

WEEKLY ANALYSIS

Number 742, July 26, 2021

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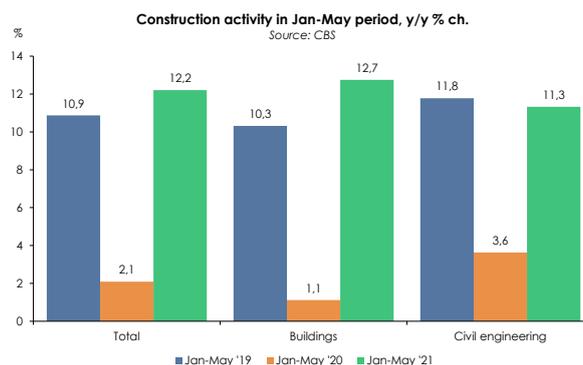
Upswing in construction activity

In May 2021 total volume of construction works increased by 15.9% yoy, partly affected by last year's low base, thus continuing the upward trend in yoy growth persisting since May last year. Month on month, total volume of construction works went down in May by 0.1%, while the level of construction activity compared to the pre-pandemic February 2020 was up by 4.3%. Building activity rose by 18.0% yoy and civil engineering works by 13.0% yoy. Looking at the entire period of the

first five months of the year, overall construction activity increased by 12.2% yoy, partly due to the base effect, but also due to an upward trend in the sector, primarily driven by investment activities financed out of EU funds, but also recovery of private investments. Specifically, according to available data, public investments grew by 9.1% in Q1 this year, while private investments increased by 4.4% after three consecutive quarters of decline. From January to May building works increased by +12.7% yoy, mainly driven by housing construction, while civil engineering works went up by 11.3% yoy.

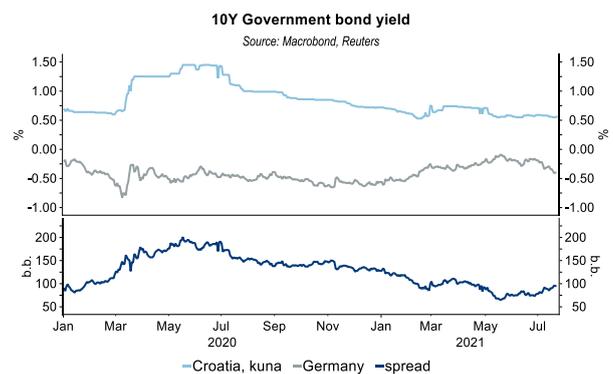
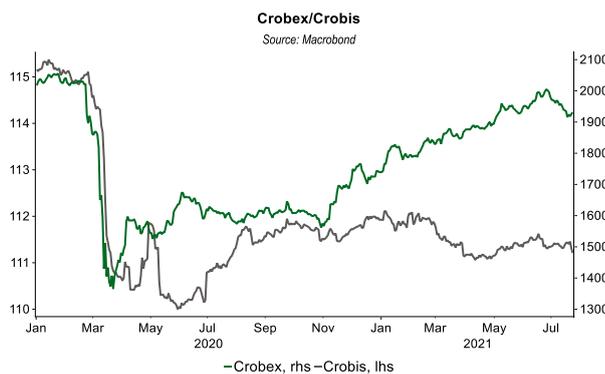
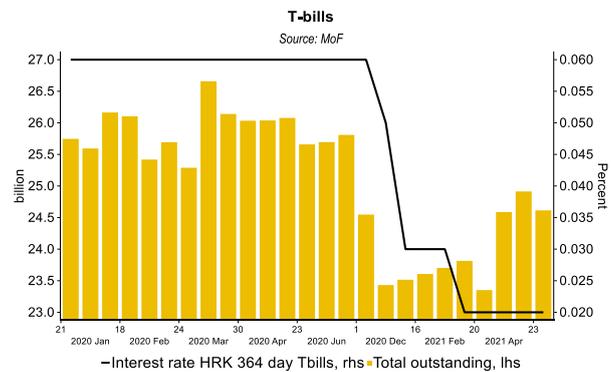
Construction sector has been on the upturn for the last couple of years, making a positive contribution to overall economic growth (its share in the structure of overall economy or GDP was 5.3% in 2020) and employment. The sector had a total of 125k employees in H1 2021, which represents 8% of all persons employed and a 6.1% increase yoy. Despite employment growth, the sector is facing an acute shortage of labour, attempted to be overcome by employing foreign workers without a quota system. The employer only must prove that there are no adequate workers in the Croatian labour market to obtain a positive opinion of the Croatian Employment Service (HZZ). According to HZZ's data, in H1 there were 29,016 labour importation applications and a positive opinion was issued for 3.8k bricklayers, 2.5k building construction workers, 1.5k civil engineering workers, 1.3k plasterers, 1.2k steel erectors, 1k drywall installers, etc.

