

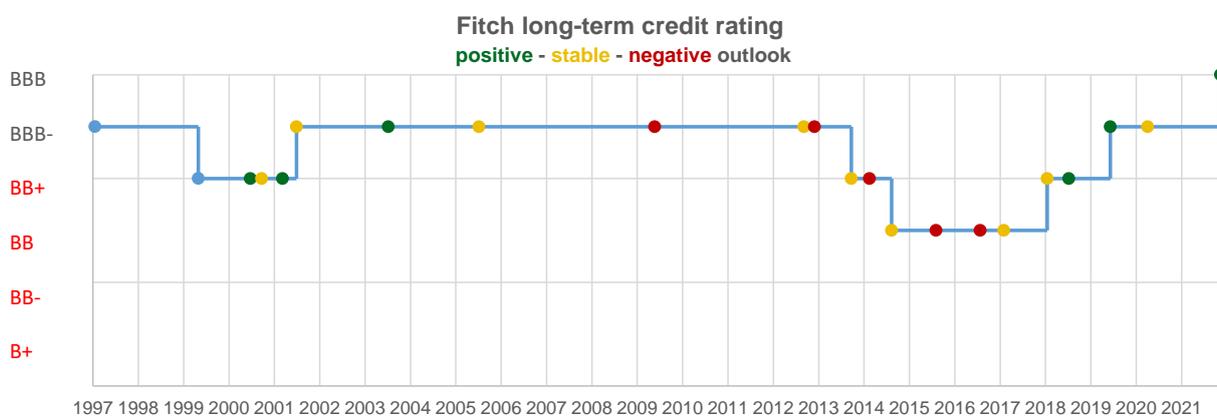
WEEKLY ANALYSIS

Number 753, November 15, 2021

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Fitch agency upgrades Croatia's credit rating

Last Friday, Fitch rating agency upgraded Croatia's credit rating from BBB- level to BBB with positive outlooks, which is also the highest credit rating of Croatia in history. Several key elements led to a rating upgrade, with the following singled out: expected entry to the Eurozone on January 1 2023; strong economic recovery recorded in 2021 (thanks to a successful tourist season and resilient export) and expected solid economic growth of around 4% in the 2022-2023 period, during which Fitch expects a continuation of positive trends in public finances, that is, reduction of the share of deficit and public debt in GDP. Positive outlooks reflect further potential for a rating increase through a direct positive effect of introducing the euro. Although Croatia should have appeared on Moody's rating agency calendar on Friday, change in the rating did not occur and it remained at Ba1 (stable outlook) - two levels below Fitch and one level below S&P rating.

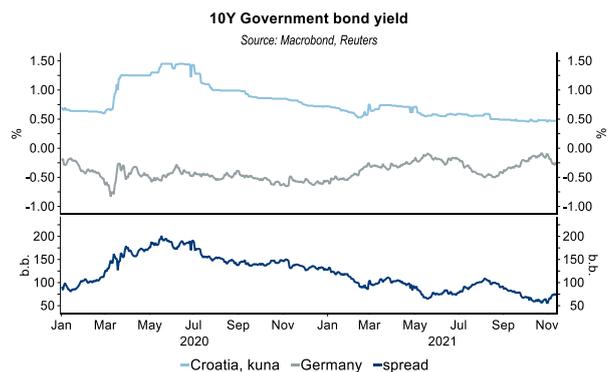
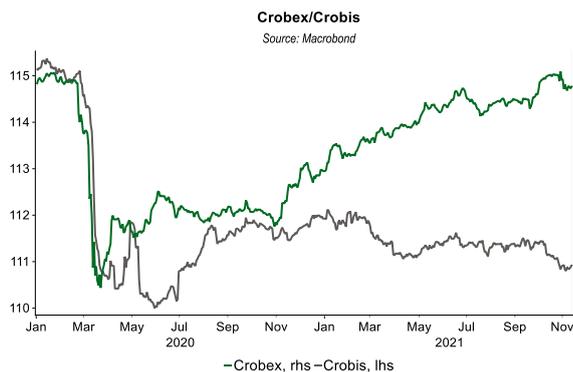
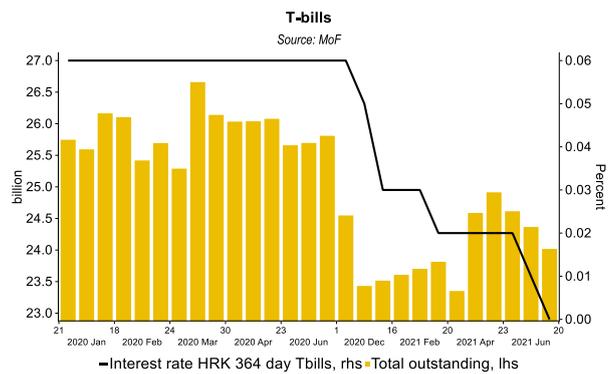


