

GLOBAL & REGIONAL DAILY

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Global markets

European equities rose at Wednesday's open after ECB policy maker Olli Rehn said in an interview that investor expectations for two more rate cuts this year are reasonable. The eurozone's central bank cut its deposit interest rate earlier this month by 25bps to 3.75%, with futures markets pricing in a further 46bps of cumulative easing for the remainder of this year. Trading in government bonds has mostly been range-bound this week, and that continued today with the yield on 10yr Bunds rising just 1bp to 2.42%, after falling by the same amount on Tuesday. In the US, where the yield on 10yr USTs has risen 2bps so far today to 4.27% and 2bps on Tuesday, the US Conference Board consumer confidence index dipped to 100.4 in June from a downwardly revised 101.3 the month before. However, the drop was slightly less than the consensus estimate that it would fall to 100.0. In FX, the USD/JPY rate continued to flirt with the key 160 level, reaching as high as 159.93 earlier today, as investors test the Japanese authorities' resolve to support their currency.

Greece

According to the Ministry of Finance final data, the State Budget, on a modified cash basis, reported a deficit of €0.54bn in Jan-May 2024, surpassing the 2024 Budget target by €2.19bn (-80.4%), with a primary surplus of €3.20bn, exceeding the target by €2.40bn (298.6%). Total revenue reached €26.88bn, outpacing the target by €1.47bn (5.8%), but with significant contributions from 2023 tax revenue. Income tax revenues were robust at €7.43bn, 11.3% above the target, with personal income tax at €4.87bn (3.3% above target) and corporate tax at €1.81bn (38.0% above target). Total VAT revenues reached €10.19bn (3.0% above target). Property tax revenue stood at €1.41bn (11.6% above target). Total expenditure was contained at €27.42bn, below the respective target by €0.72bn (-2.6%). According to the Greek Center for Liberal Studies, Greeks will work 175 days in 2024 solely to pay taxes and contributions (11th lowest tax burden in the EU27, up from 21st in 2022), with Tax Freedom Day on June 25th, three days earlier than in 2023.

CESEE

Based on a survey published by the EIB yesterday, "banks in the region cited an improving market outlook and better funding conditions, signalling the increased willingness of banks to extend credit to their clients". Findings of the survey suggest that stronger capital ratios will provide banks with greater flexibility to support credit growth. Moreover, banks noticed that their profitability in the region compared to overall group operations has improved, with subsidiaries active in CESEE being on average more profitable than their parent banks. Along these lines, credit growth in Bulgaria was estimated 13.1%YoY as of end-May, same as in April and continuing an upward course since Nov-2023. In Romania, the nominal growth of domestic credit moderated to 7.3%YoY in May from 12.2%YoY in April. Along with the credit growth come worries over an increase of the NPL ratios in the regional banking systems. Yet, those, based on the survey, are projected to continue decreasing in various CESEE countries in 2024, as in 2023.

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