

# GLOBAL & REGIONAL DAILY

August 2, 2023

## Global markets

In a surprise move overnight, Fitch downgraded US sovereign credit rating to AA+ from AAA, citing “a steady deterioration in standards of governance over the last 20 years” including on “fiscal and debt matters.” In reaction, USTs came under pressure after rallying earlier yesterday favored by a global risk-off mode, while the USD initially weakened before reversing most of its losses soon after, ahead of today’s ADP employment report. EGBs also continued to face selling pressures earlier today following yesterday’s Eurozone data showing a still robust labor market, as the number of unemployed continued to fall in June, down by 62k compared with May, keeping the unemployment rate at a record low of 6.4%. In other news, the US ISM manufacturing composite index edged up by 0.4pts to 46.4 in June, but still remained in contractionary territory for the ninth consecutive month, and US job openings declined in June to 9.58mn from May’s downwardly revised 9.62mn, adding to recent signs pointing to a gradual easing in the labor market.

## Greece

The operating conditions in the manufacturing sector improved for the sixth month in a row in Jul-23, according to the S&P’s PMI index released yesterday. More specifically, the seasonally adjusted PMI manufacturing index posted a value of 53.5 (vs. 42.7 in the Euro Area), from 51.8 in Jun-23 (vs. 43.3 in the Euro Area) and 49.1 in Jul-22 (vs. 49.8 in the Euro Area), reflecting an increase in output, new orders, employment and stocks of purchases. Nevertheless, regarding their outlook, firms were less optimistic due to increasing concerns for the sustainability of demand and potential hikes in the cost of capital and inflation. Based on the July 2023 survey, the industrial production is expected to increase by 0.4% YoY in 2023, a rate well below the current 2.4% YoY average expansion in ELSTAT’s industrial production index from Jan-23 to May-23. Finally, in other data releases, the unemployment rate declined to 11.1% of the labour force in Jun-23, from 11.3% in May-23 and 12.3% in Jun-22.

## CESEE

In Cyprus, the latest releases of short-term indicators imply mixed growth dynamics in exports and private consumption in Q2-2023 relative to the previous quarter. Tourism receipts in May widened by 40.7%YoY against a 17.6%YoY rise in the previous month. Revenues also exceeded the post-pandemic May 2019 level, by 12.0%. Taking into account the May 2023 rise in tourist arrivals (+33.3%YoY), spending per capita has increased relative to the previous year (+5.5%). Turning to developments in consumer demand, retail trade volume expanded by 6.4%YoY in June, a rise similar to that in May (6.3%YoY) and slightly below the April print (7.3%YoY), bringing the Q2-2023 average to 6.7%YoY. Albeit significant inflation deceleration in the April-June period relative to Q1-2023, to 3.4%YoY from 6.5%YoY, the rise of the retail trade volume in the latter period was a bit stronger (8.2%YoY). These dynamics imply that, in order for private consumption growth to exceed in Q2-2023 its Q1-2023 pace, much higher spending in other services sectors is needed.

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