In the first five months, the number of issued construction permits went up by 21.3% yoy (while total value of works for those permits showed a slight decrease, -0.4%), suggesting the continuation of a positive trend in the sector, where the biggest downside risks might arise from the mentioned shortage of (qualified) workforce and a strong growth in the prices of construction materials in the market, while upside risks relate to available EU funds and expected greater reconstruction efforts in the earthquake-stricken areas.



Weekly overview

- Last week the exchange rate went above 7.5 and amounted to 7.5218 kuna to the euro on Friday, growing by 0.5% w.o.w. At the same time, HRK/USD exchange rate rose by 0.9% w.o.w to 6.3918 kuna to the dollar.
- Last week, liquidity was in the range of 65-66 billion kuna. At the CNB's repo auction there were no placements. Interest rates continued to stagnate last week only to drop on Friday: O/N (-10 b.b. w.o.w), 1W, 2W, 1M, 2M (all by -20 b.b.) to 0.2%, 3M to 0.25% (-15 b.b.), 6M to 0.3% (-10 b.b.), 9M to 0.325% (-8 b.b.), and 1Y to 0.35% (-6 b.b.).
- The Crobex Index last Friday closed at 1,930.92 points, down by 0.2% w.o.w, and Crobis declined at the same rate, reaching 111.64 points. As for sector indices, CROBEXindustry recorded a weekly decline of 2.2% on Friday (to 1,044.46 points), while CROBEXtourist and CROBEXconstruct went up by 0.9% and 1.7% respectively (to 3,425.58 and 421.96 points). Total ZSE turnover last week reached 67,5 million kuna, down by 71.7% w.o.w, owing to 80.2% lower turnover in bonds (reaching 41.2 million kuna) and 12.7% lower turnover in shares (26.3 million kuna).



Statistics

Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



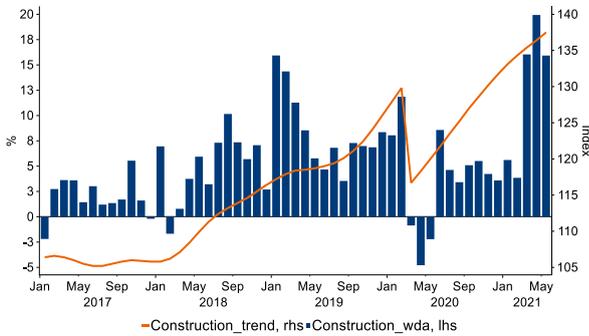
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



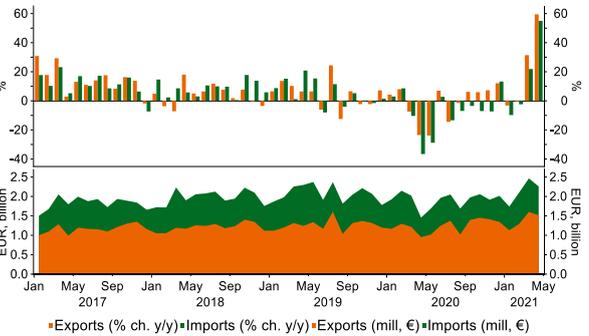
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



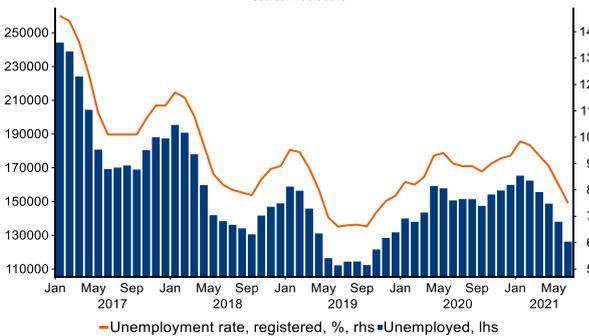
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



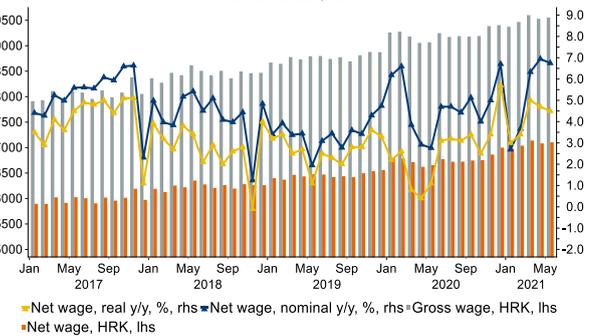
Total number of unemployed and unemployment rate