Strong growth of trade in goods in 2021

In the first eight months of this year trade in goods reached 88.1 billion kuna, up by 26.1% y-o-y and up by 18.6% compared to the same period in 2019. Import simultaneously reached 135.9 billion kuna, that is, recorded an annual growth rate of 20.3%, and compared to the first eight months of 2019 it was higher by 8.1%. Strong growth of trade in goods in this year was favourably influenced by the recovery of both foreign and domestic demand, influence of low last year's base and, in some areas, price increase. Trade export recorded the highest growth (observed by share) in Manufacturing (+21.5%, i.e., by 13.1 billion kuna), especially within its biggest components such as Manufacture of electrical equipment (+26.9%), coke and refined petroleum products (+44.4%) and basic metals (+48.3%). Simultaneously, its biggest component, manufacture of food products recorded an annual increase of 17.0%. Foreign trade deficit in trade in goods reached 47.0 billion kuna in the first 8 months of this year, an increase of 10.7% y-o-y, while coverage rate amounted to 65.1% or 3.0 p.p. more. Preliminary data for September point to a relatively slower annual increase of export (+16.3%) and import (+23.2%) compared to previous months, considering the loss of the impact of the effect of low last year's base.

Weekly overview

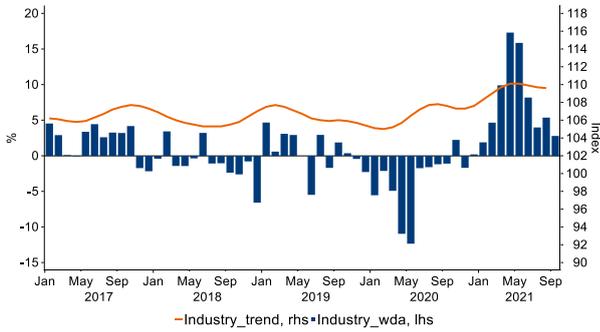
- A quiet period on the domestic FX market continues. The EUR/HRK mid-point exchange rate at the end of last week was down by 0.2% w-o-w, to 7.5068 kuna to the euro. In accordance with the strengthening of the dollar against the euro, kuna depreciated by 0.7% to the dollar, and the exchange rate rose to 6.5613 kuna to the dollar. This week we see trading in the range of 7.51-7.52 kuna to the euro.
- Excess liquidity jumped to 67 billion kuna, and interest rates continued to stagnate. At the CNB's repo auction, as usual there were no placements. This week again no T-bills are due thus there will be no auction, and the next one is announced for the end of the month.
- The Crobex Index closed last Friday at 2,012.18 points, up by 0.7% w-o-w, while Crobis simultaneously stagnated (at 111.34 points). As for sector indices, CROBEXtourist posted an increase of 0.3% compared to Friday the week before (reaching 3,571.98 points), while CROBEXindustry and CROBEXconstruct recorded a decline of 0.4%, that is, 5.4% (to 1,116.64 and 426.88 points). Total ZSE turnover last week reached 162.7 million kuna, up by 21.7% compared to the week before, owing to 31.1% higher turnover in bonds (reaching 131.9 million kuna), while turnover in shares went down by 6.8% (to 30.9 million kuna).



Statistics

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

Source: Macrobond



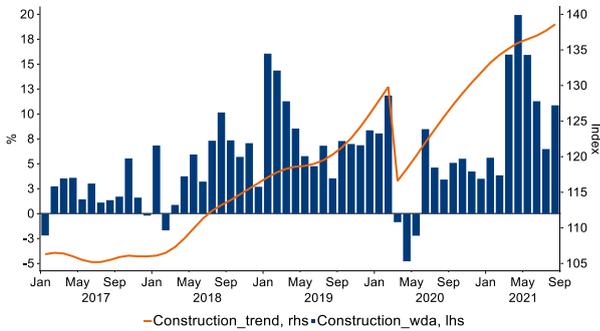
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



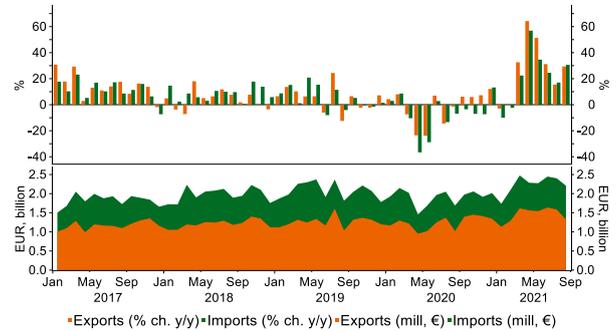
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



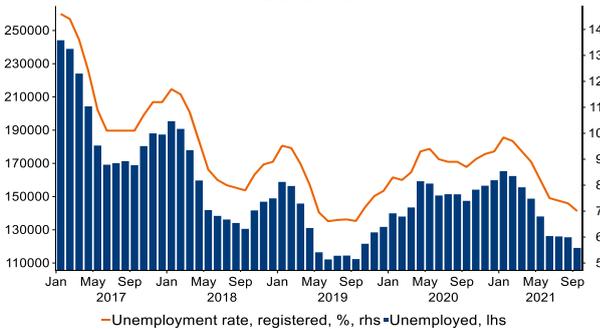
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



