

WEEKLY ANALYSIS

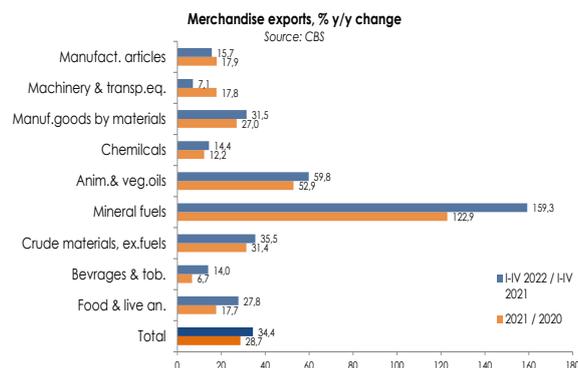
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Strong growth in trade in goods in the first four months of 2022

Trade in goods increased by 26.6% y-o-y in April 2022, i.e., reaching 15.0 billion kuna, while simultaneously import of goods increased by 48.2% (to 256 billion kuna). It's impressive that high growth rates of export and import were realised despite an extremely high base in the same month last year, when export of goods increased by 63.7%, and import by 55.6%, implicating a stronger impact of foreign and domestic demand and price growth in this year's April on trade in goods itself.

Trade in goods reached 57.0 billion kuna in this year's first four months, or 34.4% more compared to the same period last year, while import of goods reached 94.3 billion kuna, i.e., 45.5% more y-o-y. Observing by structure, high growth of export was mostly influenced by growth in Manufacturing (+20.4%), that is, individual components such as, for e.g., Manufacture of coke and refined petroleum products (+74.4%) and Manufacture of basic metals (+60.5%), which can be attributed in a large part to strong price growth of (energy) raw materials on the market (crude oil of Brent type recorded annual growth of 60.4% from January to April 2022). Export of food products (largest component within Manufacturing) increased by 22.2% y-o-y, in large part due to record-high food prices on the market, witnessed by the latest data from Hamburg Institute of International Economics in the first half of 2022 according to which food prices recorded an annual increase of 28.4%. Simultaneously, strong contribution to overall growth in export of goods during the first four months of 2022 also came from export within the category Electricity, gas, steam and air conditioning supply (+443.9%). Foreign trade deficit in trade in goods reached 37.3 billion kuna in the first four months of 2022, i.e., 66.5% more y-o-y, while the coverage ratio declined to 60.5% (from 65.5% in the 2021 January – April period). Observing by destination, export towards EU member states (largest share in total export of goods 72.4%) recorded an annual increase of 43.8%, while export to CEFTA members (share of 16.4%) increased by 49.3%. Simultaneously, import from the EU recorded an increase of 36.7% y-o-y, and from CEFTA of 53.5%. According to the preliminary data for May, export and import of goods recorded acceleration of annual growth rates to +38.3%, i.e., 52.6%, thus reducing the coverage ratio to 61.4% (67.8% in May 2021) and increasing foreign trade deficit by 82.7%. Although (still) high demand, price growth and the continuation of growth trend of indicators of export order books in June suggest further positive trends regarding trade in goods, for the second half of the year we expect gradual deterioration, primarily influenced by high bases last year, continuation of the supply chains issue, war in Europe and its further impact on the economies of our main trade partners.

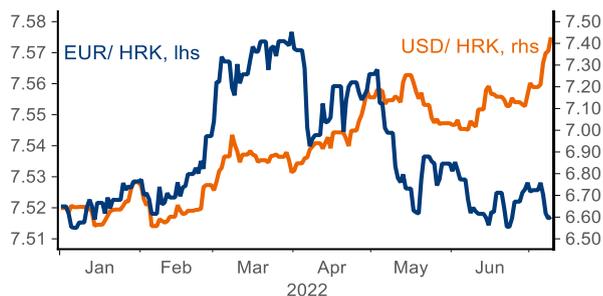


Weekly overview

- Last week kuna mildly strengthened against the euro amid an increase of currency inflow, but also of demand, so on Friday mid-point exchange rate was down by 0.1% w-o-w and amounted to 7.5172 kuna to the euro. Simultaneously kuna recorded strong depreciation against the dollar of 3.2% to 7.4280 kuna to the dollar due to strengthening of the dollar against the euro on global markets. This week we expect EUR/HRK trading to be close to 7.50.
- Excess liquidity was around 68 billion kuna last week. At the end of the week, interest rates were higher 10-20 p.p. w-o-w, and there were no placements at the CNB's repo auction, as usual.
- The Crobex Index closed last Friday at 1,976.86 points, down by 1.6% w-o-w, while Crobis simultaneously declined by 1.5% (to 99.21 points). As for sector indices, CROBEXindustry increased by 3.1% compared to previous week (to 1,132.11 points), while CROBEXtourist and CROBEXconstruct declined by 0.3%, i.e., 6.2% (3,535.74 and 395.78). Total ZSE turnover in last week reached 106.4 million kuna or 2.7 times higher w-o-w, owing to 11.8 higher turnover in bonds (reaching 74.7 million kuna), while turnover in shares declined by 6.1% (31.6 million kuna).

