

GLOBAL & REGIONAL DAILY

August 1, 2022

Global markets

According to the flash release, Euro area GDP grew by a higher than expected 0.7%QoQ in Q2 after a growth rate of 0.5%QoQ in the prior quarter as countries in the south of the region grew strongly helped by the holiday season (Italy: 1.0%QoQ, Spain: 1.1%QoQ, France 0.5%QoQ). Meanwhile, Eurozone headline CPI rose to a new all-time high of 8.9%YoY in July, driven by higher core inflation (up to 4.0%YoY from 3.7%YoY) and processed food, alcohol & tobacco inflation (up to 9.4%YoY from 8.2%YoY), whereas both energy and unprocessed food inflation declined slightly. Turning to markets, Asian bourses ended mixed today on disappointing China's factory activity data, USTs and German Bunds retained a firm tone favored by mounting growth concerns, while oil prices moved lower ahead of this week's OPEC+ meeting. Lower long-term UST yields and a dovish shift in Fed rate tightening expectations kept the USD under pressure, especially against the JPY, ahead of Friday's US July non-farm payrolls.

Greece

According to Eurostat's flash estimate, inflation in Greece – in HICP terms – is expected at 11.5% in July (Euro-area: 8.9%) on an annual basis, slightly lower from a realized figure of 11.6% in June. The said increase was driven mainly by energy, which is expected to have increased by 56.1% YoY (Euro-area: 39.7% YoY). In other news, according to ELSTAT the overall volume index in retail trade in May decreased by 4.2% YoY compared to an increase of 10.1% YoY in April. This is the first fall in retail sales since March 2021, on the back of declining sales in the following specialized store categories: clothing and footwear -17.9%, food, beverage, tobacco -10%, supermarkets -7.6% and automotive fuel -6.8%. On a monthly basis, the seasonally adjusted overall volume index in retail trade in May decreased by 4.9% (+0.9% in April).

CESEE

The EUR/RSD dropped to around 117.32 during the previous week, however intensified buying of hard currency by the National Bank of Serbia (NBS) lifted the cross rate back to 117.38, levels that prevailed at the start of the week. In Bulgaria, local bond yields on the short-end of the curve showed minor movements during the previous week, with the 4-year tenor increasing by 5bps and the 5-year tenor by 3bps. On the mid- and long-end of the curve, the 10-year and the 20-year tenors rose by 4bps and 21bps respectively. In other news, the Bulgarian Socialist Party (BSP) returned to President Rumen Radev the unfulfilled third mandate for the formation of a government last week, as it did not succeed in finding parliamentary majority, opening the way for early elections.

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We would like to thank Zoran Korac from Eurobank Beograd and Petko Kazandzhiev from Postbank for their valuable contribution in today's issue.

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