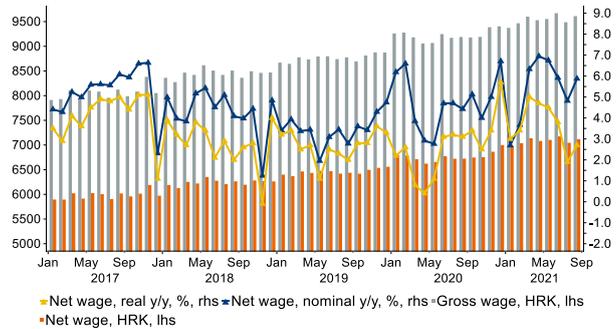
Total number of unemployed and unemployment rate

Source: Macrobond



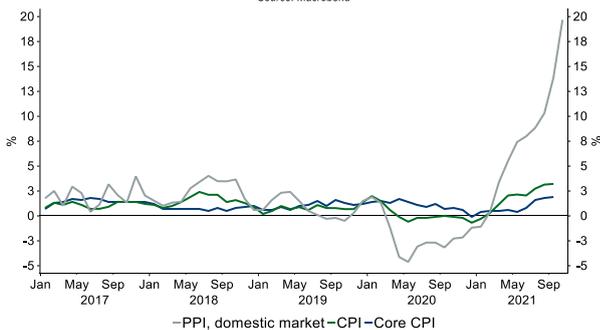
Wages, monthly average and % ch. y/y

Source: Macrobond, CBS



Prices, y/y % change

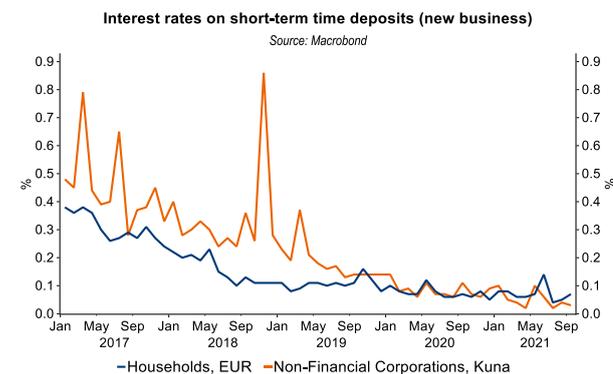
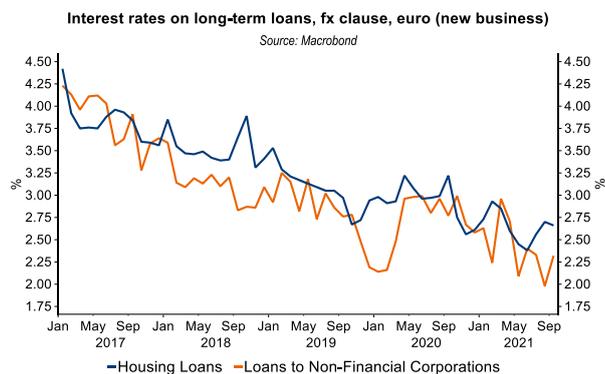
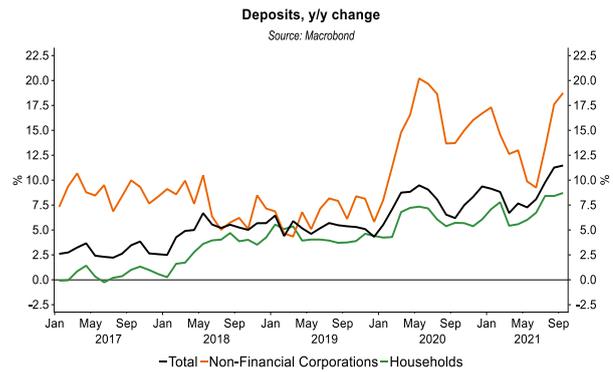
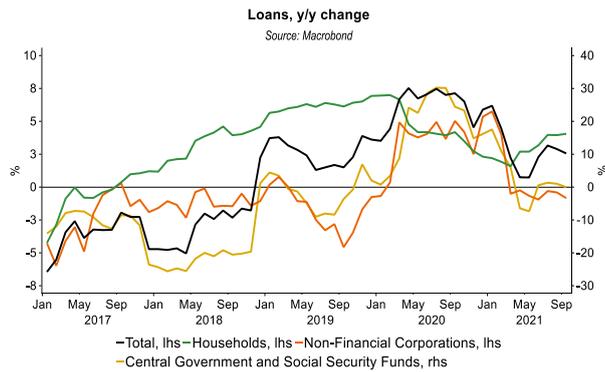
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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