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Global markets

UK assets remained under pressure amid mounting concerns about the sustainability of UK finances. The 10-yr gilt yield was hovering around 4.1% at the time of writing, not far from yesterday's fresh multi-year peak close to 4.3%, above that of the 10-yr UST for the first time in eight years, while the spread against Bunds closed at 224bps y-day, the widest ever, as investors appear to shrug off the UK Treasury's statement according to which Chancellor Kwarteng will present a "Medium-Term Fiscal Plan" on November 23 that could ensure a medium-term decline in the debt-to-GDP ratio. While the UK is on the spotlight of market focus in the last couple of days, the bond selloff remains unabated in both sides of the Atlantic following the Fed's hawkish message last week and mounting expectations of a 75bps rate hike at the next ECB policy meeting in October. In Europe, Italian BTPs were a key underperformer following the outcome of the general elections, pushing the spread of 10-yr yields vs. Bunds to 250bps, the widest level since May 2020.

Greece

According to the final State Budget execution data published y-day, for the period Jan-Aug 2022 the overall fiscal balance registered a deficit of €4.10bn, compared to a targeted deficit of €-9.99bn, (-58.9%). The primary fiscal balance registered a surplus of €0.02 bn, against a targeted deficit of €5.94bn (-100.34%). State Budget net revenue overperformed the target by €5.70bn (16.98%) . This was mainly due to a higher-than-expected increase in tax revenue of €5.51bn (18.23%). Income tax, property tax and VAT revenue increased by 19.59%, 198.28% and 11.62% respectively compared to the respective budget targets. The state budget expenditure undershot the target by €0.19bn (-0.44%), as a result of the postponement of payments for military procurement and lower payments for guarantees and despite the increase (above target) of the social security funds expenditure.

CESEE

According to projections presented in the Council for the Coordination of Activities and Measures for GDP growth that convened late last week and was chaired by the Serbian PM, Ana Brnabic, FY2022 GDP growth is expected at 3.5% with the labour market showing no signs of recession so far, despite the adverse global economic environment. However, real net wage growth in both public and private sectors continued to decelerate for a second month in a row, coming in at 0.2% YoY in July from 2.1% YoY and 3.4% YoY in June and May respectively. The slowdown came on the back of both lower nominal net wage growth and high inflation. The nominal net wage rose by 13.0% YoY in July compared to 14.2% YoY in June, whereas inflation picked up to 12.8% YoY in July from 11.9% YoY in the previous month.

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