

GLOBAL & REGIONAL DAILY

October 3, 2023

Global markets

UST yields rose further yesterday, as the avoidance of a US government shutdown, combined with strong US economic data releases and hawkish comments by Fed officials reinforced market expectations that the Fed will likely keep interest rates higher for longer. The ISM manufacturing index rose by a higher-than-expected 1.4pts in September, coming in at 49.0, its highest level since November 2022. The strong print was mirrored in the final manufacturing PMI as well, which was revised up to 49.8 from 48.9 in the flash estimate, 1.9pts higher compared to August. Moreover, Fed Governor Bowman suggested that further rate hikes may be needed, while Cleveland Fed President Mester said that one more hike might be necessary this year. As a result, the 10yr UST yield exceeded 4.70% yesterday for the first time since 2007. Meanwhile, the USD retained a firm tone, with the DXY index marking a fresh 11-month high at 107.2 earlier today.

Greece

According to the 2024 Draft Budget, submitted to the Parliament yesterday, forecasts real GDP growth at 2.3% in 2023 and 3.0% in 2024. Inflation is expected at 4.0% and 2.4% in 2023 and 2024 respectively. Unemployment is projected to decrease, reaching 11.2% in 2023 and 10.6% in 2024. The primary fiscal balance is set to further improve at 1.1% and 2.1% in 2023 and 2024, respectively. Fiscal support measures to mitigate the impacts of natural disasters are approximated at €0.6bn annually from 2023 onwards. Due to the expected high nominal growth, the general government debt is forecasted to decline to 159.3% of GDP in 2023 and further to 152.2% in 2024. In other news, ELSTAT reported a 10.3% decrease in live births and a 2.2% decrease in deaths for 2022 compared to 2021. The 2022 balance between births and deaths was at its lowest since 1932, registering a deficit of 64,260 individuals.

CESEE

The manufacturing PMI for September in Poland picked up by 0.8pt coming in at 43.9 from 43.1 in August, marking the first gain in four months, but still leaving the index at extensively low levels, close to those during the pandemic ca three years ago, laying below the boom or bust level of 50 since March 2022. With all five components of the PMI being negative for the fifth month in a row, this month's reading may imply some mild recovery, still the overall impression is that the economy continues to move on a weak vein as we enter the last quarter of the year. Turning to Bulgaria, the Ministry of Finance estimated on a preliminary basis that the budget deficit summed up to BGN780mn in Jan-Sep 2023 or 0.4% of GDP, with detailed data due on October 31. Assuming that both prints, preliminary and detailed, coincide, this will have led to substantial fiscal loosening as for the same period in 2022 the budget execution had resulted into a BGN 989mn or 0.6% of GDP surplus.

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