

GLOBAL & REGIONAL DAILY

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Global markets

Banking worries resurfaced on both sides of the Atlantic, leading to a bull-flattening across global sovereign bond yield curves and a worsening risk sentiment, helping the USD to firm across the board. Moody's downgraded the credit rating for 10 small and mid-size US banks and placed several others on negative outlook, citing higher funding costs, profitability pressures related to the Fed's aggressive monetary policy tightening that could reduce their ability to generate internal capital, and increasing risks related to commercial real estate. Meanwhile, Italy unexpectedly announced a one-off 40% windfall tax on banks' excess net interest margin earned in 2023, with an intention to use the proceeds to support mortgage holders and cut taxes. China's weaker than expected July trade activity data also weighed on risk sentiment, helping the DXY USD index to retain most of yesterday's gains in early European trade, while investors wait for Thursday's US July CPI inflation data.

Greece

After declining for 9 consecutive months, the inflation rate -measured by the annual change of the HICP- accelerated to 3.5% in Jul-23, from 2.8% in Jun-23, remaining nevertheless lower compared to the Euro Area's respective figure (5.3% according to Eurostat's flash estimate). The price level in the category of food and non-alcoholic beverages posted the highest annual increase (12.9% in Jul-23 from 12.5% in Jun-23), followed by health (7.9% from 7.8%), household equipment (6.3% from 7.3%), hotels-cafes-restaurants (5.9% from 5.7%), clothing and footwear (5.2% from 5.9%), recreation and culture (3.4% from 3.3%), miscellaneous goods and services (3.4% from 4.0%), education (constant at 2.2%) and alcoholic beverages and tobacco (constant at 2.1%). On the contrary, three categories printed an annual drop in their price level in Jul-23. These were the following: transport (-2.3% from -5.3% in Jun-23 reflecting the 14% MoM increase in oil prices), communication (-2.8% from -2.7%) and housing (-12.4% from -12.1%).

CESEE

Signs of weakened economic activity in Q2-2023 in Czechia, ahead of the GDP release for the same period. Seasonally adjusted real sales in services declined by 3.6%YoY, after stagnation in Q1 (-0.1%YoY), the strongest fall since Q2-2021, when the COVID-19 protection measures were abolished. The fall came almost entirely from the transport - storage branch (-11.3%YoY) and, to a small extent, from real estate activities (-2.0%YoY) and the ICT branch (-1.6%YoY). On the contrary, turnover in professional, scientific, and technical activities expanded by 2.9%YoY. Seasonally adjusted output growth in the industry sector stood at 0.4%YoY in June, against 1.4%YoY in May, bringing average increase in Q2-2023 to 1.1%YoY, a pace same with that in the previous quarter. Last, seasonally adjusted construction sector output rose on an annual basis in June for the first time in the last five months, by 1.0%, after a 4.5% fall in May. However, the average print in Q2-2023 was negative (-3.9%YoY), in contrast to the stability in Q1-2023 (+0.1%YoY).

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