

GLOBAL & REGIONAL DAILY HIGHLIGHTS

March 12, 2021

Global Markets

The ECB stayed put on interest rates y-day, as expected, but surprised investors by announcing that, in response to the recent unwanted tightening of financial conditions, the GC **decided to “significantly” increase** the pace of purchases under the PEPP over the next quarter relative to the pace seen so far this year. In a knee-jerk reaction, EGBs gained, with 10-yr Bund yields falling by 5.6bps to a three-week low of -0.37%, before reversing some of the gains to stand around -0.31% in early European trade today. In FX markets, the EUR/USD weakened to 1.1914 y-day **just after the ECB’s announcement but managed to gain** and approach the 1.20 area earlier today on positive risk sentiment before retreating again around 1.1940/45 in early European trade today as higher UST yields helped the US currency to gain some ground.

Greece

According to ELSTAT, the total building activity (private and public) in Greece, in December 2020, which is calculated on the basis of the number of issued building permits, amounted to 1,813, recording an increase of 0.7%YoY. For the whole year, 18,907 building permits were issued, having recorded a rise of 9.2%YoY. For the said period, private building activity in particular, recorded an 8.8%YoY increase in the number of issued building permits. Meanwhile, two new measures were included in the aid package announced yesterday **by the Prime Minister. These are the subsidy of fixed costs of companies (estimated cost €500mn) and the subsidy of installments of business loans, depending on the turnover and the number of employees that the company employs (estimated cost €300mn).**

CESEE

According to the quarterly Economic Review published yesterday by the Bulgarian National Bank (BNB), the macroeconomic uncertainties stemming from the Covid-19 pandemic, along with the suppressed investment activity are anticipated to have a negative impact on the credit growth of the banking system. The lending growth deceleration is expected to show in Q2 with the gradual cessation of the loan moratoria adding to this dynamic. As payments on some of the deferred loans will not resume given the financial inability of borrowers to cover their due instalments regularly, an increase of the non-performing loans could be instigated, forcing banks to slightly raise interest rates on new financings. In **yesterday’s session**, the National Bank of Serbia kept the key policy rate unchanged at 1% for the third consecutive month.

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