

Sovereign Rating

New Update

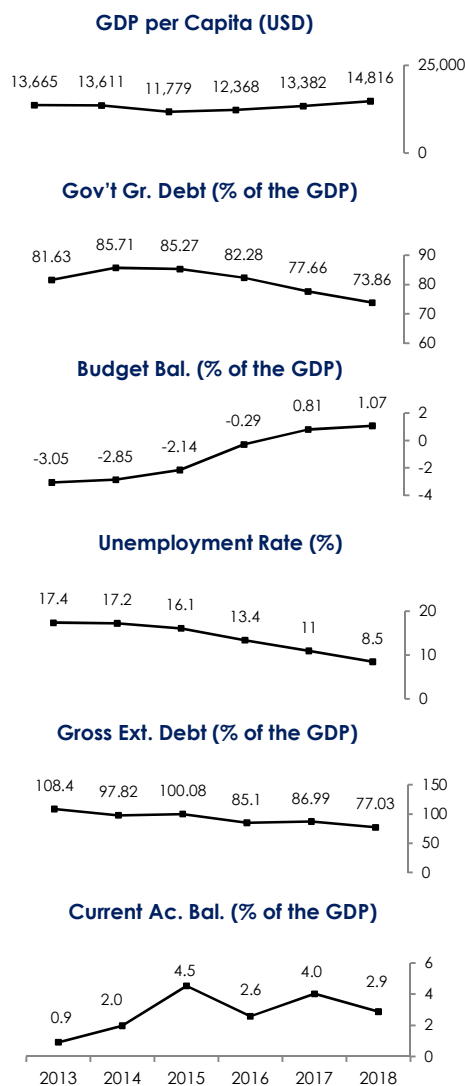
Publishing Date: 16/07/2019

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RATINGS

	Long	Short
Foreign Currency	BBB	A-3
Local Currency	BBB	A-3
Outlook	FC	Stable
	LC	Stable



The Republic of Croatia
Macroeconomic Variables

Data*	2018	2017	2016	2015	2014	2013
GDP-Current Prices (HRK bn)	381.06	365.64	351.35	339.62	331.57	331.79
GDP-Current Prices (USD bn)	60.69	55.20	51.62	49.52	57.68	58.16
Real GDP Growth (%)	2.71	2.92	3.54	2.40	-0.09	-0.49
GDP per Cap.-Current Prices (USD)	14,816	13,382	12,368	11,779	13,611	13,665
**Unemployment Rate (%)	8.50	11.00	13.40	16.10	17.20	17.40
Annual Inflation-CPI (%)	1.50	1.13	-1.13	-0.46	-0.22	2.22
Gov't Gross Debt (% of the GDP)	73.86	77.66	82.28	85.27	85.71	81.63
Budget Balance (% of the GDP)	1.07	0.81	-0.29	-2.14	-2.85	-3.05
Trade Balance (% of the GDP)	1.37	2.25	2.79	2.37	1.92	0.46
Current Ac. Balance (% of the GDP)	2.88	4.01	2.58	4.53	1.98	0.91
Gross External Debt (% of the GDP)	77.03	86.99	85.10	100.08	97.82	108.40
Foreign Res. in Months of Imports	7.08	7.29	6.40	7.37	6.52	7.91

*As the end of each year
 **According to updated Eurostat data

The Country Outlook and the Rating Perspective

After its independence from the Socialist Federal Republic of Yugoslavia in 1991, Croatia (‘the Country’) dealt with the social and economic damages resulted from the ethnic-based Yugoslav Wars which lasted up until 1995. Despite the negative circumstances in the aftermath of the war, the Country well established its liberal market economy through structural reforms based on large-scale privatizations and external trade liberalization policies.

Together with the transition process, the Country began to benefit from the positive investment climate enabled by the EU accession process which started in 2004 when the Country obtained the official candidacy status. During the membership negotiations, the Country welcomed a rapidly growing capital inflow through foreign direct and portfolio investments which created the grounds for a promising economic growth path. However, Croatia’s economic development had been slowed down by the global financial crisis in 2008 which constrained its exports to the EU member countries and the foreign investment inflow coming from them. The Country’s leading shipbuilding industry collapsed as well, as a result the Croatian economy could not grow between 2009 and 2014. On the other hand, as the Country became the last member of the EU as of July 1, 2013, the growth stimuli was reignited and the six consecutive years of recession ended in the last quarter of 2014. In 2018, together with the enduring growth performance, the Country has made a remarkable improvement in reducing unemployment rates and external indebtedness. In these regards, JCR Eurasia Rating has assigned the long-term foreign and local currency ratings of Croatia as “**BBB**” with “**Stable**” outlooks.

Strengths

- Rapid recovery in unemployment
- Better public finance results with declining gross debt and rising budget surplus
- Decreasing external indebtedness backed up by improved current account balance
- Continuing real GDP growth
- Stable monetary policy

Constraints

- Dependence on tourism as the main catalyst of economic growth
- Ongoing deficit in the trade balance of goods as opposed to the surplus in services
- Decrease in net inflow of foreign direct investment in 2018
- Lack of diversification in export markets