

GLOBAL & REGIONAL DAILY

July 4, 2022

Global markets

Euro area headline inflation surged to a fresh record high of 8.6%YoY in June from 8.1%YoY in May on the back of higher energy and food prices. On the other hand, though non-energy industrial goods prices accelerated further, core inflation dropped to 3.7%YoY from May's 3.8%YoY on the back of a decline in services prices, mostly due to temporary government support measures in Germany. Turning to the US, the ISM manufacturing index fell by 3.1ppts in June to a two-year low of 53.5, reflecting declines in most major components, including new orders which dropped below the critical level of 50 for the first time in two years. Coming on the heels of the recent soft consumer spending data, the weak June print for the ISM manufacturing index reinforced worries over a looming US recession. Against this background, USTs gained sharply on Friday (US markets are closed today in observance of Independence Day), while the USD was little changed on the day ahead of Friday's US non-farm payrolls for June.

Greece

According to Eurostat's flash estimate, inflation in Greece – in HICP terms – is expected to a new record high of 12.0% in May (Euro-area: 8.6%) on an annual basis from a realized figure of 10.5% in May. The said increase was driven mainly by energy, which is expected to have increased by 60.6% (Euro-area: 41.9%) on an annual basis. In other news, the S&P Global Greece Manufacturing PMI inched down to 51.1 in June from 53.8 in May, its lowest level since February 2021, as output and new orders contracted. Weak domestic and foreign demand also impacted job creation, with employment growth decreasing to its slowest pace since March 2021. Meanwhile, price pressures continued to moderate, with input costs easing to an almost one-year low. Finally, business confidence dropped to the lowest in nearly a year.

CESEE

The Serbian dinar came under huge appreciation pressure in the past week, with the EUR/RSD rate remaining under 117.40. The Central Bank absorbed almost EUR150mn from the commercial banks, however huge selling pressure of hard currency pulled the rate to 117.34/35 (low of the week). In other news, according to the Bulgarian Ministry of Finance, the general government budget surplus reached BGN 244.2mn in May-22 compared to a deficit of BGN 312.3mn in May-21, on the back of strong revenues growth. In the period Jan-May 2022, the budget posted a deficit of BGN 605.1mn, accounting for 0.4% of the projected GDP for the year compared to a 4.1% of GDP budget deficit target. In the same period, central government debt increased by 0.7%MoM to BGN 31.7bn, shaping the debt-to-GDP ratio at 21.1%.

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