. The acceleration on a yearly basis came mainly from a milder price fall in transports, by 2.9%YoY against 6.5%YoY a month ago, and in housing-utility (-2.0%YoY vs. -2.3%YoY), but also from surging inflation in hotels-restaurants (+5.6%YoY against +5.0%YoY). The YtD rate stands at 4.4%YoY, almost half that a year ago (8.0%YoY). In Poland, industrial production growth remained in August in negative territory for the seventh consecutive month, falling by 2.0%YoY, after a 2.3%YoY decline a month ago. The deterioration is due exclusively to a stronger decrease in water-sewerage-remediation (-3.4%YoY after -0.6%YoY), with the fall in manufacturing unchanged (-2.1%YoY). In Czechia, gross external debt shrunk in Q2 2023 by 0.4%QoQ, to 62.4% of GDP from 72.9% of GDP a year ago, a trend reflecting amortisation of short-term liabilities.

Contributing Authors:

Dr. Dimitrios Exadaktylos
Economic Analyst
v-dexadaktylos@eurobank.gr

Dr. Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr

Michail Vassileiadis
Research Economist
mvassileiadis@eurobank.gr

Research Team

Dr. Tasos Anastasatos | Group Chief Economist
tanastasatos@eurobank.gr | + 30 214 40 59 706

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
mvassileiadis@eurobank.gr
+ 30 214 40 59 709

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