

GLOBAL & REGIONAL DAILY

July 24, 2023

Global markets

Central banks will be in focus this week, with decisions from the Fed, the ECB and the BoJ due on Wednesday, Thursday and Friday respectively. Markets are currently pricing in 96% chances for the Fed and 98% for the ECB for a 25bps hike this week, while the BoJ is expected to keep the policy rate unchanged with a 93% probability. Some other highlights include the release of the flash PMI for most major economies today, the ECB bank lending survey (Tue), the US preliminary Q2 GDP (Thu) and the US core PCE for June (Fri). On recent economic data releases, Japan headline inflation in June came in at 3.3%YoY, slightly up from the 3.2%YoY reading in May but the core reading that excludes fresh food and energy stood at 4.2%YoY from 4.3%YoY, marking the first deceleration since January 2022. UK retail sales in June increased more than expected by 0.7%MoM, with the core reading (excl. automotive fuel) rising by 0.8%MoM.

Greece

According to the Bank of Greece, the current account balance (CAB) recorded a deficit of €1,646.4mn in May-23, improved by €431.3mn (20.8%) compared to May-22. In the 5-month period from Jan-23 to May-23, the CAB posted a deficit of €7,219.8mn, lower by €3,498.5mn (32.6%) relative to the respective deficit in the period from Jan-22 to May-22. The shrinkage of the CAB deficit in the first 5 months of 2023, came mainly from the goods balance. More specifically, due to the decline in the energy prices, the deficit in the oil balance decreased by €1,471.3mn (33.5%) in Jan-23 to May-23. Moreover, the deficit in the balance of goods excluding oil and ships shrunk by €1,192.3mn (10.9%). The BoG in its Monetary Policy Report (Jun-23) predicts a CAB deficit of 7.0%, 6.7% and 6.1% of GDP in 2023, 2024 and 2025 respectively (9.7% of GDP in 2022).

CESEE

According to provisional data about EU public finance in Q1 2023, Cyprus performed better than any other peer in terms of general government balance, achieving a surplus of 4.8% of the quarterly GDP. This outcome exceeded both the surplus in Q1 2022 (3.8% of GDP) and the average surplus last year (2.1% of GDP). The outstanding fiscal performance is exclusively due to higher revenue, by 16.8%YoY, as expenditure also widened, by 11.0%YoY, moderating the fiscal surplus. Among the main revenue categories, the increase in social contributions (+18.2%YoY or +€133.2mn) and corporate tax payments (+51.3%YoY or +€85.7mn) were the main drivers of the fiscal outcome. Cyprus also overperformed in terms of general government debt reduction, which stood at 84% of GDP in Q1 2023, 18ppts lower than a year ago, the second highest fall in the EU after Greece (-21.1ppts). Furthermore, Cyprus' general government debt was considerably lower than the euro area average (91.2% of GDP).

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