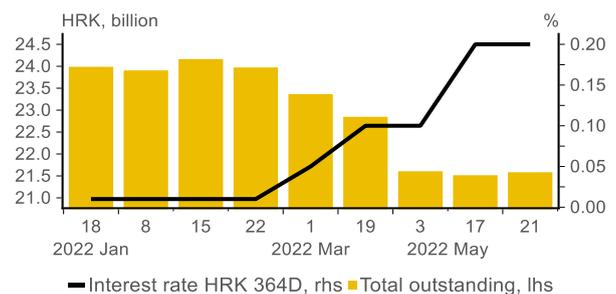
EUR/HRK and USD/HRK

Source: Macrobond



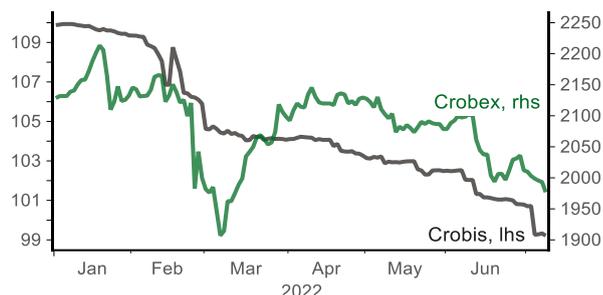
T-bills

Source: MoF



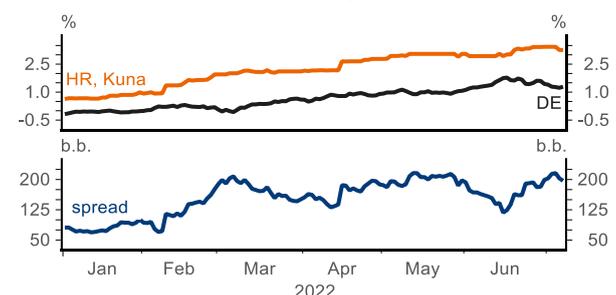
Crobex/Crobis

Source: Macrobond



10Y Government bond yield

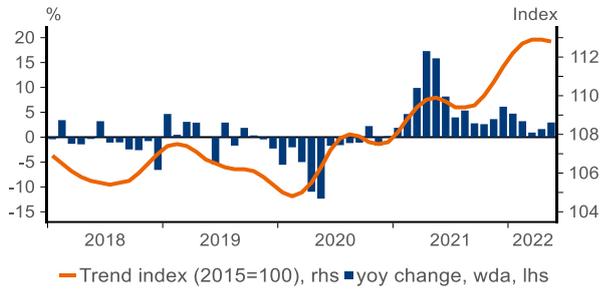
Source: Macrobond, Reuters



Statistics

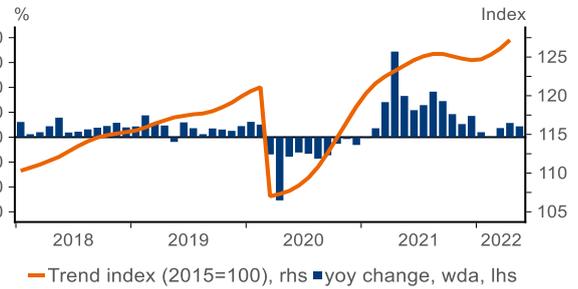
Industrial production

Source: Macrobond



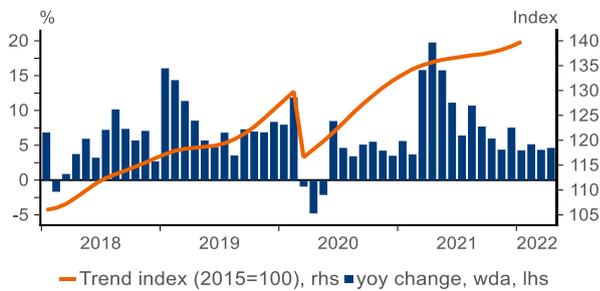
Retail trade, real

Source: Macrobond



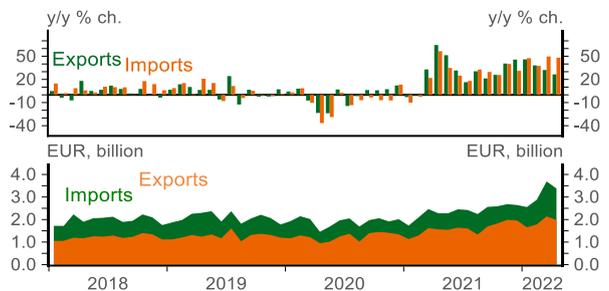
Construction works