Source: Macrobond



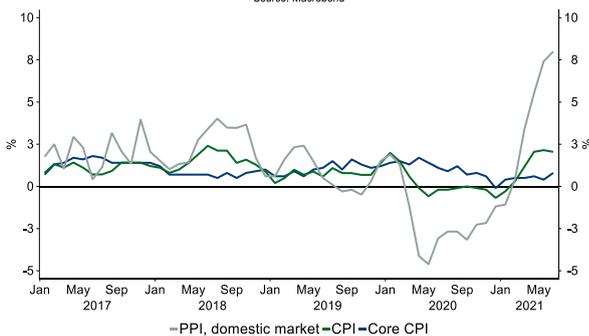
Wages, monthly average and % ch. y/y

Source: Macrobond, CBS



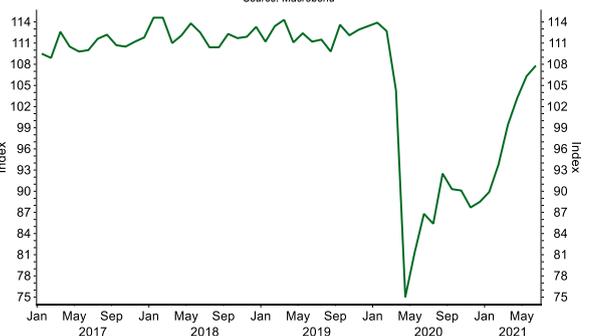
Prices, y/y % change

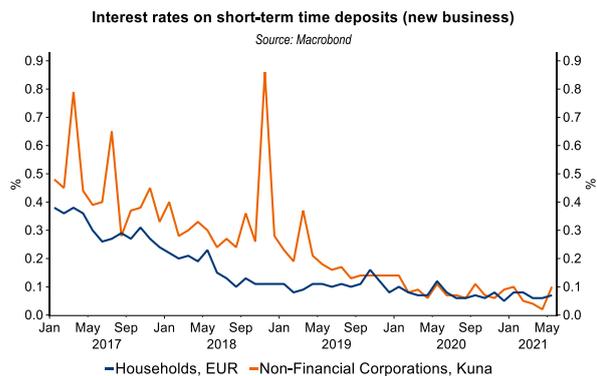
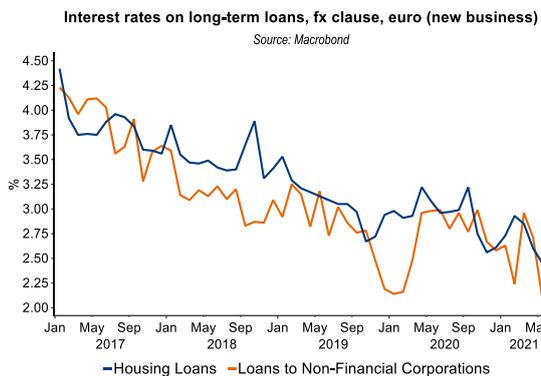
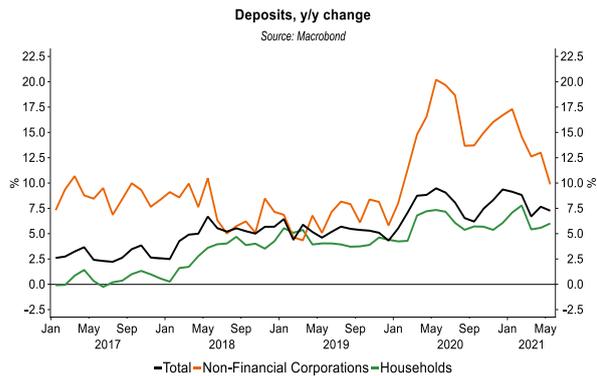
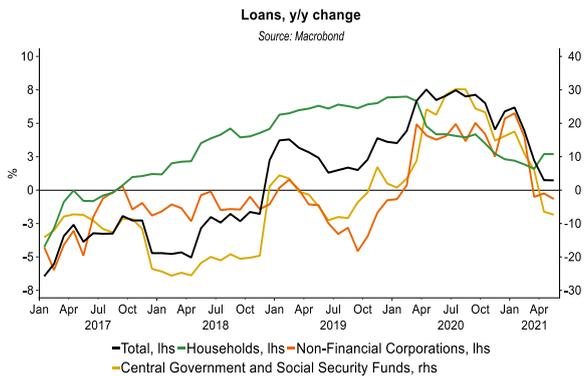
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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