ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

August 9, 2022

Global markets

Favored by geopolitical tensions as China's military announced yesterday fresh drills around Taiwan, USTs extended yesterday's gains after losing sharply last week following robust US July non-farm payrolls. In the absence of major data releases today, focus is on the US inflation report for July, due on Wednesday, for likely clues about the pace of further monetary policy tightening at the upcoming 20-21 FOMC meeting. Investors are currently assigning in a 68% probability of a third consecutive 75bps rate hike, paying little attention to yesterday's monthly Survey of Consumer Expectations conducted by the New York Fed which showed that one-year and three-year inflation expectations dropped in July by 0.6ppts and 0.4ppts to 6.2% and 3.2%, respectively, the lowest levels since February 2021 and April 2020. Meanwhile, Asian bourses were mostly lower today, while the USD gave back some of recent gains, allowing the EUR/USD to reapproach the 1.02 level.

Greece

According to ELSTAT, the inflation rate (based on the CPI) decelerated to 11.6% YoY in July from 12.1% YoY in June, bringing the year-to-July average to 9.6% YoY. The deceleration was mainly due to a slowdown in housing (+30.9% - the main component of which is energy) and transport (+20.6%), while food and non-alcoholic beverages accelerated to 13%. On a monthly basis, CPI decreased by 1.8% in July after increasing for five consecutive months. Meanwhile, the Harmonized Index of Consumer Prices (HICP) also decelerated slightly to 11.3% YoY in July (Euro area HICP flash estimate at 8.9% YoY), from 11.6% YoY in June, while on a monthly basis the HICP decreased by 1.6% against +2.2% in June. Overall, the latest data show that inflationary pressures moderated in July, although inflation remains very high.

CESEE

In Serbia, the central government budget deficit fell by 52.8% YoY to RSD35.7bn in the first half of the year, accounting for 0.5% of the projected GDP against a full-year deficit target of 3% of GDP. Budget revenues rose by 19.2% YoY, on the back of increased tax revenues by 22.2% YoY (mainly due to VAT and corporate income tax), while budget expenditures increased by 12.2% YoY, reflecting stronger spending on capital investments, pensions and wages. In the same period, central government debt increased by 2.0% MoM to EUR31.3bn, shaping the debt-to-GDP ratio at 53.2%. In other news, National Bank's (NBS) Governor, Jorgovanja Tabakovic, said that the NBS has had a measured and gradual approach to the tightening in order to respond credibly to inflationary pressures, indicating that although interest rates may continue to rise, they should not be expected to increase sharply.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Elia Tsiampaou
Economic Analyst
etsiampaou@eurobank.gr

Research Team

Dr. Tasos Anastasatos | Group Chief Economist
tanastasatos@eurobank.gr | + 30 214 40 59 706

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr
+ 30 214 40 63 456

Maria Kasola
Research Economist
mkasola@eurobank.gr
+ 30 214 40 63 453

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr
+ 30 214 40 63 455

Dr. Theodoros Rapanos
Economic Analyst
trapanos@eurobank.gr
+ 30 214 40 59 711

Dr. Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr
+ 30 214 40 59 708

Elia Tsiampaou
Economic Analyst
etsiampaou@eurobank.gr
+ 30 214 40 59 712

Περισσότερες εκδόσεις μας διαθέσιμες στην ηλεκτρονική διεύθυνση που ακολουθεί: https://www.eurobank.gr/en/group/economic-research
Εγγραφείτε ηλεκτρονικά, σε: https://www.eurobank.gr/el/omilos/oikonomikes-analuseis/forma-ekdilosis-endiaferontos
Ακολουθήστε μας στο twitter: https://twitter.com/Eurobank_Group
Ακολουθήστε μας στο LinkedIn: https://www.linkedin.com/company/eurobank