Source: Macrobond



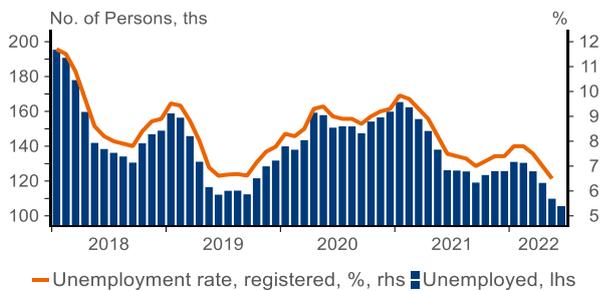
Goods exports and imports

Source: Macrobond



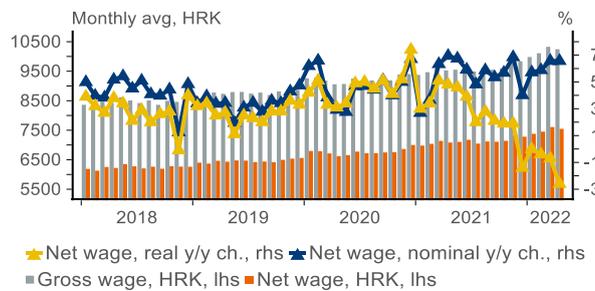
Unemployment

Source: Macrobond



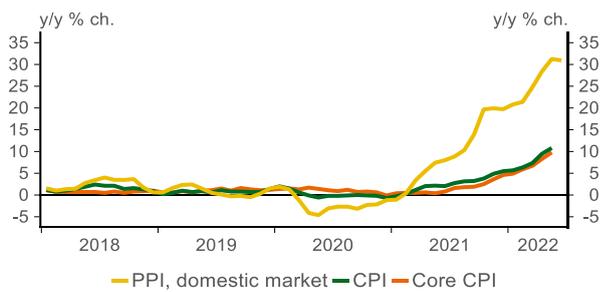
Wages

Source: Macrobond, CBS



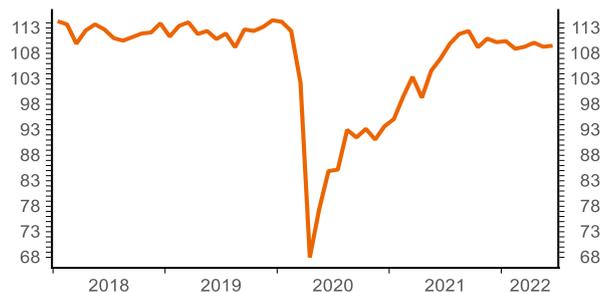
Prices

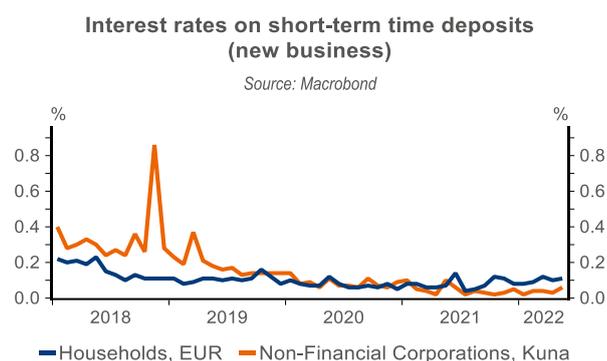
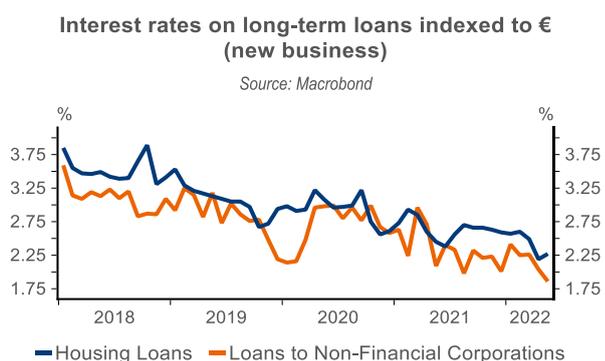
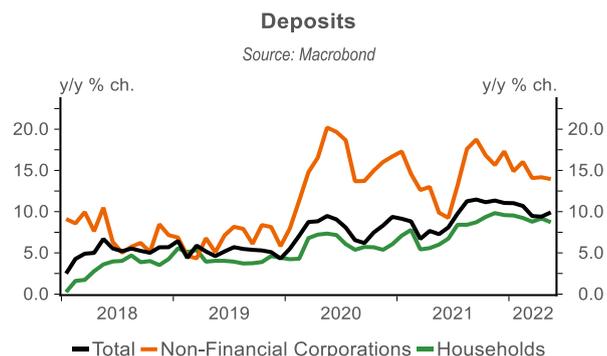
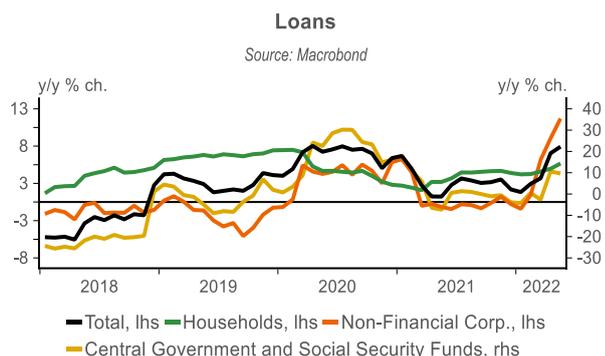
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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