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Global markets

Coming on the heels of recent weak factory activity data from China, yesterday's US data releases showed that the ISM Manufacturing PMI dropped in July, albeit less than expected, coming in at a new two-year low of 52.8 from 53.0 in June, and construction spending unexpectedly fell by 1.1%MoM in June on the back of a sharp decline in private residential spending. Turning to Europe, in a similar gloomy note, German retail sales unexpectedly contracted by 1.6%MoM in June and Italy's manufacturing PMI for July dropped below the threshold of 50. Against this background, risk-off sentiment prevailed, while worries about rising US-China tensions over Taiwan had also had an impact. Favored by their safe-haven appeal, USTs and European government bonds extended recent gains, while oil prices moved substantially lower, with Brent dropping below $100/bbl amid rising global growth concerns. In FX markets, amid expectations of a slower pace of Fed policy tightening, the USD remained under pressure ahead of today's June US JOLTS report, allowing the EUR/USD to temporarily approach the 1.03 level earlier today for the first time since early July.

Greece

The S&P Global Greece Manufacturing PMI dropped to 49.1 in July from 51.1 in June, falling below the 50-unit threshold for the first time since February 2021. The downturn stemmed from faster contraction in production and new orders, with client demand under greater pressure on the back of higher prices. Weak demand conditions and lower production requirements freed up capacity as backlogs of work fell sharply. In turn, employment rose only fractionally as some firms cut workforce numbers. On the price front, both input and output charges rose at the softest pace since January and August 2021, respectively. However, despite the steep decline in new orders, manufacturers expressed greater confidence in the outlook for output over the coming year amid hopes of a renewed uptick in demand.

CESEE

According to the flash estimate released yesterday by the Serbian Statistics Office, Q2 GDP grew by 4.0% YoY, slowing down from 4.3% YoY in Q1-2022 and 7.0% YoY in Q4-2021. Note that the National Bank of Serbia, in May, revised downwards its 2022 GDP growth forecast by 0.5pp to a range of 3.5%-4.5%, due to the negative impact of the war in Ukraine. The detailed breakdown of the national accounts for the second quarter of the year will be published on August 31. In other news, in Bulgaria, President Rumen Radev, following a decree for dissolving the parliament as of Aug 2, appointed ex-caretaker social affairs minister Gulub Donev as caretaker PM and scheduled snap general elections for Oct 2.

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